KBC Bank

Annual Report 2009

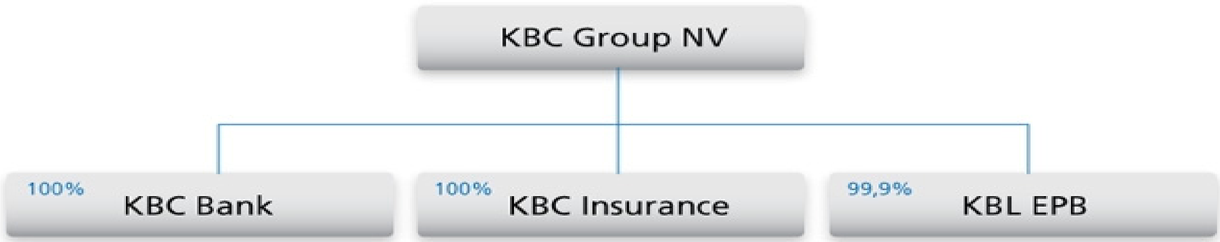
To the reader

Company name

Everywhere where mention is made of KBC, the group or KBC Bank in this annual report, the consolidated bank entity is meant, i.e. KBC Bank NV, including all its subsidiaries and sub-subsidiaries. Where KBC Bank NV is used, this refers solely to the non-consolidated entity. KBC Group or the KBC group refers to the parent company of KBC Bank. The information in the last section ('Company annual accounts') relates solely to the non-consolidated entity.

Difference between KBC Bank and KBC Group

The KBC group was created on 2 March 2005 through the merger of the KBC Bank and Insurance Holding Company and its parent company, Almanij. The schematic shows the group's legal structure, which has one single entity – KBC Group NV – in control of three underlying companies, viz. KBC Bank, KBC Insurance and KBL European Private Bankers (KBL EPB). All KBC Bank shares are owned (directly and indirectly) by KBC Group. A number of KBC Bank's debt instruments are exchange-listed.



Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this annual 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.

Management certification

'I, Luc Philips, Chief Financial Officer of the KBC group, certify that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the financial condition and results of the company, including its consolidated subsidiaries, and that the annual report provides a fair overview of the development and results of the company and the situation of the company, including its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which it is exposed.'

Glossary of ratios used

CAD ratio: [consolidated regulatory capital, KBC Bank] / [total risk-weighted volume, KBC Bank]. For detailed calculations, see the 'Value and risk management' section.

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

Cost/income ratio: [operating expenses] / [total income].

Credit cost ratio: [net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. For a definition of the loan portfolio, see the 'Value and risk management' section.

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

Tier-1 ratio: [consolidated tier-1 capital, KBC Bank] / [total risk-weighted volume, KBC Bank]. For detailed calculations, see the 'Value and risk management' section.

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KBC Bank profile

Area of operation and activities

KBC Bank is a multi-channel bank catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. Geographically, KBC focuses on Belgium and Central and Eastern Europe for its retail bancassurance and asset management activities, as well as for the provision of services to business customers, and occupies significant, even leading positions in these two home markets. Elsewhere around the globe, the group has established a presence in selected countries and regions.

Shareholders

Shareholders, 31-12-2009	Number of shares
KBC Group	915 228 481
KBC Insurance	1
Total	915 228 482

All shares carry voting rights. The shares are not listed.

Network and personnel

Network and personnel	
Bank branches, 31-12-2009	
Belgium	861
Central & Eastern Europe and Russia	1 381
Number of staff (2009 average in FTEs)	40 735

New strategy of KBC Group

At the end of 2009, KBC Group, the parent company of KBC Bank, unveiled a renewed strategic plan for the years ahead. This strategy aims to further transform our group into a more focused, regional European player with a lower risk profile, while still retaining past strengths, notably the unique and successful bancassurance concept and the extra engine of growth provided by our presence in Central and Eastern Europe.

The strategic plan formed the basis on which the European Commission decided whether KBC would be able to redeem the government-held securities within a reasonable timeframe. This is the standard procedure followed by all European financial institutions taking part in the economic stimulus plans implemented by EU Member States. The plan received European Commission approval at the end of November. For more information regarding the capital strengthening measures with the Belgian and Flemish Government, please refer to the annual report of KBC Group, chapter ‘Our strategy and management’, under caption ‘Overview of capital transactions with the government’.

The core business of the renewed KBC group continues to be the provision of bancassurance services to retail, SME and mid-cap customers in Belgium and a selection of countries in Central and Eastern Europe, more specifically Czech Republic, Slovakia, Hungary, Poland and Bulgaria. A number of activities will be run down, curtailed or sold in the coming years in order to further reduce the group’s risk profile and to enable itto pay back within a reasonable period of time the aid received from government. This is expected to result in an overall reduction of approximately 25% in the group’s risk-weighted assets. In addition to scaling down non-core activities, we will make a public offering of a minority stake in our Czech banking subsidiary. The plan also provides sufficient flexibility to cope with potential setbacks, such as worse-than-anticipated macroeconomic growth figures.

We will pursue organic growth in the years ahead, without embarking on any major acquisitions. Our aim is to achieve a tier-1 capital ratio for the group as a whole of at least 10% (under current Basel II rules). Targets will be set for each line of business, adjusted to the development phase in which it finds itself. Appropriate cost-control principles will also be applied consistently throughout the group. This should result in a cost/income ratio of between 50% and 55% as soon as reasonably normal economic conditions prevail again.

Financial calendar

Financial communication is organised at KBC group level. The General Meeting of Shareholders of KBC Bank is held on 28 April 2010. KBC Bank's annual report will be available on 9 April 2010.

Financial calendar KBC Group

2009 Financial year	Earnings release: 11 February 2010
	Publication of the embedded value in the life Insurance business: 31 March 2010
	Annual Report and Risk Report for 2009 available: 9 April 2010
	Corporate Social Responsibility Report (CSR report) for 2009 available: 22 April 2010
	AGM: 29 April 2010
1Q 2010	Earnings release: 12 May 2010
2Q 2010	Earnings release: 5 August 2010
3Q 2010	Earnings release: 10 November 2010
4Q 2010	Earnings release: 10 February 2011

For the most up-to-date version of the financial calendar, see the KBC website (www.kbc.com).

Long-term credit ratings

Long-term credit ratings, 31 December 2009

Fitch	A (stable outlook)
Moody's	Aa3 (negative outlook)
Standard & Poor's	A (stable outlook)

Main developments in 2009: in January 2009, Moody's lowered the rating by one notch • in March 2009, Standard & Poor's lowered the rating by one notch. In May, Fitch lowered the rating by one notch.

Key Financial figures

Key financial figures at group level, IFRS	2008	2009
Balance sheet, end of period (in millions of EUR)		
Total assets	318 550	281 613
Loans and advances to customers	156 163	152 301
Securities	71 880	71 528
Deposits from customers and debt certificates	190 153	188 504
Parent shareholders' equity	10 728	12 168
Income statement (in millions of EUR)		
Total income	4 349	3 907
Operating expenses	-4 411	-4 241
Impairment	-1 439	-2 400
Profit after tax, Group share	-1 521	-2 491
Solvency		
Tier 1-ratio KBC Bank (Basel II)	9,6%	10,9%
CAD-ratio KBC Bank (Basel II)	13,2%	14,4%

Review of the consolidated annual accounts

Overview of the consolidated income statement

Income statement, KBC Bank (consolidated, IFRS-compliant, in millions of EUR	2008	2009
Net interest income	4 020	4 920
Dividend income	131	80
Net (un)realised gains from financial instruments at fair value through profit or loss	-2 100	-3 126
Net realised gains from available-for-sale assets	-11	174
Net fee and commission income	1 769	1 545
Other net income	538	313
Total income	4 349	3 907
Operating expenses	-4 411	-4 241
Impairment	-1 439	-2 400
on loans and receivables	-760	-1 901
on available-for-sale assets	-613	-84
on goodwill	-19	-402
Share in the result of associated companies	2	-11
Profit before tax	-1 500	-2 745
Taxes	216	237
Net post-tax income from discontinued operations	0	0
Profit after tax	-1 283	-2 508
attributable to minority interests	238	-17
attributable to equity holders of the parent	-1 521	-2 491

Analysis of the income statement

Net interest income came to 4 920 million euros in 2009. If items such as the trading-related interest income are excluded and the interest income related to certain ALM hedging derivatives is included[1], underlying net interest income rose by 11% compared with the year-earlier figure. This came about mainly as a result of the net interest margin widening (from 1.67% to 1.82%) due – among other things – to healthier loan and deposit spreads in 2009 (including in Belgium where, for instance, the base rate applying to traditional savings deposits fell to 1%, down from its record level of 4% in the summer of 2008), and a shift towards deposit products with a higher margin for the group (including the shift from time deposit accounts to savings accounts). Generally speaking, both loan and deposit volumes fell by roughly 4% year-on year. The slight increase in Belgian retail credit (+3%) was cancelled out by a deliberate reduction in corporate lending in a number of Central European markets (-6%, primarily Russia and Hungary) and in the international loan portfolio (-7%), due to the strategic refocus on the home markets.

Net fee and commission income amounted to 1 545 million euros in 2009, down 13% on its 2008 level. On a quarterly basis, however, fee and commission income gradually began to rise again from the second quarter onwards, following an exceptionally weak first three months. This revival is attributable primarily to growth in fee and commission income from asset management activities, thanks to the gradual improvement of the investment climate and a shift towards products with a higher margin for the group. At the end of 2009, the group's total assets under management (investment funds and assets managed for private and institutional investors) came to approximately 158 billion euros, down slightly (3%) from a year earlier (with the net outflow being offset to a large extent by an increase in the price of the assets themselves). The vast majority of the assets relate to the Belgium Business Unit (146 billion euros), with the Central & Eastern Europe and Russia (CEER) Business Unit accounting for the remaining 12 billion euros.

Net (un)realised gains from financial instruments at fair value through profit or loss (trading and fair value income) came to a negative 3 126 million euros in 2009 and – like 2008 – were adversely affected by adjustments to the value of CDOs (including the fee paid to the Belgian Federal Government for the guarantee agreement relating to CDOs and the counterparty exposure to MBIA). If these and other exceptional items (such as the loss stemming from the discontinuation of certain derivative trading activities at KBC Financial Products, the positive overall effect of changes in the fair value of own debt instruments and the fair-

[1] In the IFRS figures, many of the ALM hedging instruments (i.e. those that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk) are regarded as trading instruments and, consequently, interest relating to these instruments appears under 'Net gains from financial instruments at fair value', whereas interest relating to the underlying assets appears under 'Net interest income'. Interest on the relevant ALM hedging instruments has, therefore, been moved to 'Net interest income' in the underlying results.
More information on the calculation of the underlying results can be found in the 'Consolidated annual accounts' section, under 'Notes on segment reporting'.
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value adjustments of ALM hedging instruments whose underlying is not reported at fair value under IFRS) are excluded from this trading income figure and all trading-related income recorded under IFRS in different other income items are included, underlying trading and fair value income amounted to 867 million euros in 2009, compared with 941 million euros a year earlier. This was attributable in part to the strong performance of money and capital-market activities, particularly in the dealing room in Brussels. More information on the portfolio of structured investments (CDOs and other asset backed securities) can be found in the KBC Group Risk Report, available at www.kbc.com.

At 80 million euros, dividend income was down about 51 million euros on the year-earlier figure, due to companies paying lower dividends and the group's equity portfolios being scaled down. Net realised gains from available-for-sale assets came to 174 million euros, a sharp increase on the negative 11 million euros recorded in 2008, thanks to the gradual recovery of the stock markets and the considerably higher gains realised on the sale of bonds. Other net income amounted to 313 million euros, compared with 538 million euros in 2008, which had been favourably affected in part by capital gains on the sale of the stake in the Prague Stock Exchange and a revaluation gain on the participating interest in NLB (Slovenia).

Operating expenses totalled 4 241 million euros in 2009, some 4% lower than the year-earlier figure. The reduction in costs was due mainly to lower variable employee remuneration, stringent cost control and a reduced workforce (down by some 7% in the space of a year), partly consequent on the run-down of certain merchant banking activities.

Impairment on loans (loan losses) amounted to 1 901 million euros in 2009, up 1 141 million euros on the 2008 figure, and clearly reflecting the deteriorating economic climate in the period under review. As a result, the credit cost ratio came to 112 basis points in 2009, compared with 62 basis points in 2008. The increase in loan losses was most marked in the CEER and Merchant Banking business units. In the Merchant Banking Business Unit, the increase (+0.5 billion euros) was due primarily to the loan portfolios outside the home markets and to US mortgage-backed securities (recorded as loans). This served to push up the credit cost ratio to 132 basis points. Loan losses in the CEER Business Unit also went up by 0.5 billion euros (proportionately, mainly in Poland and Russia). Loan losses in the Belgium Business Unit (the Belgian retail business) remained at the extremely low level of just 17 basis points. The proportion of non-performing loans in the total loan portfolio rose from 1.7% in 2008 to 3.3% in 2009. Although non-performing loans could still rise further in the early stages of economic recovery (given the lag effect), the group expects loan losses to remain manageable in 2010, as well.

Impairment on available-for-sale assets (84 million euros in 2009) includes value markdowns on shares and bonds in the investment portfolio. At 82 million euros, markdowns on shares accounted for most of this figure, but were markedly lower than in 2008 (290 million euros), a development that was clearly due to the recovery in share prices during the year under review. Markdowns on bonds fell from 323 million euros in 2008 (chiefly related to troubled US and Icelandic banks) to just under 1 million euros in 2009. Other impairment charges came to 416 million euros (67 million euros in 2008) and relate largely to value markdowns on goodwill in relation to certain subsidiaries (primarily in the CEER Business Unit, and more particularly the subsidiaries in Russia, Bulgaria and Slovakia).

The share in the result of associated companies came to a negative 11 million euros in 2009. Taxes amounted to a *positive* 237 million euros, a natural consequence of the *negative* pre-tax result.

The main changes to the scope of consolidation in 2009 are given in Note 36 of the 'Consolidated annual accounts' section. The overall impact on the net result of these changes and of the main fluctuations in exchange rates was limited to roughly +0.1 billion euros on a net result of -2.5 billion euros.

Analysis of the balance sheet and solvency

At the end of 2009, the consolidated balance sheet total of KBC Bank came to 282 billion euros, down 12% year-on-year.

As in 2008, loans and advances to customers (‘loans’, 146 billion euros at the end of 2009, not including the volume of reverse repurchase agreements) and securities (72 billion euros) were the main products on the asset side of the balance sheet. Loans were down 4% on the figure at year-end 2008, with the limited increase at the Belgium Business Unit (+3%) being offset by a decline at the CEER Business Unit (-6%, partly due to the deliberate reduction in Russia and Hungary) and the scaling back of the international loan portfolios in the Merchant Banking Business Unit (-7%) as per the new strategy. The main credit products were term loans (72 billion euros) and home loans (59 billion euros).

The group’s total deposits (excluding the volume of repurchase agreements) fell by 4% to 175 billion euros, with the increase at the CEER Business Unit (+4%) being cancelled out by a decline at the Belgium Business Unit (-6%) and the Merchant Banking Business Unit (-5%). The main products were time deposits (57 billion euros), demand deposits (40 billion euros) and savings deposits (39 billion euros, i.e. 10 billion euros more in the space of a year).

On 31 December 2009, the group’s total equity came to 13 billion euros. This figure includes parent shareholders’ equity (12.2 billion euros) and minority interests (0.8 billion euros).
On balance, KBC Bank’s total equity rose by 0.7 billion euros in 2009. The main items included in this figure were the capital increase carried out by KBC Group NV (+3.25 billion euros as a consequence of core-capital securities sold by KBC Group NV to the Flemish Regional Government*), the 0.8-billion-euro increase in unrealised gains and losses on available-for-sale assets, the negative annual result (-2.5 billion euros) and the change in minority interests (-0.8 billion euros**). As a result, the bank’s tier-1 ratio amounted to 10.9% at the end of 2009. For a detailed overview of changes in equity, see the ‘Consolidated statement of changes in equity’ in the ‘Consolidated annual accounts’ section.

* More information is provided under the 'Overview of capital transactions with the government' heading in the ‘Our strategy and management’ section of KBC’s 2009 annual report.
** The decline is attributable primarily to the reduction in issues of hybrid debt instruments consequent on the repurchase programme for a number of outstanding tier-1 securities

Main events

Main events in retail & private bancassurance in Belgium

Facts and figures, retail & private bancassurance in Belgium	2008	2009
Customers		
Customers (estimates, in millions)	3,5	3,5
Network		
Retail bank branches, KBC Bank and CBC Banque*	826	809
Private banking branches, KBC Bank and CBC Banque	26	26
Bank agencies, Centea	696	687
Assets under management		
Total assets under management (in billions of EUR)	151	146
Market share (estimates)		
Loans	22%	22%
Deposits	19%	19%
Investment funds	38%	39%
Cross-selling indicators		
Life Insurance sold via the bank channel	79%	79%
Non-life Insurance sold via the bank channel	17%	17%
E-payments indicators - Belgium		
Percentage of payment transactions via electronic channels	94%	94%
Number of KBC- and CBC-Matic ATMs	1 272	1 254
Number of cash withdrawals at KBC- and CBC-Matic ATMs per month, in millions	4,0	4,7
Active subscribers to KBC Internet and PC banking facilities	790 000	884 000
Customer satisfaction		
Percentage of customers surveyed who gave their KBC Bank branch a score of 'good' or 'very good' (min. 8/10)	70%	74%
Loan portfolio		
Amount granted (in billions of EUR)	62	66

* Excluding CBC's main branches (*succursales*), which offer services to both retail and corporate customers and which are covered in the section on merchant banking. Including branches catering for the social profit segment.

Successful bancassurance co-operation: a significant contributory factor to the robust return generated by this business unit

Despite the more difficult market conditions, KBC's retail bancassurance activities in Belgium generated a fine return once again in 2009. This marked the continuation of the series of good returns recorded in the last few years. The influence of KBC's unique bancassurance concept was a significant factor in this achievement. Intensive collaboration between KBC Bank branches and KBC Insurance agencies (of KBC Bank's sister company KBC Insurance) in so-called 'micro markets' enables the group to switch rapidly between banking, insurance and asset management products, account taken of changing customer preferences and market opportunities. KBC's bancassurance concept also stimulates intensive cross-selling. In 2009, for instance, almost 80% of mortgages were accompanied by the sale of a KBC home insurance policy. What's more, almost 80% of life insurance policies have been sold consistently by bank branches in recent years. Two-thirds of non-life insurance is sold by insurance agents and a growing proportion (over 17% in 2009) through bank branches. It goes without saying, therefore, that this unique concept of co-operation will remain at the centre of the group's new strategy (see below).

Lower rate of interest paid on deposit products in response to ECB rate cuts

The European Central Bank continued to trim its short-term interest rate in 2009, reducing it from 2.50% to 1% in a series of cuts. Since economic logic requires a commercial bank to reflect such changes in its own rates, KBC followed suit and reduced the interest rate payable on a number of deposit products, together with the rates applying to such products as mortgages. For instance, the base rate paid on traditional savings accounts held by private customers was reduced from 2.25% at the beginning of the year (and from as much as 4% in the summer of 2008) to 1% at the end of the year. Nevertheless, the volume of deposits in these savings accounts grew by no less than 33% to 39 billion euros at year-end 2009, due to a number of factors including what was still an uncertain financial and economic climate. Total deposits at the business unit fell by roughly 6% in 2009, with growth on savings accounts offset by a decline in time deposits.

Customer satisfaction still high

Customer satisfaction is crucial to successful cross-selling. KBC has regularly researched its customers' satisfaction with its bank branches and insurance agencies for some years now. The most recent survey relating to the bank branches (2009) confirms that customers generally remain highly satisfied (95% of customers are 'satisfied', with as many as 74% describing themselves as 'very satisfied', i.e. they gave the branch a score of eight or more out of ten). Panel discussions with customers indicate, moreover, that KBC's reputation among its customers has come through the financial crisis relatively unscathed, even though their confidence in the financial sector in general has declined. The majority of customers continue to view KBC as a 'warm and friendly bank', thanks chiefly to the personal approach adopted by branch staff. This privileged position was confirmed by KBC's second place in the 'Bank of the Year' contest organised by bankshopper. be and comparebanque.be, which asked respondents to indicate which bank they were generally most satisfied with KBC scores well not only with its customers, but with its staff too. In the most recent survey, the number of employees rating themselves as 'satisfied' or 'very satisfied' came to no less than 95%, a level that has remained largely constant in recent years. Moreover, KBC was nominated once again in 2009 as one of the 'Best Employers in Belgium' (by the Great Place To Work® Institute), and was also recognised as one of the ten most attractive companies in Flanders in a survey carried out by Vlerick Management School and the recruitment publication *Vacature*.

Market shares hold up

On a consolidated basis (i.e. including CBC Banque and Centea), KBC had a share of roughly 22% of the Belgian loan market and 19% of the deposit market at year-end 2009 (not including Centea – see below – the respective figures were 20% and 17%). The estimated share of sister company KBC Insurance of the life insurance market was 17% (calculated on the basis of outstanding life reserves) and the non-life insurance market 10% (calculated on the basis of premium income). When Fidea is excluded, the figures were just under 16% for life insurance and 8% for non-life insurance. Overall, these figures are roughly comparable with the year-earlier ones. What's more, the group captured an even bigger share of the market in investment funds. By increasing its share from 38% to 39% by the end of 2009, KBC remains the undisputed leader of this market in Belgium.

Most sustainable bank in Belgium

In December, KBC won *The New Economy*'s prize for 'Most Sustainable Bank in Belgium', honouring its achievements in the area of corporate social responsibility (see box).
The prize came at a crucial moment in the move towards embracing more environmentally friendly technology and creating a more sustainable financial sector. Sustainable
banking is increasingly recognised as an attitude that offers financial institutions an essential advantage and that helps banks and investment companies set themselves apart from their competitors.

The New Economy

Most Sustainable Bank in Belgium **award**

The New Economy's 2009 Sustainable Banking Awards recognise responsible leadership in sustainable finance and development, aim at rewarding banks and investment & asset management companies with a proven track record for operating with principle and integrity in sustainability and social responsibility.

New developments on the electronic bancassurance front

The KBC website and KBC-Online were both given an entirely new look and feel in 2009, as part of the ongoing improvement of the group's electronic service offering. The 'www.kbc.be' website now receives over 20 million visits from around two million unique visitors every month. Thousands of share and fund transactions are performed on it and hundreds of requests made in relation to loans, accounts, cards and insurance.
The corporate website (www.kbc.com), which was completely upgraded in 2008, has also been improved further. The site was ranked number one in 2009 in Hallvarsson & Halvarsson's comparison of corporate websites in Belgium, and was also recognised as 'Best Corporate Website in Belgium' by the Belgian Association of Financial Analysts.

Another series of new applications was added to KBC-Online, including the facility to display transactions going back up to ten years, which renders redundant the need for statements printed on paper. Together with Zoomit, which allows users to receive bills in electronic form and to pay them with a few clicks of the mouse, the facility promotes a more paper-free environment. The popularity of KBC's online bancassurance offering is reflected in the continuously rising number of users. At the end of 2009, KBC-Online, CBC-Online and Centea-Online had more than 884 000 active subscribers in total, 12% more than in the previous year.

The Belgium Business Unit and the group's renewed strategy

Given the success of KBC's bancassurance concept in the past, it will remain the cornerstone of our presence in Belgium. Under its renewed strategy, therefore, the group will continue to focus on offering a complete range of banking, insurance and asset management services, primarily through a close-knit and exclusive network of bank branches and insurance agencies. Moreover, the customer-centricity of these sales networks in Belgium will be further improved in a number of ways, including the introduction of extended opening hours and the more flexible deployment of employees at cluster branch level.

KBC has also used a number of complementary distribution channels up to now in Belgium, alongside its bancassurance platform. Differentiated products and services are offered to customers under a different brand name via networks of independent resellers, specifically Centea bank agents and independent brokers who sell Fidea insurance products. The KBC Group has decided to seek a buyer for these complementary sales networks in order to further strengthen its capital position and to facilitate repayment within the foreseeable future of the government aid it has received. The planned sale of the businesses in question will not undermine the strength of KBC's primary bancassurance distribution. Even after the sale of these companies, which is planned for 2010, KBC will still possess an extremely close-knit network in Flanders. Centea and Fidea represent a market share of around 1–2% for total loans, deposits and insurance in Belgium. Together, the two companies held roughly 5.6 billion euros' worth of risk-weighted assets at year-end 2009.

Main events in Central & Eastern Europe and Russia

Facts and figures, Central & Eastern Europe and Russia, 31-12-2009	Czech Republic	Slovakia	Hungary	Poland	Bulgaria	Serbia[3]	Russia
Network							
Main Group companies	ČSOB	ČSOB (inclusief Istrobanka)	K&H Bank,	Kredyt Bank	CIBANK	KBC Banka	Absolut Bank
Bank branches[1]	300	145	243	419	133	70	71
Customers							
Estimates, in millions	3.1[2]	0.4	0.9	1.0	0.3	0.1	0.2
Assets under management							
Total, in billions of EUR	5.6	1.0	2.4	2.7	–	–	–
Market share (estimate)							
Traditional bank products (loans and deposits)	23%	10%	9%	4%	3%	0.9%	0.5%
Investment funds	34%	13%	20%	5%	–	–	–
E-payment indicators							
Number of propietary ATMs	734	240	454	415	147	63	171
Active subscribers to Internet and PC banking facilities	511 000	100 000	128 000	356 000	4 000	7 000	9 000
Loan portfolio							
Amount granted, in billions of EUR	21.4	4.7	7.8	8.3	0.8	0.2	2.6

1 Corporate branches are counted separately, even if located in a retail branch..
2 Excluding the approximate 2 million customers of CMSS (joint venture).
3 KBC Banka in Serbia belongs to the affilated company KBC Insurance

Central and Eastern Europe and the financial crisis

2009 was a year of recession in Central and Eastern Europe (Poland excepted), as it was in Western Europe. Relatively large differences were,however, apparent within the region. If we look specifically at the countries in which KBC is present, real gross domestic product contracted by about 3.6% (weighted by the share of the respective countries in the group's risk-weighted assets), which is comparable with the European Union average and hence considerably better than the catastrophic levels predicted by some commentators.

Obviously, the KBC subsidiaries in the region were affected by the crisis, as illustrated primarily by a significant increase in loan losses (the credit cost ratio rose from 0.8% in 2008 to 2.1% in 2009), but once again there were sharp differences from one country to another (ranging from 1.12% for the Czech Republic to 6.15% for Russia).

Furthermore, KBC expects that Central and Eastern Europe will continue to function in the future as a growth engine for the group, as the region's economies progressively converge towards the Western European level. That makes a catch-up process likely in terms of not only gross domestic product per capita, but also the penetration of financial products. In view of these factors, combined with the influence of the revised strategy (see below), our group is still convinced that Central and Eastern Europe will make a very substantial contribution to profit in the future and that the region will remain crucially important to our new strategy (more details provided below).

Roughly stable share of loans and deposits market and strong position maintained in investment fund market

The recent difficult period had little impact on the market share of KBC's companies in the region. Overall, KBC's share of the loans and deposits market remained unchanged. What's more, for the second year running, the group was the largest fund manager in the region comprising the Czech Republic, Slovakia, Hungary and Poland. As in Belgium, the share of the market in investment funds is greater than that of the market in traditional deposit products. At year-end 2009, the share of the market in investment funds was estimated at more than 34% in the Czech Republic, at 13% in Slovakia, at 20% in Hungary, and at 5% in Poland. Assets under management in the region now total roughly 12 billion euros.

More prestigious international prizes for the group

As in 2008, various group companies won a range of prestigious international prizes. For instance, our Czech and Slovakian banking subsidiaries were named 'Best Foreign Exchange Provider' in their respective countries by *Global Finance*. The same magazine also awarded our companies the title of 'Best Trade Finance Provider' in Hungary and the Czech Republic. In Hungary, K&H Bank received third prize from the Hungarian Business Leaders Forum at the Business for Environment Awards, courtesy of its Green Branch initiative.

Only limited changes to network in Central and Eastern Europe

Unlike previous years, 2009 saw only a limited number of changes to KBC's presence in the region. On 1 July 2009, the legal merger between Istrobanka (acquired in mid-2008) and CSOB in Slovakia was finalised, with the new entity retaining the name CSOB. In mid-December 2009, KBC Bank acquired the participating interest that CSOB in the Czech Republic still held in its Slovakian sister bank. As a result, KBC Bank is now the sole owner of CSOB in Slovakia.
Sofina exercised its right under the shareholder agreement with KBC to sell its stake of around 5% in Kredyt Bank in Poland to KBC group companies, KBC Securities and KBL EPB (which sold it on to KBC Insurance). KBC Securities and KBL EPB will hold on to the new shares with a view to selling them to interested investors when the market is ready. KBC Bank will retain its direct interest of 80% in Kredyt Bank. In Bulgaria, KBC increased its shareholding in CIBANK from 77% to almost 82%. At the end of 2009, the group had around 1 400 bank branches in all the countries where it is present – on balance, more or less the same number as in 2008.

Focus on five countries in the region and divestment of the complementary sales channel in Poland

As part of its renewed strategy, KBC decided in November to concentrate its longer-term regional presence in the Czech Republic, Slovakia, Hungary, Poland and Bulgaria. In each of these markets (all of which are located in the European Union), KBC owns significant banking, insurance and asset management operations, giving it a platform for further sustainable organic growth.
The group's presence in other markets (Serbia and Russia) will be sold over time. With a market share of less than 1%, KBC's presence in Russia and Serbia is limited and strategic synergies are still in their infancy. Divestment will only begin in earnest, however, when the market conditions for it have improved. Until then, the companies in question will remain an integral part of the group and KBC will provide them with every possible support so that they can continue to grow. In 2009, KBC Banka and Absolut Bank held a total of roughly 2.4 billion euros in riskweighted assets. Lastly, the group also intends, as previously announced, to sell its non-strategic minority interest of 31% in Nova Ljubljanska banka (NLB) in Slovenia.
In various core geographic areas, KBC also employs complementary distribution channels in tandem with its core bancassurance platform. To further strengthen its capital base, the group has decided to discontinue sales of consumer finance in Poland via Zagiel's specialist model and hence to sell that company. The intention is for consumer finance activities in Poland to be grafted onto the existing bancassurance distribution model.

Public offering of minority stake in ČSOB

KBC intends to make a public offering of a minority interest in its Czech banking subsidiary ČSOB. Once again, the objective here is to release capital to facilitate repayment within a reasonable period of the government support provided to the group. If necessary, similar transactions might be set up in the future for some of our other Central and Eastern European subsidiaries.

Merchant Banking Business Unit

Facts and figures Merchant Banking Business Unit	2008	2009
Customers		
Corporate banking customers in Belgium (estimate)	20 000	20 000
Network		
Corporate branches in Belgium, including CBC Banque *succursales*	27	26
Bank branches in the rest of the world*, including representative offices	33	32
Assets under management		
Total (in billions of EUR)	0,04	0,02
Market share (estimate**)**		
Corporate lending (Belgium)	22%	22%
Loan portfolio		
Amount granted (in billions of EUR)	100	87

* Excluding Central and Eastern Europe, solely corporate branches of KBC Bank NV, KBC Bank Deutschland and KBC Bank Ireland.

Net profit strongly influenced by fluctuations in the value of structured products and by unwinding losses related to the scaling down of structured derivatives

As in 2008, profit at this business unit was considerably influenced by value adjustments relating to the structured products portfolio – attributable in part to the sharp increase in counterparty exposure to monocline insurer MBIA (following the announcement of its restructuring plans) – and resulted in the group having to recognise a sizeable loss for the first quarter. At the same time, the potential for the portfolio of structured products to have any further negative impact was substantially mitigated by the guarantee agreement concluded with the Belgian Federal Government (see Annual Report of KBC Group 2009 'Overview of capital transactions with the government' in the 'Our strategy and management' section), for which a fee also had to be recognised. Additionally, more than 1 billion euros in unwinding losses was also reported in 2009 as a result of the structured derivatives position at KBC Financial Products being scaled down. Since both the unwinding losses and most of the CDO impact – including the fee paid to the government – related to the Merchant Banking Business Unit.

Strong position on Belgian market for business credit, reduction in international loan portfolios and robust performance by dealing rooms

Despite the ongoing run-down of the group's international loan portfolios (see below), the corporate banking business generated strong net interest income, attributable mainly to the favourable trend in interest margins. Moreover, loan losses in Belgium were again generally limited, while market share remained more or less the same as in 2008. However, significant provisions had to be set aside for international corporate banking operations and for such niche activities as finance for the diamond trade and leasing. Provisions were particularly high for Ireland, where the severe effect of the economic crisis on the local housing market was reflected in mounting loan losses in the mortgage portfolio. In terms of market activities, both the Belgian and international dealing rooms, and the securities activities continued at KBC Financial Products, posted strong trading results. However – as already stated – significant unwinding losses had to be recorded for running down the structured derivatives portfolio held by KBC Financial Products. Despite the general crisis and uncertainty on the financial markets, the commission-generating broker and corporate finance activities performed in line with expectations. KBC Securities picked up two awards from Euronext Brussels, viz. '1st Trading House Small & Mid Caps' (awarded to the brokerage trading the largest volume in this segment) and '1st IPO House Euronext' (for the most active player in the IPO market).

Merchant banking activities refocused on home market customers

As part of its new strategy, KBC has decided to focus its merchant banking operations on activities related to customers from its home markets in Belgium and Central and Eastern Europe.
These customers will receive a comprehensive service offering, ranging from corporate banking (loans, cash management, payments, trade finance, leasing, etc.) to treasury and capital market activities, securities broking, corporate finance and so on.

Obviously, the refocusing exercise also implies a substantial scaling down of activities not linked to the home markets. This will affect primarily the business credit portfolio outside Belgium and Central and Eastern Europe, and the specialised capital market activities (primarily at KBC Financial Products).
The group's international business credit portfolio is invested mainly in Western Europe (excluding Belgium), the US and Southeast Asia. A high proportion of this lending is to purely local foreign corporate customers or to specific areas of activity, such as global project finance, for which there is no natural link with KBC's customer base in its core markets. Loans of this kind will be terminated when they mature or, if possible, sold before then. The international portfolio also includes an Irish loan book worth 18 billion euros, including 13 billion euros in local home loans. Although Ireland does not belong to the group's core geographic territory, no strategic decision has yet been taken regarding the activities of KBC Bank Ireland, given the current difficult economic climate in that country.
As far as specialised capital market activities are concerned, the scaling down of derivatives-based structured products at KBC Financial Products (structured credit, credit derivatives, fund derivatives, equity derivatives, life insurance settlement, US reverse mortgages and alternative investment management) had already begun by the end of 2009. All these activities will be run down gradually over a number of years. Several other international capital market activities that do not fit in with the strategy (such as corporate finance and stockbroking outside the home markets) will also be considered for divestment in the years ahead. Through KBC Securities, KBC will, at any rate, retain its important position in the securities markets in Belgium and Central and Eastern Europe, with a complete set of capabilities to give domestic corporate customers access to the capital markets and capital market products.
Running down these activities will, in due course, considerably reduce the risk-weighted assets at this business unit. The corporate and market activities to be discontinued represent some 23 billion euros' worth of risk-weighted assets (position at the beginning of 2009). Around 16 billion euros of this relates to the scaling down of the international loan portfolio and 6 billion euros to the run-down of investment banking activities (including those at KBC Financial Products).

Main developments in corporate social responsibility

Corporate social responsibility (CSR) refers to a set of policies and guidelines that a company should abide by in order to enable it to operate as a responsible actor within society as a whole.

CSR is a long-term process which requires ongoing adaptation of and improvement in the way a company conducts its business, not only for the purpose of making a financial profit, but in response to the increasing demands for transparency and accountability placed on the company by its stakeholders (employees, customers, shareholders, suppliers, etc.) and by society as a whole.
Indeed, CSR should be embedded in the various areas relating to the financial and non-financial activities of a bank, such as lending, investment, the environment, social policy (in terms of human rights and HR policy), corporate governance, business ethics and relations with customers, suppliers and other stakeholders.

KBC has incorporated all of these areas into a clear internal CSR policy framework, which is translated into a number of specific guidelines and commitments.

As a modern and international financial group, KBC fosters awareness of CSR and encourages relevant initiatives in all the countries in which it operates. Moreover, KBC's vision and achievements in the area of CSR are published separately in an annual Corporate Social Responsibility Report (CSR Report). This report provides group-wide information on CSR – including quantitative data on KBC staff and the group's ecological footprint – and is available at www.kbc.com.

Value and risk management in 2009

At KBC Group, a group-wide approach is taken to value and risk management, implying that the value and risk management of KBC Bank, as a subsidiary of KBC Group, is encompassed by this approach and inextricably linked to the value and risk management of other subsidiaries (such as KBC Bank and KBL EPB). The section below focuses on the risk management of the bank activities.

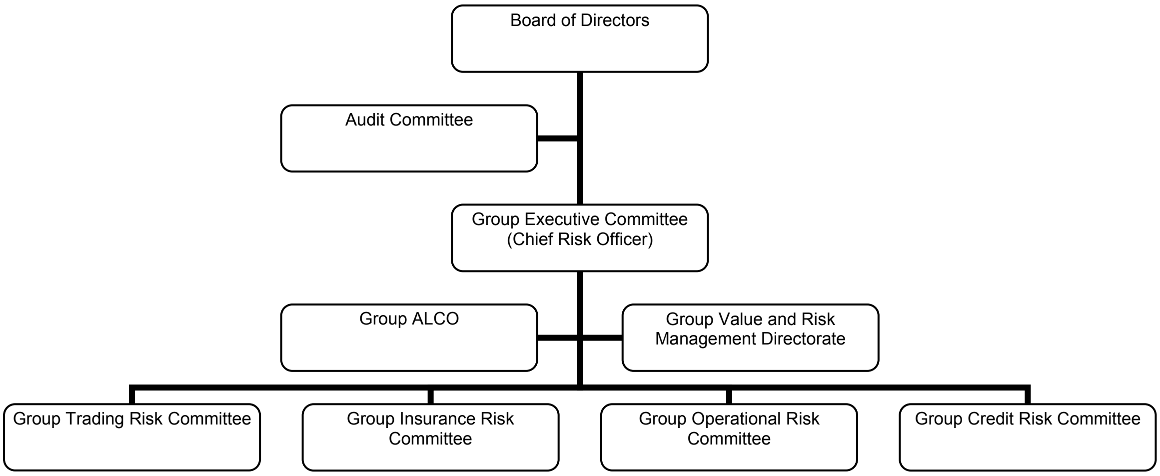
The information in this section has been audited by the statutory auditor only where required under IFRS, viz.:

- the entire 'Risk governance' section;
- parts of the 'Credit risk' section, namely the introduction, 'Managing credit risk', the 'Loan and investment portfolio, banking' table (audited parts are indicated in the footnote to the table), the 'Other credit exposure' table;
- parts of the 'Market risk in non-trading activities' section, namely the introduction, 'Managing market risk in non-trading activities', 'Interest rate risk' (except for the 'Impact of a parallel 1% increase in the yield curve for the KBC bank') and 'Foreign exchange risk';
- the entire 'Liquidity risk' section;
- the entire 'Market risk in trading activities' section;
- parts of the 'Solvency and economic capital' section,namely the introduction, 'Managing solvency', the tables in Solvency (audited parts are indicated in the footnote to the table), 'Economic capital' (except for the table).

Risk governance in KBC Group

At KBC, the essential characteristics of value and risk management are as follows:

- Value, risk and capital management are inextricably linked to one another. Every company's aim is to create value. To achieve this aim, decisions are taken and activities developed, even though there is no certainty as to where they will lead. To ensure its own continuity, a company must have adequate capital to be able to deal with any unforeseen consequences of adverse developments.
- Risk management is approached from a comprehensive, group-wide angle, taking into account all the risks a company is exposed to and all the activities it engages in.
- Primary responsibility for value and risk management lies with line management, while a separate Group Value and Risk Management Directorate, operating independently of line management, performs an advisory, supporting and supervisory role.
- The group's risk governance model is also, where relevant, duplicated at the level of the business units and subsidiaries.



KBC's risk governance model defines the responsibilities and tasks required to manage value creation and all the associated risks.
The governance model is organised in different tiers:

- *The Board of Directors (assisted by the Audit Committee), the Group Executive Committee* and *the Group Asset/Liability Management Committee (ALCO)*. These committees concentrate on global risk management and on monitoring value creation and capital adequacy for the entire group. Regular reporting to the Audit Committee ensures that there is an ample flow of information to the relevant members of the Board of Directors. Each year, the full board sets the risk tolerance limits. The Group Executive Committee is responsible for the implementation of the value, risk and capital management strategy defined by the Board of Directors and outlines the structure of such management. The Chief Risk Officer (CRO), a member of the Group Executive Committee, supervises risk management (in 2009, KBC split the position of Chief Finance and Risk Officer (CFRO) into two separate positions, viz. Chief Risk Officer and Chief Finance Officer). The Group ALCO defines the strategic investment and funding mixes and also monitors the relevant risk exposure. Tactical investment decisions are entrusted to an investment committee.
- *Specialised group risk committees.* These committees concentrate on developing a group-wide framework for one particular type of risk or cluster of activities and monitor the associated risk management process. Chaired by the CRO, the risk committees are composed of representatives from line management and the Group Value and Risk Management Directorate. The various group committees are shown in the schematic. Depending on the materiality of specific risk types, local risk committees and local value and risk management units have been put in place at a lower level (e.g., business unit, country and subsidiary), to roll out the risk management framework.
- The Group Model Committee (GMC) uses reports drawn up by independent validation units to decide on the validity of quantitative and operational risk aspects (such as model usage, monitoring activities, etc.) of all the risk models developed and/or used within the group.
- The Group Internal Audit division is responsible for audit planning and thus audits the compliance of the risk management framework with legal and regulatory requirements, the efficiency and the effectiveness of the risk management system and its compliance with the risk management framework, as well as the way in which line management handles risks outside this formal framework.
- Line management has primary responsibility for value and risk management. It ensures that the risk management framework relating to the business is embedded in the business through policies and procedures. It is also entrusted with the task of developing transactional models.

- The Group Value and Risk Management Directorate measures risks, economic capital and value creation for all business entities and reports its findings to line management. It is also responsible for developing portfolio models, as well as for validating all models (both transactional and portfolio models). In this respect, there is a clear segregation of responsibilities within this directorate, as *validating staff* is different from *modelling staff.*

In the wake of the major financial crisis, the KBC group set up a programme to analyse and further improve the readiness of the group to deal with major economic events in the future. This resulted in the launch of a full-scale programme aimed at creating a new comprehensive, integrated model that aligns all dimensions of risk, capital and value management.

This model is characterised primarily by:
- risk-oriented business people, who have the awareness and skill to make the right risk-return trade-offs and who act as the first line of defence for conducting sound risk management in the group.
- an integrated, Executive-Committee-centred architecture that links risk appetite, strategy and performance goal setting via capital allocation to limits and targets. Along with a consequential monitoring process, this creates the parameters for the business to take risks autonomously within the overall strategic choices of the group.
- a single, independent, group-wide risk function that comprises the group CRO, local CROs, group and local risk functions and the risk committees.

The programme is organised around 12 action points, most of which were or will be dealt with in 2009 and 2010. The implementation of organisational changes to the risk function and the risk committees is expected to be finalised by the end of 2010. The full roll-out of the principles and philosophy of the new risk, capital and value management model throughout the KBC group will most likely take until the end of 2012.

Credit risk

Credit risk is the potential negative deviation from the expected value of a financial instrument consequent on non-payment or non-performance by a borrower (of a loan), an issuer (of a debt instrument), a guarantor or re-insurer, or a counterparty (to a professional transaction), due to that party's insolvency or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country.

Managing credit risk

Credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that there are sound procedures, processes and applications (systems, tools) in place to identify and measure the risks before and after accepting individual credit exposures. Limits are set to determine the maximum credit exposure allowed. Managing the risk at portfolio level encompasses inter alia periodic measuring of and reporting on risk embedded in the consolidated loan and investment portfolios, monitoring limit discipline, conducting stress tests under different scenarios, taking risk mitigating measures and optimising the overall credit risk profile.

CREDIT RISK MANAGEMENT AT TRANSACTIONAL LEVEL

Acceptance. Sound acceptance policies and procedures are in place for all kinds of credit risk exposure. The description here is limited to exposures related to traditional business loans and to lending to individuals, as these account for the largest part of the group's credit risk exposure.

As regards lending to businesses, unless a small amount or a low risk is involved, a proposal submitted by a commercial entity is accompanied by a recommendation made by a loan adviser. In principle, significant decisions are then taken jointly by two or more managers. The level at which decisions should be taken is determined by matrices that take account of such parameters as the group risk total (the total risk run by the entire KBC group vis-a-vis the group the counterparty belongs to), the risk class (determined primarily on the basis of internally developed rating models) and the type of counterparty (financial institutions, sovereign entities, companies, etc.).

Lending to individuals (e.g., mortgages) is subject to a standardised process, during which the output of scoring models plays an important role in the acceptance procedure. Credit to individuals is generally granted in the local currency, except in some Central and Eastern European countries and Russia, where credit in foreign currency is often provided on account of the significant gap between interest rates in the local currency and interest rates in other currencies. In recent years, there has been a growing awareness of the inherent risk stemming from fluctuations in exchange rates, resulting in a very cautious approach being adopted towards this particular type of lending. Since then, the level of foreign currency lending has been tempered significantly.

Supervision and monitoring. For most types of credit risk exposure, monitoring is determined primarily by the risk class, with a distinction being made based on the Probability of Default (PD) and the Loss Given Default (LGD). The latter reflects the estimated loss that would be incurred if an obligor defaults, the likelihood of which is estimated as the PD.
In order to determine the risk class, KBC has developed various rating models for measuring how creditworthy borrowers are and to estimate the expected loss of various types of transactions. A number of uniform models are used throughout the group (models for governments, banks, large companies, project finance, etc.), while others have been designed for specific geographic markets (SMEs, private individuals, etc.). The same internal rating scale is used throughout the group. The output generated by these models is used to split the normal loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. A defaulted obligor is assigned an internal rating ranging from PD 10 to PD 12. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. Class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), yet are still performing and do not meet the criteria for classification as PD 11 or PD 12. For the larger loans, an overview of all obligors in default is submitted to the Group Executive Committee every quarter.

Loans to large corporations are reviewed at least once a year, with the internal rating being updated, as a minimum. Failure to update the rating in good time is penalised by a temporary increase in the rating class, which in turn raises the amount of regulatory capital required.Reviews of loans to small and medium-sized enterprises are based primarily on risk signals (such as a significant change in the risk class). Loans to individuals are screened periodically at aggregate level for review purposes.
Credit decisions are also monitored, with a member of a credit committee checking decisions taken at the decision level immediately below to see if they are consistent with the lending policy.

Impairment. For credit granted to borrowers in PD classes 10, 11 and 12 (impaired loans), KBC records impairment losses based on an estimate of the net present value of the recoverable amount. In addition, for credit in PD classes 1 to 9, impairment losses are recorded on a 'portfolio basis', using a formula based on the IRB Advanced models used internally (or an alternative method if an IRB Advanced model is not yet available).

In order to avoid a situation where an obligor facing financial difficulties ends up defaulting, a decision can be taken to renegotiate its loans. Renegotiation may involve changing the contractual repayment schedule, lowering or postponing interest or fee payments, or some other appropriate measure. In early 2009, KBC adopted a new policy for such renegotiations and its method for evaluating the risk and hence the classification of the obligor. If a renegotiation stems from a deterioration in the obligor's financial situation and the payment terms are altered, a PD class 9 or higher will be assigned. In cases where renegotiation includes a (full or partial) chargeoff of the financial asset, a PD class of at least 10 will be assigned. For the retail portfolio, the assigned PD class is determined on the basis of the behavioural score. In such cases, the resulting PD may be lower than 9. After renegotiation, the obligor's situation will be re-assessed one year later (in principle) and the obligor can return to a better class than PD 9 if the assessment turns out to be positive. In this case, the obligor is no longer considered as being in 'renegotiated status'.

Renegotiated loans avoiding impairment (as a % of the total portfolio of renegotiated loans)	31-12-2009
Belgium Business Unit	16.0%
CEER Business Unit	30.6%
Czech Republic	2.7%
Slovakia	2.7%
Hungary	9.6%
Poland	1.0%
Russia	7.3%
Bulgaria	7.2%
Merchant Banking Business Unit	53.5%
Total	100.0%

CREDIT RISK MANAGEMENT AT PORTFOLIO LEVEL

Monitoring is also conducted on a portfolio basis, inter alia by means of quarterly reports on the consolidated credit portfolio in order to ensure that lending policy and limits are being respected. The largest risk concentrations are, in addition, monitored via periodic and ad hoc reports. Limits are in place at borrower/guarantor, issuer or counterparty level, at sector level and for specific activities or geographic areas. The scope of monitoring in terms of name concentration has been widened over the past few years. In addition to lending, it now also covers investments and derivatives. Moreover, stress tests are performed on certain types of credit (for instance, mortgages, loans provided to specific business sectors), as well as on the full scope of credit risk.
As part of the credit function, the portfolio management desk actively manages and monitors the loan portfolio. Using a model, this unit pinpoints risk concentrations and enhances the diversification of the loan portfolio.

Whereas some limits are still in notional terms, concepts such as 'expected loss' and 'loss given default' are being used as well. Together with the 'probability of default', these concepts form the building blocks for calculating the regulatory capital requirements for credit risk, as KBC has opted to use the Basel II Internal Rating Based (IRB) Approach

The switch to the Basel II IRB approach is taking place in stages, with KBC Bank NV and most of its main subsidiaries having already switched over to the IRB Foundation approach in 2007. A number of other material group companies (such as K&H Bank and Kredyt Bank) switched to the Basel II standardised approach in 2008 and will adopt the IRB Foundation approach in 2011 (subject to regulatory approval). The non-material entities of the KBC group adopted the Basel II standardised approach in 2008 and will continue to implement it. Further moves to adopt the IRB Advanced approach are envisaged, starting in 2011.

Overview of credit risk exposure

The main source of credit risk is the loan and investment portfolio. This portfolio is the result of what can be considered as pure, traditional lending activities. It includes all (committed and uncommitted) working capital credit lines, investment credit, guarantee credit, credit derivatives (protection sold) and non-government debt securities in the investment books of the group's banking entities. Besides this particular aspect, credit risk arises in other bank activities. Trading activities, for instance, result in exposure to issuer risk, while interprofessional transactions (deposits with professional counterparties and derivatives trading) carry counterparty risk. International trade finance is also a source of credit risk, entailing short-term exposure to financial institutions. Lastly, government bonds in the investment portfolio, mainly held for ALM and liquidity reasons, carry some credit risk, as well.

The loan and investment portfolio differs significantly from ‘Loans and advances to customers’ in the ‘Consolidated annual accounts’ section, Note 14 (this item, for instance, does not include loans and advances to banks, guarantee credit and credit derivatives, the undrawn portion of credit or corporate and bank bonds, but does include repurchase transactions with non-banks). The loan and investment portfolio is broken down according to different criteria in the table.

Loan and investment portfolio, banking	31-12-2008	31-12-2009
Total loan portfolio (in billions of EUR)		
Amount granted	213.1	198.1
Amount outstanding	174.2	163.2
Loan portfolio breakdown by business unit (as a % of the portfolio of credit granted)		
Belgium	29%	33%
CEER	24%	23%
Merchantbanking	47%	44%
Total	100%	100%
Loan portfolio breakdown by credit type (as a % of the portfolio of credit granted)		
Loans and guarantee credit	94%	95%
Corporate and bank bonds	6%	5%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit granted)[1]		
Private individuals	31%	34%
Financial and insurance services	11%	9%
Governments	4%	3%
Corporates	55%	54%
Non-financial services	10%	10%
Retail and wholesale trade	8%	8%
Real estate	7%	7%
Construction	4%	4%
Electricity	2%	3%
Food industry	3%	2%
Car	2%	2%
Agriculture, stock farming and fishing	2%	2%
Chemistry	2%	2%
Other[2]	13%	14%
Total	100%	100%
Loan portfolio breakdown by risk class (part of the portfolio[1], as a % of the portfolio of credit granted)[3]		
PD 1 (lowest risk, default probability ranging from 0.00% to 0.10%)	24%	22%
PD 2 (0.10% – 0.20%)	16%	12%
PD 3 (0.20% – 0.40%)	14%	17%
PD 4 (0.40% – 0.80%)	18%	16%
PD 5 (0.80% – 1.60%)	13%	14%
PD 6 (1.60% – 3.20%)	7%	9%
PD 7 (3.20% – 6.40%)	4%	5%
PD 8 (6.40% – 12.80%)	2%	2%
PD 9 (highest risk, 12.80% – 100.00%)	1%	3%
Total	100%	100%
Impaired loans[2] (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans	4 821	8 732
Specific impairment	2 559	3 696
Portfolio-based impairment	262	323
Credit cost ratio		
Belgium, retail and private banking	0.09%	0.17%
CEER Business Unit	0.81%	2.12%
Czech Republic	0.57%	1.12%
Slovakiae	0.82%	1.56%
Hungary	0.41%	2.01%
Poland	0.95%	2.59%
Russia	2.40%	6.15%
Bulgaria	1.49%	2.22%
Merchant Banking Business Unit	0.90%	1.32%
Total	0.62%	1.12%

Table continued on next page

Non-performing (NP) loans (PD 11 + 12; in millions of EUR or %)		
Amount outstanding	3 044	5 427
Specific impairment for non-performing loans	1 781	2 657
Non-performing ratio		
Belgium, retail and private banking	1.7%	1.7%
CEER	2.1%	4.7%
Merchant Banking (excluding CEER)	1.6%	4.0%
Total	1.7%	3.3%
Cover ratio		
[Specific impairment for non-performing loans]/[outstanding non-performing loans]		
Total	59%	49%
Total excluding mortgage loans	-	59%
[Specific and portfolio-based impairment for performing and non-performing loans]/[outstanding non-performing loans]		
Total	93%	74%
Total excluding mortgage loans	-	89%

For a definition of the above ratios, see the 'Glossary of ratios used'.

1 Figures reviewed by the statutory auditor.

2 Individual sector shares not exceeding 2%.

3 Since some parts of the portfolio have not yet been broken down by risk class (in particular, the loan portfolio of Absolut Bank), they have been excluded.

4 Internal rating scale.

5 Figures differ from the figures appearing in the 'Consolidated annual accounts' section, due to differences in scope.

Besides the credit risks in the loan and investment portfolio, credit risks arise in other bank activities. The main sources of other credit risk are:

Short-term commercial transactions. This activity involves export or import finance and only entails exposure to financial institutions. It includes documentary credit, pre-export and post-import finance and related transactions with a term to maturity of no more than two years. Despite the relatively high proportion of non-investment-grade banks in this exposure (roughly 27%), losses are very low in historical terms, particularly for documentary credit. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries.

Trading book securities. These securities carry an issuer risk (potential loss on default by the issuer). At KBC Financial Products (KBC FP), issuer risk is measured on the basis of the estimated loss given default by the issuer, based on the prevailing market value less the amount expected to be recovered depending on the type of issue (guaranteed or not). Only issuer risk arising with net long positions is taken into account at KBC FP, meaning that issuers in respect of which a short position exists on balance are not accounted for in credit risk reporting. The issuer risk exposure of other entities (aside from KBC FP) is measured on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category. The exposure to assetbacked securities and collateralised debt obligations in the trading book is not included in the figures shown in the table (see the 'Overview of structured credit exposure' section).

Interprofessional transactions (deposits with professional counterparties and derivatives trading). These transactions result in counterparty risk. The amounts shown in the table are the group's pre-settlement risks, measured as the sum of the (positive) current replacement value ('markto-market' value) of a transaction and the applicable add-on, determined according to the current exposure method under Basel II. Deposits account for slightly less than 15% of the total amount. The bulk of the deposits are due from banks with an investment-grade rating. Risks are curtailed by setting limits (separate limits for both pre-settlement and settlement risk) per counterparty. Close-out netting and collateral techniques are also used. Financial collateral is only taken into account if the assets concerned are considered eligible risk-mitigants for regulatory capital calculations (Basel II). This implies, among other things, that legal comfort must have been obtained regarding the ownership of the collateral for all relevant jurisdictions.

Government securities in the investment portfolio. Exposure to governments is measured in terms of book value and is accounted for mainly by EU states (particularly Belgium), which pose a relatively minimal credit risk. Limits are also set by the Group ALCO for this type of credit exposure, especially for governments with a lower than 'AA' internal rating.

Other credit exposure (in billions of EUR)	31-12-2008	31-12-2009
Short-term commercial transactions	2.3	2.0
Issuer risk[1]	2.9	0.7
KBC Financial Products	0.2	0.1
Other entities	2.8	0.6
Counterparty risk in interprofessional transactions[2]	22.1	17.5
Government bonds in the investment portfolio	37.5	44.3

1 Excluding OECD government bonds.
2 After deduction of collateral received and netting benefits.

Overview of structured credit exposure

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 diversify risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held and was not using for lending purposes.

Structured credit exposure (CDOs and other ABS), 31-12-2009, KBC Group (KBC Bank, KBC Insurance and KBL EPB) (in billions of EUR, pre-tax)	Hedged CDO-linked exposure (insured by credit insurers)	Unhedged CDO exposure	Other ABS
Total nominal amount	14.8	9.8	5.2
Initial write-downs on equity and junior CDO pieces	-	-0.8	-
Subsequent cumulative value adjustments	-1.4	-4.1	-1.3

Further explanations are provided in the following paragraphs. More detailed information on KBC's investments in structured credit products and on KBC's involvement in securitisation activities can be found in KBC's Risk Report, which is available at www.kbc.com.

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 Lloyds TSB (the UK bank), 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 in the market value of the underlying swap, combined with the higher counterparty risk, resulted in significant additional negative value adjustments at KBC. 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).
In December 2009, KBC wound down the CDO exposure hedged by the swap contract with Lloyds TSB (notional amount of 1.58 billion euros), and the hedge contract was duly cancelled.

Hedged CDO-linked exposure (insurance for CDO-linked risks received from credit insurers), 31-12-2009,
KBC Group((KBC Bank, KBC Insurance and KBL EPB)
in billions of EUR

Total insured amount (notional amount of super senior swaps)	
- MBIA	14.4
- Channel	0.4
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)	1.9
- Credit value adjustment for counterparty risk, MBIA	-1.4
(as a % of fair value of insurance coverage received[2])	70%

1 The 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.

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 group has already made significant negative value adjustments to date. It should be noted that their remaining risk is mitigated, as the unhedged super senior CDO tranches are fully included under the Guarantee Agreement concluded with the Belgian State (see further).
It should also be noted that value adjustments to KBC group'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 group'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 group 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 – see the 'cumulative impairments on other ABS' heading in the table below (such impairments clearly have an impact on P/L).

Unhedged CDO exposure and other ABS, 31-12-2009, KBC Group((KBC Bank, KBC Insurance and KBL EPB) in billions of EUR	Niet-afgedekt CDO-risico	Andere ABS'en
Total nominal amount	9.8	5.2
Initial write-downs on equity and junior CDO pieces	-0.8	-
Total nominal amount, net of provisions for equity and junior pieces	9.0	5.2
- super senior tranches (included under Guarantee Agreement with Belgian State)	5.5	-
- non-super senior tranches	3.5	-
Cumulative value adjustments	-4.1	-1.3
Of which: cumulative impairments on other ABS	-	-0.5

Details of the underlying assets of the CDOs and ABS

Details of the underlying assets of the CDOs and ABS can be found in the Risk Report, where the nominal value of the hedged CDO exposure, the unhedged CDO exposure (net of initial write-downs of junior and equity CDO pieces) and the ABS in portfolio are broken down according to the nature and rating of the underlying assets..

Guarantee agreement relating to CDO and MBIA-related risk

On 14 May 2009, KBC Group signed an agreement with the Belgian State to protect a large part of KBC's group structured credit exposure. The plan relates to a notional amount of 20 billion euros, comprising the notional value of 5.5 billion euros for unhedged super senior CDO investments and 14.4 billion euros for counterparty risk on MBIA.

Against payment of a fee, KBC group has bought a guarantee from the State covering 90% of the default risk beyond a set first loss. The transaction is basically structured as follows:
- a first tranche of 3.2 billion euros: all credit losses actually incurred to be borne by KBC group;
- a second tranche of 2 billion euros: credit losses to be borne by KBC group. KBC group has an option to ask the Belgian State to subscribe to new KBC group shares at market value, for an amount equalling 90% of the loss in this tranche (10% risk retained by KBC);
- a third tranche of 14.8 billion euros: 90% of any credit losses to be compensated by the State in cash (10% loss retained by KBC group).

Of this guarantee 3 billion euro relates to Assurisk (subsidiary of KBC Insurance).

Market risk in non-trading activities

The process of managing KBC's structural exposure to market risks (including interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk) is also known as Asset/Liability Management (ALM).

Structural exposure' encompasses all exposure inherent in the commercial activity of KBC or the long-term positions. Trading activities are consequently not included. Structural exposure can also be described as a combination of:

- mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via lending, among other things);
- the risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity;
- the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

Managing market risk in non-trading activities

The main purpose of ALM is to optimise the risk/return profile of the group, subject to the risk tolerance limits set by the Board of Directors. The Group ALCO is responsible for establishing a group-wide framework for identifying, measuring and overseeing ALM activities and for taking strategic investment decisions for the entire group. At the subsidiaries outside the euro area, local ALCOs have been set up.

A team in the Group Value and Risk Management Directorate provides support to the Group ALCO and helps to develop ALM. Similar teams exist at the subsidiaries outside the euro area.

The ALM strategy is co-ordinated by a central investment function and implemented locally by front-office units.

The main building blocks of KBC's ALM framework are:

- a focus on 'economic value' as the cornerstone of ALM policy, with attention also being paid to criteria such as income, solvency and liquidity;
- the use of a uniform ALM measurement methodology for banking and insurance activities based on 'fair value models' that forecast the behaviour of the value of a product group under different market scenarios and that are translated into replicating portfolios (combinations of market instruments that allow the relevant product groups to be hedged with the lowest risk);
- the use of a Value-at-Risk (VAR) measurement method for the various categories of risk throughout the group for risk budgeting and limitsetting purposes. This VAR measures the maximum loss that might be sustained over a one-year time horizon with a certain confidence level as a result of movements in interest rates and other fluctuations in market risk factors. Some risk parameters (i.e. inflation estimates and real-estate-risk estimates, correlations linked to these risk categories) are based on expert opinion;
- the definition of an ALM VAR limit at group level and the breakdown of this limit into various types of risk and entities;
- the use of VAR, which is calculated using fair value models for nonmaturing products, taking into account different embedded options and guarantees in the portfolio;
- VAR is supplemented by other risk measurement methods such as Basis-Point-Value (BPV), notional amounts, etc.

KBC bank non-trading market risk, by risk category (VAR 99%, 1-year time horizon, marginal contribution of various risk types to VAR)[1] (in billions of EUR)	31-12-2008	31-12-2009
Interest rate risk	1.57	0.77
Equity risk	0.18	0.23
Real estate risk	0.03	0.05
Other risks[2]	-0.03	-0.03
Total diversified VAR (Bank)	1.75	1.02

1 Excluding a number of small group companies.
2 Foreign exchange risk, inflation risk, etc., …

Interest rate risk

Two main techniques are used to measure interest rate risks: BPV and VAR (see above). The BPV measures the extent to which the value of the portfolio would change 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). BPV limits are set in such a way that interest rate positions combined with the other structural exposures (equity, real estate, etc.) remain within the overall VAR limits. Other techniques such as gap analysis, the duration approach, scenario analysis and stress testing (both from an economic value perspective and from an income perspective) are also used.

The group-wide sensitivity to interest rate movements is reported on a regular basis. The table illustrates the impact of a 1% increase in the yield curve, given the positions at the reporting date.

Impact of a parallel 1% increase in the yield curve for the KBC bank [1]
In millions of EUR

	Impact on net profit (IFRS)		Impact on value [2]	
	2008	2009	2008	2009
Total	-37	-110	-827	-478

1 Excluding a number of small group companies.
2 Full market value, regardless of accounting classification or impairment rules.

Banking activities

The ALM interest rate positions of the banking entities are managed via a system of market-oriented internal pricing for products with a fixed maturity date, and via a replicating portfolio technique – reviewed on a dynamic basis – for products without a fixed maturity date (e.g., demand and savings accounts).

The bank’s capital and reserves are invested in fixed assets, strategic shareholdings and government bonds. The bank may also take interest rate positions through government bonds, with a view to acquiring interest income, both in a bond portfolio used for reinvesting equity and in a bond portfolio financed with short-term funds.

The table shows how the bank’s exposure to interest rate risk developed over the course of 2008 and 2009.

BPV of the ALM book, banking activities* In millions of EUR	
Average, 1Q 2008	54
Average, 2Q 2008	70
Average, 3Q 2008	72
Average, 4Q 2008	72
31-12-2008	79
Maximum in 2008	79
Minimum in 2008	43
Average, 1Q 2009	84
Average, 1Q 2009	90
Average, 1Q 2009	81
Average, 1Q 2009	64
31-12-2009	59
Maximum in 2009	93
Minimum in 2009	59

* Excluding a number of small group companies..

In line with the Basel II guidelines, a 2% stress test is carried out at regular intervals. It sets off the total interest rate risk in the banking book (given a 2% parallel shift in interest rates) against capital and reserves. At the level of the banking book

of the KBC bank, this risk came to 5% at year-end 2009 (well below the 20% threshold, where a bank is considered an 'outlier bank' and which can lead to a higher regulatory capital charge).
The following table shows the interest sensitivity gap of the ALM banking book. In order to determine the sensitivity gap, the carrying value of assets (positive amount) and liabilities (negative amount) is broken down according to either the contractual repricing date or the maturity date, whichever is earlier, so as to obtain an indication of the length of time for which interest rates are fixed. Derivative financial instruments, which are used mainly to reduce exposure to interest rate movements, are included on the basis of their notional amount and repricing date.

Interest sensitivity gap of the ALM book (including derivatives), banking activities*
In miljoenen euro

	≤ 1 months	1-3 months	3-12 months	1-5 years	5-10 years	> 10 years	Non-interest-bearing	Total
31-12-2008	338	2 435	-3 627	-4 404	8 245	5 030	-8 016	0
31-12-2009	1 684	7 789	-3 839	924	5 681	3 251	-15 489	0

* Exclusief een aantal kleine groepsmaatschappijen

Equity risk

Equity portfolios within the group are held by KBC Bank, KBC Asset Management en KBC Private Equity. During 2009, the equity portfolio was further reduced.

Equity risk is monitored using a VAR technique (99% one-sided confidence interval, one-year time horizon), with a limit being set for the total equity exposure of the group's ALM activities. The table provides an overview of the sensitivity of income and economic value to fluctuations in the equity markets. This exposure includes the sensitivity of unlisted equity in the different portfolios.

Impact of a 12.5% drop in the equity prices, KBC Bank*
In millions of eur

	Impact on net profit (IFRS)		Impact on value	
	2008	2009	2008	2009
Total	-39	-29	-152	-136

* Excluding a number of small group companies.

The table provides an overview of the total equity portfolio of the KBC bank, broken down by sector.

Equity portfolio of the KBC bank* (breakdown by sector, market value) In millions of eur	31-12-2008	31-12-2009
Financial	24%	22%
Consumer non-cyclical	21%	29%
Communication	12%	5%
Energy	9%	10%
Industrial	7%	8%
Utilities	5%	5%
Consumer cyclical	8%	7%
Basic materials	5%	6%
Other	9%	8%
Total	100%	100%

* Excluding a number of small group companies.

Real estate risk

A limited real estate investment portfolio is held by the group's real estate businesses with a view to realising capital gains over the long term.

The table provides an overview of the sensitivity of economic value to fluctuations in the property markets.

Impact of a 12.5% drop in real estate prices, KBC Bank*
(in millions of EUR)

	Impact on value	
	2008	2009
Total	-106	-93

* Excluding a number of small group companies

Foreign exchange risk

KBC pursues a prudent policy as regards its structural currency exposure, essentially seeking to avoid currency risk. Foreign exchange exposures in the ALM books of banking entities with a trading book are transferred to the trading book where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of other entities has to be hedged, if material. Equity holdings in non-euro currencies that are part of the investment portfolio do not need to be hedged. Participating interests in foreign currency are in principle funded by borrowing an amount in the relevant currency equal to the value of the net assets excluding goodwill.

Liquidity risk

Liquidity risk is the risk that an organisation may not be able to fund increases in assets or meet obligations as they fall due, unless at an unreasonable cost.

The principal objective of KBC's liquidity management is to be able to fund the group and to enable the core business activities of the group to continue to generate revenue, even under adverse circumstances.

Managing liquidity risk

The liquidity management framework and group liquidity limits are set by the Board of Directors. Operational liquidity management is organised within the Group Treasury unit, which centralises collateral management and the acquisition of long-term funding. Primary responsibility for operational liquidity management lies with the respective group companies, since they know best the specific features of their local products and markets and deal directly with local regulators and other officials. However, the liquidity contingency plan requires all significant local liquidity problems to be escalated to group level. The group-wide operational liquidity risks are also aggregated and monitored centrally on a daily basis and are reported periodically to the Group ALCO and the Audit Committee.

KBC's liquidity framework is based on the following pillars:

- *Contingency liquidity risk*. This risk is assessed on the basis of liquidity stress tests, which measure how the liquidity buffer of the group changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows (retail customer behaviour, professional client behaviour, drawing of committed credit lines, etc.) and liquidity inflows resulting from actions to increase liquidity ('repoing' the bond portfolio, reducing unsecured interbank lending, etc).

  The liquidity buffer has to be sufficient to cover liquidity needs (net cash and collateral outflows) over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. The overall aim of the liquidity framework is to remain sufficiently liquid in stress situations, without resorting to liquidity-enhancing actions which would entail significant costs or which would interfere with the core banking business of the group.

- *Structural liquidity risk*. The group's funding structure is managed so as to maintain substantial diversification, to minimise funding concentrations in time buckets, and to limit the level of reliance on wholesale funding. Therefore, the forecast structure of the balance sheet is reviewed regularly and the appropriate funding strategies and options developed and implemented.

  The table below illustrates structural liquidity risk by grouping the assets and liabilities according to the remaining term to maturity (contractual maturity date). The difference between the cash inflows and outflows is referred to as the 'net liquidity gap'. At year-end 2009, KBC had attracted 57 billion euros' worth of funding from the professional market. When interbank lending is also taken into account, net funding attracted through the professional market fell to 32 billion euros.

- *Operational liquidity risk.* Operational liquidity management is conducted in the treasury departments, based on estimated funding requirements. The most volatile components of the balance sheet are monitored on a daily basis by the Group Treasury unit, ensuring that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

Structural liquidity risk data

Liquidity risk at year-end (excluding intercompany deals)[1]

(in billions of EUR)	<= 1 month	1-3 months	3-12 months	1-5 years	5-10 years	> 10 year	Not defined	Total
31-12-2008								
Total inflows	64	23	25	68	39	43	47	308
Total outflows[2]	82	29	24	26	6	9	131	308
Proffesional funding	48	11	4	1	0	0	0	65
Clustomer funding	23	11	14	6	1	6	72	133
Debt certificates	5	7	5	19	5	3	0	45
Other[3]	7						58	65
Liquidity gap (excl. undrawn commitments)	-19	-7	1	42	33	34	-84	0
Undrawn commitments							-43	
Financial guarantees							-15	
Net liquidity gap (incl. undrawn commitments)	-19	-7	1	42	33	34	-142	-58
31-12-2009								
Total inflows	52	13	22	68	41	38	47	281
Total outflows[2]	67	20	23	29	7	2	133	281
Proffesional funding	33	9	14	1	0	0	0	57
Clustomer funding	21	6	6	6	1	1	89	130
Debt certificates	9	6	3	21	5	1	0	45
Other[3]	4	0	0	0	0	0	45	49
Liquidity gap (excl. undrawn commitments)	-16	-7	-1	39	35	36	-86	0
Undrawn commitments							-34	
Financial guarantees							-13	
Net liquidity gap (incl. undrawn commitments)	-16	-7	-1	39	35	36	-133	-47

1 The 2008 figures have been restated to include the outflow of financial guarantees.
2 Professional funding includes all deposits from credit institutions and investment firms, as well as all repos with other customers. Savings certificates are included in the ‘Customer funding’ category, whereas they are included under ‘Debt certificates’ in Note 14.
3 MtM derivatives are reported in the ‘not defined’ bucket. The 2008 figures have been restated to shift MtM on derivatives from the ‘<= 1 month’ bucket to the ‘not defined’ bucket.

Market risk in trading activities

Market risk is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, i.e. interest rates, exchange rates and equity or commodity prices. Market risk also covers the risk of price fluctuations in negotiable securities as a result of credit risk, country risk and liquidity risk. The interest rate, foreign exchange and equity risks of the non-trading positions are all included in ALM exposure.

The objective of market risk management is to measure and report the market risk of the aggregate trading position at group level, taking into account the main risk factors and specific risk.

KBC is exposed to market risk via the trading books of the dealing rooms in Western Europe, Central and Eastern Europe, the United States and Asia. The traditional dealing rooms, with the dealing room in Brussels accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, and activity on the forex markets has traditionally been limited. The dealing rooms abroad focus primarily on providing customer service in money and capital market products, on funding local bank activities and engage in limited trading for own account in local niches.

Through its specialised subsidiaries KBC Financial Products (KBC FP) and KBC Securities Group (including KBC Peel Hunt since 1 April 2009), the group also engages in trading in equities and their derivatives. At KBC FP, the proprietary trading and Alternative Investment Management business lines have been closed down and most of the risks eliminated. The remaining business lines are being wound down, i.e. primarily the management of the credit derivatives business, the business of providing secured advances to hedge funds, the life insurance business, involvement in the US reverse mortgage market (portfolio sold in February 2010) and trading activity in exotic equity derivatives.

Managing market risk

The principal tool for measuring and monitoring market risk exposures in the trading book is the Value-at-Risk (VAR) method. VAR is defined as an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level. The measurement takes account of the market risk of the current portfolio. KBC uses the historical simulation method, observing the relevant Basel II standards (99% one-sided confidence interval, ten-day holding period, historical data going back at least 250 working days). The VAR method does not rely on assumptions regarding the distribution of price fluctuations or correlations, but is based on patterns of experience over the previous two years.

The VAR model is supplemented by extensive stress tests. Whereas the VAR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stresstest scenarios incorporate both market risk and the liquidity aspects of disruptions in the market.

Risk concentrations are monitored via a series of secondary limits, the most important being a three-dimensional scenario limit (based on movements in spot prices, volatilities and credit spreads). Other secondary limits include equity concentration limits, FX concentration limits and basis-point-value limits for interest rate risk. In addition, risks inherent in options (the so-called 'greeks') or the specific risk associated with a particular issuer or country are also subject to concentration limits.

One of the building blocks of sound risk management is prudent valuation. A daily independent middle-office valuation of front-office positions is performed. Whenever the independent nature or the correctness of the valuation process is not guaranteed, a parameter review is performed. Where applicable, adjustments to the fair value are made to reflect close-out costs, adjustments for less liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk, liquidity risk and operations-related costs.

In addition to the parameter review, periodic risk controls are performed, including all checks that do not entail parameter or P&L testing as carried out in the parameter review, but that are necessary for sound risk management. Moreover, a business case is set up for every new product or activity in order to analyse the risks and the way in which they will be managed (measured, mitigated, monitored and reported). Every new product business case must be accompanied by written advice from the group or local value and risk management function before being submitted to the New and Active Product Committee (NAPC). The Group Executive Committee approved the governance framework for the approval and review of financial instruments in the fourth quarter of 2009

Risk analysis and quantification

An overall VAR is calculated for each specialised subsidiary and for all trading entities. The VAR for the latter (see 'KBC Bank' in the table) includes both the linear and non-linear exposure of the traditional dealing rooms. KBC Financial Products' VAR is also shown in the table. At the end of 2009, the VAR for KBC Securities amounted to 0.3 million euros (not shown in the table). The calculation is based on a one-day holding period.
The HVAR for KBC FP comprises all trading business lines. Business lines that are of a more illiquid character and that have more of a credit nature, such as the fund derivatives and insurance derivatives businesses, fall outside the scope of HVAR.

Both KBC Bank and KBC Financial Products have been authorised by the Belgian regulator to use their respective VAR models to calculate regulatory capital requirements for trading activities. CSOB (Czech Republic) has received approval from the local regulator to use its VAR model for capital requirement purposes.

The reliability of the VAR model is tested daily via a back-test, which compares the one-day VAR figure with the 'no-action P&L' (i.e. positions remain unchanged, but market data changes to the next day's data). This is done both at the top level and at the level of the different entities and desks.

An overview of the derivative products is given in the 'Consolidated Annual accounts' section, Note 21.

Market risk (VAR, 1-day holding period) In millions of eur	KBC Bank[1, 2]	KBC Financial Products
Average, 1Q 2008	5	15
Average, 2Q 2008	7	11
Average, 3Q 2008	6	15
Average, 4Q 2008	12	24
31-12-2008	9	15
Maximum in 2008	15	30
Minimum in 2008	5	9
Average, 1Q 2009	9	14
Average, 1Q 2009	8	15
Average, 1Q 2009	6	9
Average, 1Q 2009	6	10
31-12-2009	5	11
Maximum in 2009	12	21
Minimum in 2009	5	6

[1] Excluding 'specific interest rate risk' measured using other techniques.
[2] Integrated HVAR

Operational and other non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal procedures, people and systems or from external events. Operational risks include the risk of fraud, and legal, compliance and tax risks.

Managing operational risk

KBC has a single, global framework for managing operational risk across the entire group. It consists of a uniform operational risk language embedded in group-wide standards, one methodology, one set of centrally developed ICT applications, and centralised and decentralised reporting.

The development and implementation of this framework is supported by an extensive operational risk governance model. The framework covers all banking entities of the group, as well as all supporting activities and services offered by group entities. The framework is gradually being implemented in all the new entities of the KBC group.

The main precept of operational risk management is that ultimate responsibility for managing operational risk lies with line management, which receives support from local operational risk managers, and is supervised by the operational risk committees.

A Group Operational Risk Committee (GORC) advises the Group Executive Committee on the group-wide framework for managing operational risks, monitors the implementation of this framework and oversees the main operational risks.

Besides the GORC, there are a variety of operational risk committees at business-unit level and at various group companies. They keep close track of the practical implementation of the operational risk management framework and also take concrete measures either directly or via line management. All departments that are involved in one way or another in managing operational risks can gain access to the risk committees whenever they feel it is necessary. In addition, representatives from the internal audit, legal and compliance divisions sit on the operational risk committees as observers.

The Group Value and Risk Management Directorate is primarily responsible for defining the operational risk management framework for the entire group. This framework is submitted to the GORC and the Executive Committee for approval. The directorate is also responsible for overseeing the practical implementation by line management of this framework. In addition, it supervises the quality of the risk management process, analyses the main risk data and reports to the GORC.

The Group Value and Risk Management Directorate creates an environment where risk specialists (in various areas, including information risk management, business continuity and disaster recovery, compliance, anti-fraud, legal and tax matters) can work together (setting priorities, using the same language and tools, uniform reporting, etc.). Assisting this directorate are the local value and risk management units – which are likewise independent of the business – in the main bank subsidiaries.

The building blocks for managing operational risks

KBC uses a number of building blocks for managing operational risks,which cover all aspects of operational risk management. These are:

- The Loss Event Database. All operational losses of 1 000 euros or more have been recorded in a central database since 2004. This database includes all legal claims filed against group companies. Twice a year, a consolidated loss report is submitted to the GORC, the Executive Committee and the Audit Committee.
- Risk Self-Assessments (bottom-up and top-down). These focus on actual (= residual) key operational risks at critical points in the process/organisation that are not properly mitigated and on new or emerging operational risks that are relevant at (sub)group level
- Group Standards. Around 40 Group Standards have been defined to ensure that important operational risks are managed uniformly throughout the group. Each group entity has to translate these group standards into specific procedures that are adapted to the local situation. The various operational risk committees monitor the proper implementation of group standards and may allow exceptions to be made (subject to the observance of a strict waiver procedure). Adherence to group standards is subject to reviews by the Group Value and Risk Mangement Directorate and Internal Audit.
- Recommended Practices. These help sharpen the internal controls against key risks that (i) were identified during Risk Self-Assessments, (ii) are inherent in new activities started by a group entity, (iii) have manifested themselves through a significant loss event, or (iv) were identified by Internal Audit during an audit assignment.

- Case-Study Assessments. These are used to test the effectiveness of the protection afforded by existing controls against major operational risks that have actually occurred elsewhere in the financial sector. One such assessment was used to test the internal controls for preventing and identifying rogue trading practices.
- Key Risk Indicators. These help monitor the exposure to certain operational risks and track the existence and effectiveness of the internal controls.

Operational risk and Basel II

KBC uses the Standard Approach to calculate operational risk capital under Basel II. Operational risk capital for the KBC bank totalled 875 million euros at the end of 2009.

Other non-financial risks

Reputation risk

This is the risk arising from the negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a financial institution's ability to maintain existing, or establish new business relationships and continued access to sources of funding (for instance, through the interbank or securitisation markets). Reputation risk is a secondary or derivative risk since it is always connected to and will only materialise together with another risk.

The pro-active and re-active management of reputation risk is the responsibility of the business, supported by many specialist units (e.g., the Press Office, Investor Relations). A dedicated knowledge centre for reputation risk management is being established to further develop the current framework for managing reputation risk across the group.

Under the pillar 2 approach to capital adequacy, the impact of reputation risk on the current business is covered in the first place by the capital charge for primary risks (such as credit or operational risk, etc.). It is also covered by the capital reserved for business risk.

Business Risk

Business risk is the potential negative deviation from the expected economic value arising from changes in the macroeconomic environment, the financial services industry and/or the market for products and services, as well as from inadequacies relating to business resources that impact on business potential.

Risk factors that are taken into consideration include macroeconomic conditions, changes to the law or regulations, competitor actions, changes in distribution channels or distribution models, changed customer needs, human resources issues and ICT resources. Business risk is assessed on the basis of structured risk scans.

KBC reserves a pillar 2 capital charge specifically for business risk. Business risk capital is based on the operating expenses for the various KBC group entities. The portion of operating expenses to be set aside as economic capital for business risk depends on the level of risk attached to the activities of each entity, as determined on the basis of quantitative and qualitative assessments of activities across KBC group entities.

Solvency and economic capital

Solvency risk is the risk that the capital base might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory and in-house solvency ratios.

Managing solvency

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

Regulatory minimum solvency targets were amply exceeded, not only at year-end, but also throughout the entire year.

In the second half of 2008 and the first half of 2009, a number of capitalstrenghthening measures were taken, including the issuance of non-voting core-capital securities to the Belgian State and the Flemish Region by KBC group*, where those funds were largely used for a normal capital increase in KBC Bank, as well as a Guarantee Agreement with the Belgian State relating to the remaining CDO risks.

In accordance with Basel II, pillar 2 requirements, KBC has developed an Internal Capital Adequacy Assessment Process (ICAAP). This process uses an economic capital model (see below) to measure capital requirements based on aggregate group-wide risks, and compares these requirements with the capital available to cover risks. The ICAAP examines both the current and future capital situation. To assess the latter situation, a threeyear forecast is drawn up for required and available capital, according to a basic scenario that takes account of anticipated internal and external growth, and according to various alternative scenarios. In addition, contingency plans are chartered that might improve KBC's solvency under more difficult circumstances.

* More information in this regard is provided in the annual report of KBC Group 2009, under 'Overview of capital transactions with the government' in the 'Our strategy and management' section.

Solvency KBC Bank (consolidated)

In millions of EUR	KBC BANK	31-12-2008 Basel II	31-12-2009 Basel II
Regulatory capital			
Total regulatory capital, KBC Bank (after profit appropriation)		**17 941**	**17 761**
Tier-1 capital[1]		12 998	13 440
Parent shareholders' equity		10 728	12 168
Intangible fixed assets (-)		- 121	- 109
Goodwill on consolidation (-)		- 2 127	- 1 665
Innovative hybrid tier-1 instruments		1 555	402
Non-innovative hybrid tier-1 instruments		1 793	1 945
Minority interests		599	492
Equity guarantee (Belgian State)		0	462
Mandatorily convertible bonds (-)		0	0
Revaluation reserve available-for-sale assets (-)		857	17
Hedging reserve, cashflow hedges (-)		352	374
Valuation diff. in fin. liabilities at fair value - own credit risk (-)		- 245	- 151
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)		1	0
Dividend payout (-)		0	0
IRB provision shortfall (50%) (-)			- 77
Items to be deducted[2] (-)		- 394	- 418
Tier-2 & 3 capital		**4 943**	**4 320**
Mandatorily convertible bonds		0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)		740	250
Revaluation reserve, available-for-sale shares (at 90%)		10	109
Minority interest in revaluation reserve AFS shares (at 90%)		- 7	- 1
IRB provision excess (+)		209	0
Subordinated liabilities		4 243	4 313
Tier-3 capital		144	145
Items to be deducted[2] (-)		- 394	- 495
Weighted risks			
Total weighted risk volume		135 557	123 074
Credit risk		103 788	100 689
Market risk		19 816	11 506
Operational risk		11 953	10 879
Solvency ratios			
Tier-1 ratio		9,59%	10,92%
Of which core tier-1 ratio		7,12%	9,01%
CAD ratio		13,24%	14,43%

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

Economic capital

An economic capital model is used to measure the overall risk KBC is exposed to through its various activities, taking the different risk factors into consideration. The estimates generated by this model are reported regularly at meetings of the Executive Committee, the Audit Committee and once a year to the Board of Directors.

KBC defines economic capital as the amount of capital required to cover unexpected losses in fair value that the group might incur over a oneyear period, in line with the risk appetite set by the Board of Directors. Economic capital is calculated per risk category using a common denominator (the same time horizon of one year and the same confidence interval) and then aggregated. Since it is extremely unlikely that all risks will materialise at the same time, an allowance is made for diversification benefits when aggregating the individual risks.

As mentioned previously, economic capital is used as a major building block for ICAAP (Basel II, pillar 2).

Composition of the Board of Directors

Composition of the Board of Directors

Composition of the Board of Directors on 31 December 2009

NAME	Position	Period served on the Board in 2009	Expiry date of current term of office
HUYGHEBAERT Jan	Chairman	Full year	2010
AGNEESSENS Herman	Executive Director	Until 30 April 2009	
BERGEN André	Executive Director	Until 31 August 2009	
DEFRANCQ Chris	Executive Director	Full year	2010
DE RAYMAEKER Danny	Executive Director	Full year	2012
HOLLOWS John	Executive Director	As from 1 September 2009	2013
PHILIPS Luc	Executive Director (1)	Full year	2010
POPELIER Luc	Executive Director	As from 1 September 2009	2013
SEGERS Guido	Executive Director	Until 31 July 2009	
THIJS Johan	Executive Director	As from 1 September 2009	2013
VANHEVEL Jan	Executive Director President of the Executive Committee (2)	Full year	2010
VERWILGHEN Etienne	Executive Director	Full year	2010
DE WILDE Julien	Independent Director	Full year	2010
de JONG Jan Maarten	Independent Director	As from 10 December 2009	2013
DEPAEMELAERE Jean-Pierre	Independent Director	As from 10 December 2009	2013
DE BECKER Sonja	Non-Executive Director	Full year	2013
DEPICKERE Franky	Non-Executive Director	Full year	2011
KONINGS Pierre	Non-Executive Director	Full year	2013
NONNEMAN Walter	Non-Executive Director	Full year	2012
ORLENT-HEYVAERT Marita	Non-Executive Director	Full year	2013
PEETERS Paul	Non-Executive Director	Full year	2013
SAP Gustaaf	Non-Executive Director	Full year	2013
VANDEN AVENNE Patrick	Non-Executive Director	Full year	2013
VANTIEGHEM Germain	Non-Executive Director	Full year	2010
WAUTERS Dirk	Non-Executive Director	Full year	2013
WITTEMANS Marc	Non-Executive Director	Full year	2010

Auditor: Ernst & Young Bedrijfsrevisoren BCVBA, represented by Jean-Pierre Romont and/or Pierre Vanderbeek.

(1) As non-executive director until 30 April 2009

(2) As from 1 September 2009

Additional information

- Acquisition of treasury shares. KBC Bank and its subsidiaries do not hold any treasury shares.
- Conflicts of interest that fall within the scope of Article 523 or 524 of the Belgian Companies Code.
  Three agreements were drawn up under the ‘Sound’ project, which had been set up to deal with the arrangements made between KBC Group NV and the Belgian Federal Government in relation to the cover provided by the Government for the credit risk the group had incurred in its portfolio of structured products. In addition, the Board of Directors decided that Article 524 of the Companies Code would have to be applied when approving these written agreements, due to the fact that they formalise relationships between KBC Bank and KBC Group NV on the one hand, and KBC Bank and KBC Insurance, on the other. In accordance with this article, the committee of three independent directors was instructed to provide advice within the context of the ‘Sound’ project.

  The decision taken by the committee of three independent directors on 31 December 2009 read as follows:

  ‘The Committee of Independent Directors of KBC Bank NV – composed of Julien De Wilde, Jan Maarten de Jong and Jean-Pierre Depaemelaere, assisted by Marieke Wyckaert (independent legal expert), and paid by KBC Bank NV – has deliberated and advises the Board of Directors of KBC Bank NV as follows:
  The Committee is of the opinion that the transactions in question – examined as part of the scheme agreed between the KBC group and the Belgian Federal Government to cover credit risk, and working on the basis of a single common interest in this regard throughout the group, whilst taking into account the operational advantage for KBC Bank NV and its parent company,

KBC Group NV, and the consequences under property law of this for KBC Bank NV – do not harm the interests of KBC Bank NV or its parent company and are not manifestly unlawful within the meaning of Article 524 of the Companies Code.
The Committee is therefore advising in favour of the proposed transactions.'

Following the procedure of written deliberation, the Board of Directors took the decisions set out below on 21 January 2010 (extract from the minutes):

'1. Confirmation of the approval of the terms and conditions set out in the versions of the Portfolio Protection Agreement, the Contribution Commitment Agreement and the Pledge Agreement drawn up under the 'Sound' project and signed on 28 December 2009.
These terms and conditions had already been approved by the Board of Directors on 10 December 2009, albeit subject to the advice of the Committee of Independent Directors.
The signed version of the Portfolio Protection Agreement of 28 December 2009 includes minor amendments to the version submitted to the Board on 10 December 2009. A blacklined version of the agreement containing these amendments is enclosed in Annex 1 to these minutes. The Contribution Commitment Agreement and the Pledge Agreement remained unchanged.
Account taken of the minor amendments made to the Portfolio Protection Agreement and of the aforementioned favourable advice from the Committee of Independent Directors, approval of the versions of the Portfolio Protection Agreement, the Contribution Commitment Agreement and the Pledge Agreement that were signed on 28 December 2009 is hereby confirmed.

2. Confirmation that the procedure set out in paragraphs 2 and 3 of Article 524 of the Companies Code was observed.'
The auditor, Ernst & Young Bedrijfsrevisoren BCVBA, represented by Jean-Pierre Romont and Pierre Vanderbeek reported the following on 8 March 2010:

'In the advice to the Board of Directors of KBC Bank NV that was drawn up in application of Article 524 of the Companies Code and given by the Committee of Independent Directors, assisted by an independent expert, the figure 1 965 600 000 euros appearing in Part B 'Cover provided by the Belgian Federal Government for the reference portfolio' of Section II 'Description of the nature of the decisions and transactions that fall under the scope of Article 524 of the Companies Code' was replaced by the figure 1 965 000 000 euros as the maximum total amount for all CDO transactions.

Since the above-mentioned assignment constitutes neither a full audit nor a review in line with international audit guidelines or the guidelines of the Belgian Institute of Company Auditors (*Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*), we cannot express any certainty as regards the information concerned. Had we carried out additional procedures, a full audit or a review, other matters could have come to our attention, which would have been reported to you.

Our report was drawn up within the framework of the provisions of Article 524 of the Companies Code and may not be used for other purposes. It relates solely to the information provided above and not to any other information, of whatever nature.'

- Discharge to directors and to the auditor. In compliance with the law and the articles of association, the General Meeting of Shareholders is requested to grant discharge to the directors and the auditor for the performance of their mandate in the 2009 financial year.
- Resignations and appointments in accordance with the Articles of Association. At the General Meeting of 28 April 2010:
  - Chris Defrancq, Executive Director, will relinquish his seat on the Board and retire.
  - the terms of office of Jan Huyghebaert, Julien De Wilde, Germain Vantieghem and Marc Wittemans, non-executive directors, and of Luc Philips, Jan Vanhevel and Etienne Verwilghen, executive directors, will come to an end. It will be proposed to the General Meeting that their respective terms of office be extended for a further period of four years, i.e. until the close of the annual general meeting of 2014.

    It will be proposed that Julien De Wilde be re-appointed as independent director within the meaning of and in line with the criteria set out in Article 526*ter* of the Companies Code and in the Belgian Code on Corporate Governance. With a Master's Degree in Civil Engineering from the Katholieke Universiteit Leuven, and based on his long and rich experience in business – including as CEO of Alcatel Bell in Belgium (1995–1998), Executive Vice-President and a member of the Executive Committee of Alcatel in Paris where he was responsible for Europe, the Middle East, Latin America, India and Africa (1999–2002), and CEO of Bekaert Group (2002–2006) – and on his current offices of Chairman of the Board of Directors of Agfa Gevaert Group and Nyrstar, and member of the Board of Directors of Vanbreda Interantional, Telenet,and J&L Partners, he has the necessary expertise in accounting and/or auditing to continue acting as member of the Audit Committee of KBC Bank.
  - it will be proposed that Marko Voljč be appointed as executive director for a period of four years, to succeed Chris Defrancq.

    Marko Voljč
    - Born in Jesenice (Slovenia), in 1949.
    - Master's Degree in Economics (Universities of Ljubljana and Belgrade).

- Between 1976 and 1979, Marko Voljč was Head of the Analysis Department at the National Bank of Slovenia, before joining the World Bank and working in Washington DC and Mexico City (1972 to 1992). Between 1992 and 2004, he was President-CEO of Nova Ljubljanska banka in Slovenia, before being appointed to the post of General Manager of the Central Europe Directorate at KBC's Brussels head office. From 2006 to 2010, he was CEO of K&H Bank in Hungary.

- the mandate granted to Ernst & Young Bedrijfsrevisoren BCVBA, currently represented by Jean-Pierre Romont and/or Pierre Vanderbeek will end. In accordance with the proposal of the Audit Committee, it will be proposed to the General Meeting that this mandate be extended for a further three-year period, with Pierre Vanderbeek and/or Christel Weymeersch acting as the permanent representatives of the auditor.

- In implementation of Article 24 §2 of the Act of 17 December 2008 relating specifically to the establishment of an audit committee in listed companies and financial institutions, the criteria which Julien De Wilde met during his current term of office

  as independent director of KBC Bank NV to determine his independence and which came into effect on 26 April 2006, prior to the aforementioned act coming into effect, are set out below:

  As an independent director, he first had to fulfil the general competences that KBC requires of all its directors, including knowledge of banking, finance and insurance, external management experience and the capacity to make independent judgement.

  In addition, he had to submit a career track record showing that he has a broad and in-depth experience of business that enables him to operate independently and expertly within the Board of Directors and the Audit Committee.

  As a business manager, Julien De Wilde was able to fall back on his broad experience of industry and management.

  Moreover, he met the criteria set out in the former Article 524 §4 of the Companies Code.

  Lastly, he fulfilled the following criteria specified in the Belgian Code on Corporate Governance of 9 December 2004 that KBC also took into account when assessing his independence:
  a) they may not be an executive director of KBC Group NV or of an associated company, and may not have been for the previous three years;
  b) they may not be an employee of KBC Group NV or of an associated company, and may not have been for the previous three years;
  c) they may not receive, or have received, significant additional remuneration from KBC Group NV or an associated company, apart from a fee received in their capacity as non-executive director;
  d) they may not be a controlling shareholder or a shareholder with a shareholding of more than 10%, or a director or executive officer of such a shareholder;
  e) they may not have, or have had over the past year, a significant business relationship with KBC Group NV or with an associated company, either directly or as a partner, shareholder, director or senior employee of an organisation that has such a relationship;
  f) they may not be or have been within the last three years, a partner or employee of the current or former statutory auditor of KBC Group NV or of an associated company;
  g) they may not be an executive or managing director of another company in which an executive director of KBC Group NV is a non-executive or managing director, and may not have any other significant ties with executive directors of KBC Group NV through involvement in other companies or organisations;
  h) they may not have served on the Board of Directors as a non-executive director for more than three full terms, starting from the appointment or most recent re-appointment before the entry into effect of the Belgian Code on Corporate Governance on 1 January 2005; and
  i) they may not be a close family member of an executive director of KBC Group NV or of persons in the situations described above.

- Audit Committee. The members of the Audit Committee of KBC Bank, i.e.

  - Julien De Wilde, Independent Director, as specified above;

  - Franky Depickere, Director, who holds a Master's Degree in Trade and Finance and in Corporate Financial Management, is Managing Director of Cera Beheersmaatschappij NV and Almancora Beheersmaatschappij NV, and President of the Management Committee of Cera CVBA, a core shareholder of KBC Group NV;

  - Patrick Vanden Avenne, Director, who holds a Master's Degree in Law and Bachelor's in Economics, as well as an MBA from Stanford University in the US, and is CEO or director of a series of industrial companies;

  - Marc Wittemans, Director, who holds a Master's Degree in Applied Economics, is a graduate in Fiscal Sciences and in Actuarial Sciences, and is Managing Director of MRBB CVBA, a core shareholder of KBC Group NV;

  possess the necessary individual and collective expertise in the activities of KBC Bank and in the fields of accounting and audit, based on their education and extensive business experience.

- In compliance with the laws on the incompatibility of offices held by managers of credit institutions, the following is a list of the external offices held by the executive managers and directors of KBC Bank in other companies, with the exception of those functions performed in companies within the meaning of Article 27, §3, para. three of the Act of 22 March 1993.

External offices held by the executive managers and directors of KBC Bank, 31-12-2009

Company name	Registered office	Sector	Position	Listed (N=no)	Share of capital held (N=none)
Sonja De Becker, Director					
Aktiefinvest cvba	Belgium	real estate	Executive Director	N	N
SBB Accounts en Belastingconsulenten cvba	Belgium	accountancy & consulting	Chairman of the Board of Directors	N	N
SBB Bedrijfsdiensten cvba	Belgium	accountancy & consulting	Chairman of the Board of Directors	N	N
Maatschappij voor Roerend Bezit v/d Belgische Boerenbond	Belgium	holding company	Director	N	N
Acerta cvba	Belgium	holding company	Director	N	N
Acerta Consult cvba	Belgium	services sector	Director	N	N
Acerta Middelenbeheer	Belgium	services sector	Director	N	N
Agriflora cvba	Belgium	organisation of fairs	Director	N	N
BB-patrim	Belgium	holding company	Director	N	N
Agri Investment Fund (AIF)	Belgium	investment company	Director	N	N
Julien De Wilde, Independent Director					
Bank J. Van Breda & Co	Belgium	financial sector	Independent Director	N	N
Nyrstar	Belgium	industry	Chairman of the Board of Directors	Euronext	N
Telenet Group Holding	Belgium	holding company	Independent Director	Euronext	N
Franky Depickere, Director					
Almancora Beheersmaatschappij	Belgium	management	Executive Director	N	N
Cera Beheersmaatschappij	Belgium	management	Executive Director	N	N
Miko NV	Belgium	food/plastics	Independent Director	NYSE Euronext	N
Danny De Raymaeker, Executive Director					
Concert Noble	Belgium	conference venues	Chairman of the Board of Directors	N	100,00%
Pierre Konings, Director					
BD-World SA	Belgium	distribution	Director	N	N
E-Capital II	Belgium	private equity fund	Chairman of the Board of Directors	N	N
Capricorn Cleantech Fund Investments	Belgium	investment company	Chairman of the Board of Directors	N	N
Control Tab	Belgium	holding company	Chairman of the Board of Directors	N	N
Walter Nonneman, Independent Director					
Cera Beheersmaatschappij	Belgium	management	Independent Director	N	N
Fluxys NV	Belgium	operator of gas transmission network	Independent Director	N	N
Paul Peeters, Director					
Almancora Beheersmaatschappij	Belgium	management	Director	N	N
Cera Beheersmaatschappij	Belgium	management	Director	N	N
Luc Philips, Director					
Gemma Frisiusfonds K.U. Leuven	Belgium	financial sector	Director	N	36,00%
Gemma Frisiusfonds K.U. Leuven II	Belgium	financial sector	Director	N	36,00%
Norkom Alchemist Ltd	Ireland	technology software	Director	N	N
Norkom Group Ltd	Ireland	technology software	Director	ISE/AIM	N
Zinner NV	Belgium	real estate	Director	N	13,11%
ThromboGenics NV	Belgium	biopharmaceuticals	Director	Euronext	N
Luc Popelier, Executive Director					
KBC Credit Investments	Belgium	investment company	Director	N	100,00%
KBC Financial Holding, Inc	USA	holding company	Director	N	100,00%
Gustaaf Sap, Director					
Cecan NV	Belgium	holding company	Chairman of the Board of Directors	N	N
Cecan Invest NV	Belgium	financial sector	Director	N	N
Johan Thijs, Executive Director					
Groep VTB-VAB	Belgium	road breakdown assistance	Director	N	N
VTB-VAB	Belgium	road breakdown assistance	Director	N	N
Patrick Vanden Avenne, Director					
Calibra Poultry NV	Belgium	poultry processing	Chairman of the Board of Directors	N	N
Biopower cvba	Belgium	industry	Vice-Chairman of the Board of Directors	N	N
Bens NV	Belgium	food	Executive Director	N	N
Sininvest NV	Belgium	poultry	Director	N	N
Vanden Avenne Vrieshuis NV	Belgium	holding company + refrigeration	Executive Director	N	N
Vanden Avenne - Ooigem	Belgium	compound feed	Executive Director	N	N
Lacotrans NV	Belgium	transport	Executive Director	N	N
Euro-Silo NV	Belgium	transfer and storage of grain	Director	N	N
Acta NV	Belgium	transport	Director	N	N
Isarick NV	Belgium	management	Director	N	N
Harpaca NV	Belgium	management	Director	N	N
Larinvest NV	Belgium	holding company	Director	N	N
Ispahan NV	Belgium	management	Director	N	N
Bavarco bvba	Belgium	stockbreeding	Business Manager	N	N
Fidex NV	Belgium	transport	Director	N	N
Germain Vantieghem, Director					
Almancora Beheersmaatschappij	Belgium	management	Executive Director	N	N
Cera Beheersmaatschappij	Belgium	management	Executive Director	N	N
Guyro	Belgium	real estate	Director	N	N
Decospan nv	Belgium	production	Director	N	N
Marc Wittemans, Director					
Agro-Services cvba	Belgium	temping agency	Director	N	N
Aktiefinvest cvba	Belgium	real estate	Director	N	N
Arda Immo nv	Belgium	real estate	Chairman	N	N
SBB Accounts en Belastingconsulenten bvcvba	Belgium	accountancy & consulting	Director	N	N
SBB Bedrijfsdiensten bvcvba	Belgium	accountancy & consulting	Director	N	N
M.R.B.B. cvba	Belgium	holding company	Executive Director	N	N
Agri Investment Fund cvba	Belgium	holding company	Director	N	N
Acerta cvba	Belgium	holding company	Director	N	N
Acerta Consulting cvba	Belgium	holding company	Director	N	N
Covalis nv	Belgium	abbattoirs & meat processing	Director	N	N
Luc Gijsens, Senior General Manager					
Real Estate Participation n.v.	Belgium	property development	Director	N	50,00%
KBC Vastgoedportefeuille België n.v.	Belgium	real estate	Director	N	100,00%
Immo-Basilix n.v.	Belgium	real estate	Director	N	100,00%
Immo-Marcel Thiry n.v.	Belgium	real estate	Director	N	100,00%
Immo-Regentschap n.v.	Belgium	real estate	Chairman of the Board of Directors	N	75,00%
Immo-Zenobe Gramme n.v.	Belgium	real estate	Director	N	100,00%
Immo-Kolonel Bourgstraat n.v.	Belgium	real estate	Director	N	50,00%
Vastgoed Ruimte Noord	Belgium	real estate	Director	N	100,00%
KBC Real Estate Luxembourg	Luxemburg	real estate	Director	N	100,00%
KBC Real Estate	Belgium	real estate	Director	N	100,00%
Prague Real Estate	Belgium	real estate	Director	N	50,00%
Old Broad Street Invest	Belgium	real estate	Director	N	100,00%
Apitri	Belgium	real estate	Chairman of the Board of Directors	N	100,00%
Brussels North Distribution	Belgium	real estate	Chairman of the Board of Directors	N	100,00%
Covent Garden Real Estate	Belgium	real estate	Director	N	50,00%
Immo Antares	Belgium	real estate	Director	N	100,00%
KBC Vastgoedinvesteringen	Belgium	real estate	Chairman of the Board of Directors	N	100,00%
Luxembourg North Distribution	Luxemburg	real estate	Chairman of the Board of Directors	N	100,00%
Luxembourg Offices Securitisations	Luxemburg	real estate	Chairman of the Board of Directors	N	100,00%
Mechelen City Center	Belgium	real estate	Chairman of the Board of Directors	N	100,00%
Immo Lux-Airport NV	Luxemburg	real estate	Chairman of the Board of Directors	N	100,00%
Guido Poffé, Senior General Manager					
Concert Noble NV	Belgium	conference venues	Chairman of the Board of Directors	N	100,00%
Groep VTB-VAB	Belgium	road breakdown assistance	Director	N	74,81%
VTB-VAB	Belgium	road breakdown assistance	Director	N	74,81%
Omnia	Belgium	travel agency	Director	N	100,00%
Jean-Pierre Depaemelaere, Independent Director					
RealDolmen NV	Belgium	ICT	Independent Director	Y	N
DAF Trucks NV	Netherlands	construction/sales	Independent Member of the Supervisory Board	N	N
Jan Maarten de Jong, Independent Director					
Heineken NV	Netherlands	breweries	Vice-Chairman	Y	N
Nutreco Holding NV	Belgium	food	Member of the Supervisory Board	N	N
AON Groep Nederland BV	Netherlands	risk management	Member of the Supervisory Board	N	N
CRH Plc	Ireland	construction	Executive Director	Y	N
INSEAD	France/Netherlands	education	Director	N	N

Consolidated annual accounts

Auditor’s report

Statutory auditor’s report to the general meeting of shareholders of KBC Bank nv on the consolidated financial statements for the year ended 31 December 2009

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the consolidated financial statements as well as the required additional comments.

Unqualified opinion on the consolidated financial statements

We have audited the consolidated financial statements of KBC Bank nv and its subsidiaries (collectively referred to as ‘the Group’) for the year ended 31 December 2009, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of € 281.613 million and the consolidated statement of income shows a loss for the year, share of the Group, of € 2.491 million.

Responsibility of the board of directors for the preparation and fair presentation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the institute of Registered Auditors (*Institut des Réviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Group’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Group’s internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the board of directors and the Group’s officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the Group’s financial position as at 31 December 2009 and of the results of its operations and its cashflows in accordance with IFRS as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Additional comments

The preparation and the assessment of the information that should be included in the director's report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the consolidated financial statements:

- The director's report on the consolidated financial statements deals with the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the entities included in the consolidation are facing, and on their financial situation, their foreseeable evolution or the significant influence of certain facts on their future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 25 March 2010-04-07

Ernst & Young Réviseurs d'Entreprises sccrl
Statutory auditor
Represented by

Jean-Pierre Romont
Partner

Pierre Vanderbeek
Partner

Ref: 10JPR0051

Consolidated income statement

In millions of EUR	Note	2008	2009
Net interest income	3	4 020	4 920
Interest income		15 883	10 821
Interest expense		- 11 863	- 5 901
Dividend income	4	131	80
Net (un)realised gains from financial instruments at fair value through profit or loss	5	- 2 100	- 3 126
Net realised gains from available-for-sale assets	6	- 11	174
Net fee and commission income	7	1 769	1 545
Fee and commission income		2 443	2 141
Fee and commission expense		- 674	- 595
Other net income	8	538	313
TOTAL INCOME		4 349	3 907
Operating expenses	9	- 4 411	- 4 241
staff expenses	10	- 2 222	- 1 973
general administrative expenses		- 1 866	- 2 005
depreciation and amortisation of fixed assets		- 240	- 228
provisions for risks and charges		- 83	- 35
Impairment	11	- 1 439	- 2 400
on loans and receivables		- 760	- 1 901
on available-for-sale assets		- 613	- 84
on goodwill		- 19	- 402
on other		- 48	- 14
Share in results of associated companies	12	2	- 11
PROFIT BEFORE TAX		- 1 500	- 2 745
Income tax expense	13	216	237
Net post-tax income from discontinued operations		0	0
PROFIT AFTER TAX		- 1 283	- 2 508
attributable to minority interest		238	- 17
attributable to equity holders of the parent		**- 1 521**	**- 2 491**

- The Board of Directors will propose that no dividend be paid out for the 2009 financial year.
- At the end of 2009, KBC Group unveiled an updated strategic plan for the years ahead. The plan formed the basis on which the European Commission decided whether KBC would be able to repurchase the securities sold to government within a reasonable timeframe. This is the standard procedure followed by all European financial institutions taking part in the economic stimulus plans implemented by EU Member States. The plan received European Commission approval at the end of November

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Consolidated statement of comprehensive income

in millions of EUR	2008	2009
PROFIT AFTER TAX	- 1 283	- 2 508
attributable to minority interest	238	- 17
attributable to equity holders of the parent	- 1 521	- 2 491
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	- 171	116
Fair value adjustments before tax	- 173	107
Deferred tax on fair value changes	0	0
Transfer from reserve to net profit	2	10
Impairment losses	5	13
Net gains/losses on disposal	- 4	- 4
Deferred income tax	1	0
Net change in revaluation reserve (AFS assets) - Bonds	- 646	728
Fair value adjustments before tax	- 1 007	702
Deferred tax on fair value changes	362	- 285
Transfer from reserve to net profit	- 1	311
Impairment losses	0	21
Net gains/losses on disposal	- 1	121
Amortization of AFS reserve re transfer to L&R	0	242
Deferred income tax	0	- 72
Net change in revaluation reserve (AFS assets) - Other	1	0
Fair value adjustments before tax	0	0
Deferred tax on fair value changes	1	0
Transfer from reserve to net profit	0	0
Impairment losses	0	0
Net gains/losses on disposal	0	0
Deferred income tax	0	0
Net change in hedging reserve (cash flow hedge)	- 420	- 26
Fair value adjustments before tax	- 609	- 58
Deferred tax on fair value changes	197	10
Transfer from reserve to net profit	- 8	21
Gross amount	- 10	27
Deferred income tax	2	- 5
Net change in translation differences	- 244	- 139
Before tax amount of change in translation differences	- 281	- 149
Deferred tax on translation differences	38	10
Other movements	2	4
TOTAL OTHER COMPREHENSIVE INCOME	- 1 478	684
TOTAL COMPREHENSIVE INCOME	- 2 761	- 1 824
attributable to minority interest	214	- 14
attributable to equity holders of the parent	- 2 975	- 1 810

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2008	31-12-2009
Cash and cash balances with central banks		3 410	6 943
Financial assets	14-17	305 657	265 523
Held for trading		73 639	40 791
Designated at fair value through profit or loss		21 759	22 892
Available for sale		26 376	32 878
Loans and receivables		175 252	160 144
Held to maturity		8 356	8 605
Hedging derivatives		275	213
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		169	253
Tax assets	23	1 791	1 787
Current tax assets		224	190
Deferred tax assets		1 566	1 597
Non-current assets held for sale and assets associated with disposal groups		625	71
Investments in associated companies	24	44	638
Investment property	25	467	461
Property and equipment	25	2 482	2 382
Goodwill and other intangible assets	26	2 248	1 774
Other assets	22	1 659	1 782
TOTAL ASSETS		318 550	281 613

LIABILITIES AND EQUITY(in millions of EUR)		31-12-2008	31-12-2009
Financial liabilities	14,15, 17	301 072	264 592
Held for trading		44 709	29 613
Designated at fair value through profit or loss		36 942	23 828
Measured at amortised cost		218 544	210 129
Hedging derivatives		877	1 022
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities	23	360	417
Current tax liabilities		306	322
Deferred tax liabilies		54	95
Liabilities associated with disposal groups		0	0
Provisions for risks and charges	27	528	572
Other liabilities	28-29	4 252	3 015
TOTAL LIABILITIES		306 212	268 596
Total equity		12 338	13 016
Parent shareholders' equity	30	10 728	12 168
Minority interests		1 610	849
TOTAL LIABILITIES AND EQUITY		318 550	281 613

- For changes in the presentation of the balance sheet, see Note 1 a.
- At year-end 2008, 'Non-current assets held for sale and disposal groups' related primarily to Nova Ljubljanska banka (NLB), an associated company in Slovenia. In 2009, this participating interest was transferred back to 'Investments in associated companies', owing to the uncertainty surrounding the sale of this shareholding in the short term.
- In the third quarter of 2009, KBC Bank initiated a programme to buy back a number of outstandingtier-1 securities at 70% of their nominal value. KBC used its available cash to pay for this transaction. The programme – which was closed on 13 October 2009 – had the following impact on the accounts:
  - Balance sheet:
    - Minority interests' were reduced by 0.65 billion euros (due to the reduction in the hybriddebt issued by KBC Bank Funding Trust II, III and IV)).
    - 'Financial liabilities designated at fair value through profit or loss' (recognised under 'Non-convertible subordinated liabilities') were reduced by 0.55 billion euros (due to the reduction in the sterling-denominated hybrid debt issued by KBC Bank)).
    - 'Parent shareholders' equity' was bolstered, owing to the inclusion of the after-tax gain of approximately 0.12 billion euros.
  - Income statement:
    - The after-tax gain (0.12 billion euros) on the repurchase of the hybrid securities issued by KBC Bank Funding Trust was deducted from 'Profit after tax, attributable to minority interests' and included under 'Profit after tax, attributable to equity holders of the parent'.
    - The repurchase of the sterling-denominated hybrid securities did not have any additional impact on profit, as the securities in question had already been measured at fair value through profit or loss.
  - Solvency:
    - The core tier-1 ratio for the banking business and for the entire group was boosted by approximately 0.19%. This reflects the positive impact on 'Parent shareholders' equity' of 0.12 billion euros and the 0.14-billion-euro reduction in the prudential filter for calculating tier-1 capital, related to 'Valuation differences in financial liabilities at fair value – own credit risk (sterling-denominated hybrid securities)'.

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Mandatorily convertible bonds	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Minority interests	Total equity
31-12-2008											
Balance at the beginning of the period	4 030	1 723	186	0	- 46	73	6 365	11	12 342	1 572	13 914
Net profit for the period	0	0	0	0	0	0	- 1 521	0	- 1 521	238	- 1 283
Other comprehensive income for the period	0	0	0	0	- 811	- 426	2	- 220	- 1 454	- 23	- 1 478
Total comprehensive income	**0**	**0**	**0**	**0**	**- 811**	**- 426**	**- 1 519**	**- 220**	**- 2 975**	**214**	**- 2 761**
Dividends	0	0	0	0	0	0	- 889	0	- 889	0	- 889
Capital increase	1 669	767	- 186	0	0	0	0	0	2 250	0	2 250
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 176	- 176
Total change	**1 669**	**767**	**- 186**	**0**	**- 811**	**- 426**	**- 2 408**	**- 220**	**- 1 614**	**38**	**- 1 576**
Balance at the end of the period	**5 698**	**2 490**	**0**	**0**	**- 857**	**- 352**	**3 957**	**- 209**	**10 728**	**1 610**	**12 338**
of which revaluation reserve for shares					11						
of which revaluation reserve for bonds					- 868						
of which revaluation reserve for other assets than bonds and shares					0						
of which relating to non-current assets held for sale and disposal groups					- 10	0		- 4	- 14	0	- 14
31-12-2009											
Balance at the beginning of the period	5 698	2 490	0	0	- 857	- 352	3 957	- 209	10 728	1 610	12 338
Net profit for the period	0	0	0	0	0	0	- 2 491	0	- 2 491	- 17	- 2 508
Other comprehensive income for the period	0	0	0	0	840	- 22	3	- 140	681	3	684
Total comprehensive income	**0**	**0**	**0**	**0**	**840**	**- 22**	**- 2 488**	**- 140**	**- 1 810**	**- 14**	**- 1 824**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	3 250	1	0	0	0	0	0	0	3 251	0	3 251
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 747	- 748
Total change	**3 250**	**1**	**0**	**0**	**840**	**- 22**	**- 2 488**	**- 140**	**1 440**	**- 761**	**679**
Balance at the end of the period	**8 948**	**2 492**			**- 17**	**- 374**	**1 468**	**- 349**	**12 168**	**849**	**13 016**
of which revaluation reserve for shares					121						
of which revaluation reserve for bonds					- 139						
of which revaluation reserve for other assets than bonds and shares					0			0	0		
of which relating to non-current assets held for sale and disposal groups					0	0		0	0	0	0

- For information on the total number of shares, see Note 30.

Consolidated cashflow statement

In millions of EUR	2008	2009
Operational activities		
Profit before tax	- 1 500	- 2 745
Adjustment for:	- 1 992	- 1 664
Depreciation, impairment and amortisation of property and equipment, intangible assets, investment property and securities	920	727
Profit/ Loss on the disposal of investments	- 118	- 14
Change in impairment on loans and advances	760	1 901
Change in gross technical provisions - insurance	0	0
Change in the reinsurers' share in the technical provisions	0	0
Change in other provisions	83	35
Unrealised foreign currency gains and losses and valuation differences	- 3 635	- 4 323
Income from associated companies	- 2	11
Cash flows from operating profit before tax and before changes in operating assets and liabilities	- 3 492	- 4 409
Changes in operating assets (excl. cash & cash equivalents) (1)	- 15 274	25 818
Changes in operating liabilities (excl. cash & cash equivalents) (2)	13 628	- 27 204
Income taxes paid	- 301	- 195
Net cash from (used in) operating activities	- 5 439	- 5 990
Investment activities		
Purchase of held-to-maturity securities	- 1 143	- 1 818
Proceeds from the repayment of held-to-maturity securities at maturity	2 063	1 516
Acquisition of a subsidiary or a business unit, net of cash acquired (increase in participation intrests included)	- 172	0
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decrease in participation intrests included)	0	123
Purchase of shares in associated companies	0	0
Proceeds from the disposal of shares in associated companies	26	0
Dividends received from associated companies	1	3
Purchase of investment property	- 9	- 1
Proceeds from the sale of investment property	1	6
Purchase of intangible fixed assets (excl. goodwill)	- 68	- 55
Proceeds from the sale of intangible fixed assets (excl. goodwill)	8	18
Purchase of property and equipment	- 748	- 461
Proceeds from the sale of property and equipment	252	206
Net cash from (used in) investing activities	213	- 464
Financing activities		
Purchase or sale of treasury shares	0	0
Issue or repayment of promissory notes and other debt securities	- 4 223	- 1 267
Proceeds from or repayment of subordinated liabilities	2 281	- 288
Principal payments under finance lease obligations	0	0
Proceeds from the issuance of share capital	2 250	3 251
Proceeds from the issuance of preference shares	0	0
Dividends paid	- 939	- 183
Net cash from (used in) financing activities	- 631	1 513
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	- 5 857	- 4 941
Cash and cash equivalents at the beginning of the period	14 459	8 740
Effects of exchange rate changes on opening cash and cash equivalents	137	- 280
Cash and cash equivalents at the end of the period	8 740	3 518

In millions of EUR	2008	2009
Additional information		
Interest paid	- 11 863	- 5 901
Interest received	15 883	10 821
Dividends received (including equity method)	133	83
Components of cash and cash equivalents		
Cash and cash balances with central banks	3 403	6 942
Loans and advances to banks repayable on demand and term loans to banks < 3 months	20 659	7 325
Deposits from banks repayable on demand and redeemable at notice	- 15 323	- 10 749
Total	8 740	3 518
of which not available	0	0

(1) including current accounts with central banks, loans and advances, available-for-sale assets, financial assets held for trading, financial assets designated at fair value through P&L, asset-derivatives hedge accounting, non-current assets held for sale and accrued interest income

(2) including deposits from credit institutions, debt certificates (including bonds), financial liabilities helf for trading, financial liabilities designated at fair value through P&L liability-derivatives hedge accounting, liabilities related to non-current assets held for sale and accrued interest expense

- KBC uses the indirect method to report on cashflows from operating activities.
- The main acquisitions and disinvestments of consolidated subsidiaries are set out below. For a more detailed list, see Note 36. All (material) acquisitions and divestments of group companies in 2008 and 2009 were paid for in cash.

in millions of EUR	2008 Istrobanka	2009 International Portfolio
Acquistion / Disposal	Acquisition	Disposal
Percentage of shares bought or sold	100,00%	100%
Business Unit*	CEER	MEB
Date transaction (month and year)	07-2008	06-2009
Purchase price or sale price	350	123
Cashflow for acquiring or selling companies less cash and cash equivalents acquired or sold	- 172	123
Assets & liabilities bought or sold		
Cash and cash balances with central banks	145	0
Financial assets		
Held for trading	0	0
Designated at fair value through profit or loss	13	
Available for sale	67	- 240
Loans and receivables	823	- 37
Held-to-maturity investments	117	0
Hedging derivatives	0	0
of which: cash and cash equivalents	181	0
Financial liabilities		
Held for trading	0	0
Designated at fair value through profit or loss	0	0
Measured at amortised cost	924	0
Hedging derivatives	0	0
of which: cash and cash equivalents	2	0
Gross technical provisions, insurance		

*CEER = Central and Eastern Europe and Russia; MEB = Merchant Banking

Notes on the accounting policies

Note 1 a: Statement of compliance

The consolidated annual accounts, including all the notes, were authorised for issue on 25 March 2010 by the Board of Directors of KBC Bank NV.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million.
The following IFRS standards became effective on 1 January 2009 and have been applied in this report:

- IFRS 8 (Operating Segments). This standard replaces IAS 14 (Segment Reporting) and has an impact on segment reporting in Note 2. At KBC Bank, the primary segments used to be broken down according to the nature of the activities and comprised Banking,asset management, leasing, equity business and other. This breakdown has now been replaced by a business unit format (see the group's management structure), i.e. the Belgium Business Unit, the CEER Business Unit, the Merchant Banking Business Unit and the Group Centre.
- Amendments to IAS 1: the revised version of IAS 1 changes a number of requirements regarding the presentation of financial statements and requires additional disclosure. Certain headings in the consolidated statement of changes in equity have been embedded in a separate statement of comprehensive income which is presented after the income statement.
- Amendment to IFRS 7 (Financial Instruments: Disclosures). These amendments require additional disclosure of the basis of fair value measurements and liquidity risk.

The following IFRS standards and IFRIC interpretations were issued but not yet effective for the KBC Bank at year-end 2009. KBC will apply these standards and interpretations when they become mandatory:

- The revised IFRS 3 (Business Combinations) and amendments to IAS 27 (Consolidated and Separate Financial Statements). These revisions and amendments are the result of a joint project between the IASB and FASB, aimed at achieving a higher degree of convergence between IFRS and US GAAP. The revised version of IFRS 3 will be applied prospectively and may have a considerable impact on the way in which business combinations and changes in shareholdings are recognised in the future. The revised version of IFRS 3 and the amendments to IAS 27 became effective for the KBC Bank on 1 January 2010.
- Amendment to IAS 39 (Financial Instruments: Recognition and Measurement) relating to eligible hedged items. These amendments became effective for the KBC group on 1 January 2010.
- Amendment to IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations).
- These amendments became effective for the KBC group on 1 January 2010.
- IFRIC 17 (Distribution of Non-Cash Assets to Owners).
- IFRIC 18 (Transfers of Assets from Customers).
- IFRIC 19 (Extinguishing Financial Liabilities with Equity Instruments).

In November 2009, the IASB issued IFRS 9 (Financial Instruments) on the classification and measurement of financial assets, as a replacement for the relevant requirements of the present IAS 39 (Financial Instruments: Recognition and Measurement). This new standard will become effective on 1 January 2013. However, the standard has still not been adopted for use in the European Union.

The requisite information relating to the nature and amount of risk exposure (according to IFRS 4 and IFRS 7) and the information relating to capital (according to IAS 1) has been included in those parts of the 'Value and risk management' section that have been audited by the statutory auditor.

Note 1 b: Summary of significant accounting policies

a Criteria for consolidation and for inclusion in the consolidated accounts according to the equity method

All (material) entities (including Special Purpose Entities) over which the consolidating entity exercises, directly or indirectly, exclusive control are consolidated according to the method of full consolidation.
(Material) companies over which joint control is exercised, directly or indirectly, are consolidated according to the method of proportionate consolidation.
(Material) investments in associates, i.e. companies over which KBC has significant influence, are accounted for using the equity method.
As allowed under IAS 28 (Investments in Associates) and IAS 31 (Interests in Joint Ventures), investments in associates held by venture capital organisations are classified as 'held for trading' (measured at fair value through profit or loss).

b Effects of changes in foreign exchange rates

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the spot rate at balance sheet date.
Negative and positive valuation differences, except for those relating to the funding of shares and investments of consolidated companies in foreign currency, are recognised in profit or loss.
Non-monetary items measured at historical cost are translated into the functional currency at the historical exchange rate that existed on the transaction date.
Non-monetary items carried at fair value are translated at the spot rate of the date the fair value was determined.
Translation differences are reported together with changes in fair value.
Income and expense items in foreign currency are taken to profit or loss at the exchange rate prevailing when they were recognised.
The balance sheets of foreign subsidiaries are translated into the reporting currency (euros) at the spot rate at balance sheet date (with the exception of the capital and reserves, which are translated at the historical rate). The income statement is translated at the average rate for the financial year.

Differences arising from the use of one exchange rate for assets and liabilities, and another for net assets (together with the exchange rate differences – net of deferred taxes – on loans concluded to finance participating interests in foreign currency) are recognised in equity, commensurate with KBC's share.

c Financial assets and liabilities (IAS 39)

Financial assets and liabilities are recognised in the balance sheet when KBC becomes a party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting.

All financial assets and liabilities – including derivatives – must be recognised in the balance sheet according to the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classifications are as follows:

- *Loans and receivables (L&R)*. These include all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- *Held-to-maturity assets (HTM*). These are all non-derivative financial assets with a fixed maturity and fixed or determinable payments that KBC intends and is able to hold to maturity.
- *Financial assets at fair value through profit or loss.* This category includes held-for-trading (HFT) assets and any other financial assets designated at fair value through profit or loss (FIFV). Held-for-trading assets are assets held for the purpose of selling them in the short term or assets that are part of a portfolio of assets held for trading purposes. All derivatives with a positive replacement value are considered to be held for trading unless they are designated and effective hedging instruments. Other assets initially recognised at fair value through profit or loss are measured in the same way as held-for-trading assets. KBC may use this fair value option when doing so results in more relevant information, because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The fair value option may also be used for financial assets with embedded derivatives.
- *Available-for-sale assets (AFS)*. These are all non-derivative financial assets that do not come under one of the above classifications. These assets are measured at fair value, with all fair value changes being recognised in equity until the assets are sold or until there is an impairment in value. In this case, the cumulative revaluation gain or loss will be recognised in income for the financial year.
- *Held-for-trading liabilities.* These are liabilities held with the intention of repurchasing them in the short term. All derivatives with a negative replacement value are also considered to be held for trading unless they are designated and effective hedging instruments. These liabilities are measured at fair value, with any fair value changes reported in profit or loss.
- *Financial liabilities designated at fair value through profit or loss (FIFV)*. These are measured in the same way as held-for-trading liabilities. This fair value option may be used under the same conditions as FIFV assets.
    - *Other financial liabilities.* These are all other non-derivative financial liabilities that are not classified under one of the two liability classifications above. They are measured at amortised cost.
    - *Hedging derivatives.* These are derivatives used for hedging purposes.

Financial instruments are reported according to the *dirty price* convention. Accrued interest is presented under the same heading as the financial instruments for which the interest has accrued.

KBC applies the following general rules:

- *Amounts receivable.* These are classified under 'Loans and receivables'. They are measured on acquisition at fair value, including transaction costs. Loans with a fixed maturity are subsequently measured at amortised cost using the effective interest method, i.e. an interest rate is applied that exactly discounts all estimated future cashflows from the loans to the net carrying amount. This interest rate takes account of all related fees and transaction costs. Loans with no fixed maturity date are measured at amortised cost.
  Impairment losses are recognised for loans and advances for which there is evidence – either on an individual or portfolio basis – of impairment at balance sheet date. Whether or not evidence exists is determined on the basis of the probability of default (PD). The characteristics of the loan, such as the type of loan, the borrower's line of business, the geographical location of the borrower and other characteristics key to a borrower's risk profile, are used to determine the PD. Loans with the same PD therefore have a similar credit risk profile.
  - Loans and advances with a PD of 12 (individual problem loans with the highest probability of default) are individually tested for impairment (and written down on an individual basis if necessary). The impairment amount is calculated as the difference between the loans' carrying amount and their present value.
  - Loans and advances with a PD of 10 or 11 are also considered to be individual problem loans. Significant loans (of more than 1.25 million euros) are tested individually. The impairment amount is calculated as the difference between the loans' carrying amount and their present value. Non-significant loans (of less than 1.25 million euros) are tested on a statistical basis. The impairment amount calculated according to the statistical method is based on three components: the amount outstanding of loans, a reclassification percentage reflecting the movement of loans between the various PD classes, and a loss percentage reflecting the average loss for each product.
  - Loans and advances with a PD lower than 10 are considered normal loans. Incurred-but-not-reported (IBNR) losses are recognised for loans with a PD of 1 through 9. IBNR losses are based on the IRB Advanced models (PD X LGD X EAD), with all parameters being adjusted to reflect the point-in-time nature of these losses. The main adjustment relates to the PD, i.e. the time horizon of the PD is shortened on the basis of the emergence period. This is the period between the time an event occurs that will lead to an impairment and the time KBC identifies this event, and is dependent on the review frequency, the location and degree of involvement with the counterparties.
    When impairment is identified, the carrying amount of the loan is reduced via an impairment account and the loss recognised in the income statement. If, in a subsequent period, the estimated impairment amount increases or decreases due to an event that occurs after the impairment loss was recognised, the previously recognised impairment will be increased or reduced accordingly through adjustment of the impairment account. Loans and the related amounts included in the impairment accounts are written off when there is no realistic prospect of recovery in future or if the loan is forgiven. A renegotiated loan will continue to be tested for impairment, calculated on the basis of the original effective interest rate applying to the loan.
    For off-balance-sheet commitments (commitment credit) classified as uncertain or irrecoverable and doubtful, provisions are recognised if the general IAS 37 criteria are satisfied and the more-likely-than-not criterion met. These provisions are recognised at their present value.
    Interest on loans written down as a result of impairment is recognised using the rate of interest used to measure the impairment loss.

- *Securities.* Depending on whether or not securities are traded on an active market and depending on what the intention is when they are acquired, securities are classified as loans and receivables, held-to-maturity assets, held-for-trading assets, financial assets at fair value through profit or loss, or available-for-sale assets.
  Securities classified as loans and receivables or held-to-maturity assets are initially measured at fair value, including transaction costs. They are subsequently measured at amortised cost. The difference between the acquisition cost and the redemption value is recognised as interest and recorded in the income statement on an accruals basis over the remaining term to maturity. It is taken to the income statement on an actuarial basis, based on the effective rate of return on acquisition. Individual impairment losses for securities classified as loans and receivables or held-to-maturity are recognised – according to the same method as is used for amounts receivable as described above – if there is evidence of impairment at balance sheet date.
  Held-for-trading securities are initially measured at fair value (excluding transaction costs) and subsequently at fair value, with all fair value changes being recognised in profit or loss for the financial year.
  Securities classified initially as 'Financial assets at fair value through profit or loss' that are not held for trading are measured in the same way as held-for-trading assets.
  Available-for-sale securities are initially measured at fair value (including transaction costs) and subsequently at fair value, with changes in fair value being recorded separately in equity until the sale or impairment of the securities. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year. Impairment losses are recognised if evidence of impairment exists on the balance sheet date. For listed equity and other variable-yield securities, a significant or prolonged decline in their fair value below cost is evidence of impairment. For fixed-income securities, impairment is measured on the basis of the recoverable amount of the acquisition cost. Impairment losses are taken to the income statement for the financial year. For equity and other variable-yield securities, impairment is reversed through a separate equity heading. Reversals of impairment on fixed-income securities occur through profit or loss for the financial year.

- *Derivatives*. All derivatives are classified as held-for-trading assets or held-for-trading liabilities unless they are designated and effective hedging instruments. Held-for-trading derivatives are measured at fair value, with fair value changes being recognised in profit or loss for the financial year. Held-for-trading derivatives with a positive replacement value are recorded on the asset side of the balance sheet; those with a negative replacement value on the liabilities side.

- *Amounts owed*. Liabilities arising from advances or cash deposits received are recorded in the balance sheet at amortised cost. The difference between the amount made available and the nominal value is reflected on an accruals basis in the income statement. It is recorded on a discounted basis, based on the effective rate of interest.

- *Embedded derivatives*. Derivatives embedded in contracts that are measured on an accruals basis (held-to-maturity assets, loans and receivables, other financial liabilities) or at fair value, with fair value changes being recorded in equity (available-for-sale assets), are separated from the contract and measured at fair value (with fair value adjustments being taken to the income statement for the financial year), if the risk relating to the embedded derivative is considered not to be closely related to the risk on the host contract. The risk may not be reassessed subsequently, unless the terms of the contract are changed and this has a substantial impact on the contract's cashflows. Contracts with embedded derivatives are however primarily classified as financial instruments at fair value through profit or loss, making it unnecessary to separate the embedded derivative, since the entire financial instrument is measured at fair value, with fair value changes being taken to the income statement.

- *Hedge accounting*. KBC applies hedge accounting when all the requisite conditions (according to the hedge accounting requirements that have not been carved out in the IAS 39 version as approved by the EU) are fulfilled. The relevant conditions are as follows: the hedge relationship must be formally designated and documented on the inception of the hedge, the hedge must be expected to be highly effective and this effectiveness must be able to be measured reliably, and the measurement of hedge effectiveness must take place on a continuous basis during the reporting period in which the hedge can be considered to be effective.
  For fair value hedges, both the derivatives hedging the risks and the hedged positions are measured at fair value, with all fair value changes being taken to the income statement. Accrued interest income from rate swaps is included in net interest income. Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, the gain or loss recorded in equity on the hedged position (for fixed-income financial instruments) will be taken to profit or loss on an accruals basis until maturity.
  Fair value hedges for a portfolio of interest rate risk (portfolio hedge of interest rate risk) are applied by KBC to hedge the interest rate risk for a portfolio of loans with interest rate swaps. The interest rate swaps are measured at fair value, with fair value changes reported in profit or loss. Accrued interest income from these swaps is included in net interest income. The hedged amount of loans is measured at fair value as well, with fair value changes reported in profit or loss. The fair value of the hedged amount is presented as a separate line item of the assets on the balance sheet. KBC makes use of the 'carved-out' version of IAS 39, so that no ineffectiveness results from anticipated repayments, as long as underhedging exists. In case of hedge ineffectiveness, the cumulative change in the fair value of the hedged amount will be amortised through profit or loss over the remaining lifetime of the hedged assets or immediately removed from the balance sheet if the ineffectiveness is due to the fact that the corresponding loans have been derecognised.
  For cashflow hedges, derivatives hedging the risks are measured at fair value, with those fair value gains or losses determined to be an effective hedge being recognised separately in equity. Accrued interest income from rate swaps is included in net interest income. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting will be discontinued if the hedge accounting criteria are no longer met. In this case, the derivatives will be treated as held-for-trading derivatives and measured accordingly.
  Foreign currency funding of a net investment in a foreign entity is accounted for as a hedge of that net investment. This form of hedge accounting is used for investments not denominated in euros. Translation differences (account taken of deferred taxes) on the funding are recorded in equity, along with translation differences on the net investment.

- *Financial guarantee contracts.* These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the initial or revised terms of a debt instrument. A financial guarantee contract is initially recognised at fair value and subsequently measured at the greater of the following:
  1 the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets; and
  2 the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18: Revenue.

- *Fair value adjustments ('market value adjustments').* Fair value adjustments are recognised on all financial instruments measured at fair value, with fair value changes being taken to profit or loss or recognised in equity. These fair value adjustments include all close-out costs, adjustments for less liquid instruments or markets, adjustments relating to 'mark-to-model' measurements and counterparty exposures.

d Goodwill and other intangible assets

Goodwill is defined as any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. It is recognised as an intangible asset and is carried at cost less impairment losses. Goodwill is not amortised, but is tested at least once a year for impairment. An impairment loss is recognised if the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed.

If the capitalisation criteria are met, software is recognised as an intangible asset. System software is capitalised and amortised at the same rate as hardware, i.e. over three years, from the moment the software is available for use. Standard software and customised software developed by a third party is capitalised and amortised over five years according to the straight-line method from the moment the software is available for use. Internal and external development expenses for internally-generated software for investment projects are capitalised and written off according to the straight-line method over five years. Investment projects are large-scale projects that introduce or replace an important business objective or model. Internal and external research expenses for these projects and all expenses for other ICT projects concerning internally-generated software (other than investment projects) are taken to the income statement directly.

e Property and equipment (including investment property)

All property and equipment is recognised at cost (including directly allocable acquisition costs), less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the anticipated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Impairment is recognised if the carrying value of the asset exceeds its recoverable value (i.e. the higher of the asset's value in use and net selling price). Amounts written down can be reversed through the income statement. When property or equipment is sold, the realised gains or losses are taken directly to the income statement. If property or equipment is destroyed, the remaining amount to be written off is taken directly to the income statement.
The accounting policy outlined for property and equipment also applies to investment property.
External borrowing costs that are directly attributable to the acquisition of an asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred. Capitalisation commences when expenses are incurred for the asset, when the borrowing costs are incurred and when activities that are necessary to prepare the asset for its intended use or sale are in progress. When development is interrupted, the *capitalisation* of borrowing costs is suspended. The *capitalisation* of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

f Pension liabilities

Pension liabilities are included under the 'Other liabilities' item and relate to obligations for retirement and survivor's pensions, early retirement benefits and similar pensions or annuities.
Defined benefit plans are those under which KBC has a legal or constructive obligation to pay extra contributions to the pension fund if this last has insufficient assets to settle all the obligations to employees resulting from employee service in current and prior periods.
The pension obligations under these plans for employees are calculated according to IAS 19, based on the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.
Actuarial gains and losses are recognised according to the 'corridor approach'. The portion of actuarial gains and losses exceeding 10% of the greater of the fair value of plan assets or the gross pension obligation will be recognised as income or expense, spread over a period of five years.

g Tax liabilities

This heading includes current and deferred tax liabilities.
Current tax for the period is measured at the amount expected to be paid, using the rates of tax in effect for the balance sheet date.
Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are measured using the tax rates in effect on realisation of the assets or settlement of the liabilities to which they relate. Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

h Provisions

Provisions are recognised in the balance sheet:

- if an obligation (legal or constructive) exists on the balance sheet date that stems from a past event, and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

i Equity

Equity is the residual interest in the net assets after all liabilities have been deducted.
Equity instruments have been differentiated from financial instruments in accordance with the IAS 32 rules:

- Written stock options on treasury shares subject to IFRS 2 are measured at fair value on the grant date. This fair value is recognised in the income statement as a staff expense over the period of service, against a separate entry under equity. The 2000–2002 stock option plans are not covered by the scope of IFRS 2.

- The revaluation reserve for available-for-sale assets is included in equity until disposal or impairment of the assets. At that time, the cumulative gain or loss is transferred to profit or loss for the period.

Put options on minority interests (and, where applicable, combinations of put and call options resulting in forward contracts) are recognised as financial liabilities at the present value of the exercise prices. The corresponding minority interests are deducted from equity. The difference is recognised either as an asset (goodwill) or in the income statement (negative goodwill).

j Exchange rates used

	Exchange rate at 31-12-2009		Exchange rate average in 2009	
	1 EUR = … currency	Change from 31-12-2008 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … currency	Change relative to average in 2008 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)
CZK	26.47	+2%	26.51	-6%
GBP	0.888	+7%	0.893	-11%
HUF	270.4	-1%	281.3	-11%
PLN	4.105	+1%	4.349	-19%
USD	1.441	-3%	1.394	+6%

k Changes made to accounting policies in 2009

No material changes were made to the accounting policies compared with 2008

Notes on segment reporting

Note 2 a: Segment reporting based on the management structure

The KBC Bank's management structure has been built around the following segments or business units:

- Belgium (retail bancassurance, asset management, private banking);
- Central- and Eastern Europe and Russia — CEER — (retail bancassurance, asset management, private banking, corporate banking);
- Merchant Banking (corporate banking in Belgium and in a selection of countries in Europe, North America and Southeast Asia (primarily modcap SME's) investment banking).

The basic principle underlying this reporting format is that a group company is assigned in its entirety to one specific segment (see Note 40). The only exception made here is for:

- Charges that cannot clearly be allocated to a specific segment. Such charges are grouped together and presented under 'Group Centre'
- KBC Bank NV, which is assigned to various segments and to the Group Centre using a set of allocation rules.

The funding cost of goodwill related to participating interests held by KBC Bank is allocated to the segment to which the relevant participateg interest belongs.

The Group Centre comprises certain allocated charges. The results of KBC Bank (Belgium) that are allocated to the Group Centre are only those results that cannot reliably be allocated to the segments.

Transactions are conducted among the different segments at arm's length.

The figures in the segment reporting presentation have been prepared in accordance with the general accounting method used at KBC (see Note 1) and, therefore, comply with the International Financial Reporting Standards, as adopted for use in the European Union (endorsed IFRS). However, a number of changes have been made to this methodology in order to provide a better insight into the underlying business activities:

- To arrive at the figure for underlying group profit, exceptional items that do not regularly occur during the normal course of business are eliminated. These items also include exceptional losses triggered by the financial crisis, such as those incurred on investments in structured credit, on amounts receivable from troubled banks (Lehman Brothers, Washington Mutual, the Icelandic banks), on equity investments and on trading positions that were unwound due to the discontinuation of activities at KBC Financial Products. In view of their exceptional nature and materiality, it is important to separate out these items in order to gain a full understanding of the results trend (for the impact on net profit, see table below).
- In the IFRS figures, many of the ALM hedging derivatives (i.e. those that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk) are regarded as trading instruments and, consequently, interest relating to these instruments appears under 'Net (un) realised gains from financial instruments at fair

value', whereas interest relating to the underlying assets appears under 'Net interest income'. In the underlying figures, interest on these derivatives has therefore been moved to 'Net interest income' (the heading under which interest income generated by the underlying assets is recognised), without this having any impact on net profit.

- Moreover, the fair value changes (due to marking-to-market) of the above ALM hedging instruments appear under 'Net (un)realised gains from financial instruments at fair value', whereas most underlying assets are not recognised at fair value (i.e. not marked-to-market).
  Hence, the fair value changes of these instruments are excluded from the underlying figures (for the impact on net profit, see table below).
- In the IFRS figures, income from market activities is divided up among different components. While trading profit is recognised under 'Net (un)realised gains from financial instruments at fair value', the funding costs and the fees and commission paid to realise this trading profit are recognised under 'Net interest income' and 'Net fee and commission income', respectively. Moreover, some 'Dividend income', 'Net realised gains from available-for-sale assets' and 'Other net income' also relates to market activities. In the underlying figures, all marketactivity-related components have been grouped together under 'Net (un)realised gains from financial instruments at fair value', without this having any impact on net profit.
- Lastly, the IFRS figures take into account the effect of changes in own credit spreads when measuring the fair value of financial liabilities designated at fair value through profit or loss.
  Since this is a non-operating item, its impact is excluded from the underlying figures (for the impact on net profit, see table below).

Reconciliation of profit according to IFRS and underlying profit

(in millions of EUR)	Business Unit	Main heading(s) in the income statement	2008	2009
Profit after tax, attributable to equity holders of the parent (IFRS)			**- 1 521**	**- 2 491**
Less				
- Amounts before tax and minority interests				
* Fair value changes in ALM hedging instruments	Various	Net (un)realised gains from financial instruments at fair value	- 491	54
* Changes in fair value of own debt instruments	Group Centre	Net (un)realised gains from financial instruments at fair value	371	44
* Losses relating to CDOs/monoline insurers	Various	Net (un)realised gains from financial instruments at fair value	- 2 603	- 1 669
* Fee for guarantee provided by government to cover CDO-related exposures	Merchant Banking	Net (un)realised gains from financial instruments at fair value		- 1 164
* Valuation losses on equity portfolio	Various	Impairment, Net realised gains from available-for-sale assets	- 230	- 77
* Impairment charges relating to US and Icelandic banks	Various	Impairment	- 376	59
* Loss from unwinding derivative positions at KBC Financial Products	Merchant Banking	Net (un)realised gains from financial instruments at fair value	- 245	- 1 078
* Impairment charges on the value of goodwill outstanding related to subsidiaries	Various	Impairment on goodwill	- 4	- 387
* Repurchase of outstanding hybrid tier-1 securities	Various	*		128
* Other	Various	-	86	- 80
- Taxes and minority interests relating to the above items	-	Income tax expense and Profit after tax, attributable to minority interests	609	597
Underlying profit after tax, attributable to equity holders of the parent			1 362	1 082

* The after-tax gains realised on the repurchase of the hybrid securities issued by KBC Bank Funding Trust was deducted from 'Profit after tax, attributable to minority interests' and included under 'Profit after tax, attributable to equity holders of the parent'

In millions of EUR	Belgium Business unit	CEER Business unit	Merchant Banking Business unit	Group Centre	Inter-segment eliminations	Total KBC Bank
INCOME STATEMENT 2008						
Net interest income	1 249	1 713	965	1	5	3 932
Dividend income	33	9	6	21	0	68
Net (un)realised gains from financial instruments at fair value through profit or loss	72	296	572	0	0	940
Net realised gains from available-for-sale assets	4	- 2	- 12	0	0	- 10
Net fee and commission income	925	535	356	7	- 12	1 811
Other net income	78	127	158	12	- 52	324
TOTAL INCOME	2 360	2 678	2 045	39	- 58	7 064
Operating expenses [a]	- 1 649	- 1 609	- 1 160	- 43	58	- 4 402
Impairment	- 47	- 312	- 330	0	0	- 689
on loans and receivables	- 47	- 305	- 279	0	0	- 631
on available-for-sale assets	0	0	- 6	1	0	- 5
on goodwill	0	0	- 15	0	0	- 15
on other	0	- 7	- 30	0	0	- 37
Share in results of associated companies	0	28	- 12	- 1	0	15
PROFIT BEFORE TAX	664	785	543	- 3	0	1 989
Income tax expense	- 178	- 113	- 105	8	0	- 388
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	486	671	439	5	0	1 601
attributable to minority interests	130	24	84	0	0	238
attributable to equity holders of the parent	356	647	354	5	0	1 362
[a] of which non-cash expenses	- 57	- 139	- 123	- 4	0	- 324
depreciation and amortisation of fixed assets	- 42	- 143	- 52	- 3	0	- 240
other	- 15	4	- 72	- 1	0	- 83
Acquisitions of non current assets (1)	87	495	617	0	0	1 199
INCOME STATEMENT 2009						
Net interest income	1 610	1 735	1 012	16	0	4 372
Dividend income	18	8	10	0	0	36
Net (un)realised gains from financial instruments at fair value through profit or loss	70	81	716	0	0	868
Net realised gains from available-for-sale assets	75	11	57	17	0	161
Net fee and commission income	841	476	307	0	- 2	1 622
Other net income	34	81	125	1	- 13	228
TOTAL INCOME	2 648	2 392	2 228	34	- 15	7 286
Operating expenses [a]	- 1 462	- 1 409	- 890	- 95	15	- 3 841
Impairment	- 99	- 863	- 933	0	0	- 1 895
on loans and receivables	- 99	- 852	- 929	0	0	- 1 880
on available-for-sale assets	- 1	0	0	0	0	- 1
on goodwill	0	0	0	0	0	0
on other	0	- 11	- 3	0	0	- 14
Share in results of associated companies	0	- 11	0	0	0	- 11
PROFIT BEFORE TAX	1 086	109	404	- 61	0	1 538
Income tax expense	- 325	- 36	5	23	0	- 334
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	761	73	409	- 38	0	1 205
attributable to minority interests	- 67	- 15	68	0	0	- 14
attributable to equity holders of the parent	692	88	341	- 38	0	1 082
[a] of which non-cash expenses	- 109	- 146	2	0	0	- 254
depreciation and amortisation of fixe	- 46	- 141	- 38	0	0	- 224
other	- 63	- 6	39	0	0	- 29
Acquisitions of non current assets (1)	46	184	325	3	0	557

(1) including Non-current assets held for sale and disposal groups, IP, PPE, investments associated companies, goodwill & other intangible assets

The table below presents some of the main on-balance-sheet products by segment.

In millions of EUR	Belgium Business unit	CEER Business unit	Merchant Banking Business unit	Total KBC Bank
Balance sheet information 31-12-08				
Total loans to customers	55 889	38 234	62 040	156 163
Of which mortgage loans	28 359	11 837	14 958	55 154
Of which reverse repos	0	1 662	2 424	4 086
Customer deposits	80 293	40 881	68 978	190 152
Of which repos	0	1 665	6 190	7 855
Balance sheet information 31-12-09				
Total loans to customers	57 404	36 071	58 826	152 302
Of which mortgage loans	30 853	12 814	15 005	58 672
Of which reverse repos	0	3 177	3 443	6 620
Customer deposits	75 234	43 952	69 318	188 504
Of which repos	320	3 138	9 741	13 199

Note 2 b: Segment reporting base don geographic area

This segment reporting format is based on geographic areas, reflecting KBC's focus on its two home markets – Belgium 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 customers are local, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement.

This segment reporting format differs considerably from segment reporting based on business units, partly due to the fact that different allocation methodologies are used and that the Belgium geographic segment includes not only the Belgium Business Unit, but also the Belgian activities of the Merchant Banking Business Unit.

More details on the geographic breakdown of balance sheet figures can be found in the various notes to the balance sheet. The breakdown in this note is based on the geographic location of the counterparty.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	Total KBC Bank
2008				
Total income from external customers	2 758	2 826	1 465	7 048
Total assets (period-end)	193 315	55 355	69 879	318 550
Total liabilities (period-end)	177 436	50 635	78 142	306 212
Acquisitions of non current assets [(1)]	763	245	191	1 199
2009				
Total income from external customers	3 300	2 575	1 409	7 284
Total assets (period-end)	179 912	55 840	45 861	281 613
Total liabilities (period-end)	160 771	50 425	57 400	268 596
Acquisitions of non current assets [(1)]	299	209	49	557

[(1)] including Non-current assets held for sale and disposal groups, IP, PPE, investments associated companies, goodwill & other intangible assets

Notes to the income statement

Note 3: Net interest income

In millions of EUR	2008	2009
Total	4 020	4 920
Interest income	15 883	10 821
Available-for-sale assets	1 285	1 246
Loans and receivables	9 681	7 420
Held-to-maturity investments	361	344
Other assets	271	39
Subtotal, interest income from financial assets not measured at fair value through profit or loss	11 598	9 048
of which : impaired financial assets	9	50
Financial assets held for trading	1 625	589
Hedging derivatives	817	416
Other financial assets at fair value through profit or loss	1 843	767
Interest expense	- 11 863	- 5 901
Financial liabilities measured at amortised cost	- 8 587	- 4 472
Other	- 7	- 15
Subtotal, interest expense for financial assets not measured at fair value through profit or loss	- 8 594	- 4 488
Financial liabilities held for trading	- 336	- 90
Hedging derivatives	- 714	- 765
Other financial liabilities at fair value through profit or loss	- 2 218	- 559

Note 4: Dividend income

In millions of EUR	2008	2009
Total	131	80
Breakdown by type	131	80
Held-for-trading shares	62	41
Shares initially recognised at fair value through profit or loss	0	1
Available-for-sale shares	69	38

Note 5: Net (un-)realised gains from financial instruments at fair value through profit or loss

In millions of EUR	2008	2009
Total	- 2 100	- 3 126
Breakdown by type		
Trading instruments (including interest and fair value changes in trading derivatives)	- 4 521	- 3 576
Other financial instruments initially recognised at fair value through profit or loss	2 023	178
Foreign exchange trading	397	275
Fair value adjustments in hedge accounting	1	- 4
Microhedge	- 6	- 2
Fair value hedges	- 3	- 1
Changes in the fair value of the hedged item	103	18
Changes in the fair value of the hedging derivatives (including discontinuation)	- 106	- 19
Cashflow hedges	- 3	- 1
Changes in the fair value of the hedging derivatives - ineffective portion	- 3	- 1
Hedges of net investments in foreign operation - ineffective portion	0	0
Portfolio hedge of interest rate risk	7	- 2
Fair value hedges of interest rate risk	0	0
Changes in the fair value of the hedged item	391	84
Changes in the fair value of the hedging derivatives (including discontinuation)	- 391	- 84
Cashflow hedges of interest rate risk	7	- 2
Changes in the fair value of the hedging instrument - ineffective portion (including discontinuation)	7	- 2

- With regard to the ALM derivatives (except for micro-hedging derivatives, which are used to only a limited extent in the group), the following applies:
  - For ALM derivatives classified under ‘Portfolio hedge of interest rate risk’, the interest concerned is recognised under ‘Net interest income’. Changes in the fair value of these derivatives are recognised under ‘Net (un)realised gains from financial instruments at fair value through profit or loss’, but due to the fact that changes in the fair value of the hedged assets are also recognised under this heading – and the hedging is effective – the balance of this heading is zero.
  - For other ALM derivatives, the interest in question is recognised under ‘Net (un)realised gains from financial instruments at fair value through profit or loss' (a positive 33 and a negative 288 million euros in 2008 and 2009, respectively). The fair value changes are also recognised under this heading, most (but not all) of which are offset by changes in the fair value of a bond portfolio that is classified as 'financial instruments initially recognised at fair value through profit or loss' (see accounting policies).
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, the *dollar offset method* is used on a quarterly basis, which requires changes in the fair value of the hedged item to offset changes in the fair value of the hedging instrument within a range of 80%–125%, which is currently the case.
  - For cashflow micro hedges, the designated hedging instrument is compared with a *perfect hedge* of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the *perfect hedge*). The effectiveness of both tests must fall within a range of 80%–125%, which is currently the case.
  - For fair value hedges for a portfolio of interest rate risk, effectiveness is assessed on the basis of the rules set out in the European version of IAS 39 (carve-out). IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, care is taken to ensure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.
- Total exchange differences, excluding those recognised on financial instruments at fair value through profit or loss came to 397 million euros for 2008 and to 275 million euros for 2009. These are included in the 397 and 275 million euros shown in the table.
- When the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not

the case, day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. Movements in deferred day 1 profit can be summarised as follows:

In millions of EUR	2008	2009
Deferred day 1 profits, opening balance on 1 January	104	86
New deferred day 1 profits	70	0
Day 1 profits recognised in profit or loss during the period		
Amortisation of day 1 profits	-72	-49
Financial instruments no longer recognised	-20	-4
Exchange differences	4	-6
Deferred day 1 profits, closing balance on 31 December	86	28

- 'Net (un)realised gains from financial instruments at fair value through profit or loss' also includes the effect of value changes in CDOs held in portfolio. In 2009, this effect amounted – on balance – to a negative 2.5 billion euros (also incorporating the impact of the acquired government guarantee, including the relevant fees charged – see below – and the negative effect of increasing cover from 40% to 70% for the CDO-related counterparty exposure to MBIA, the US monoline insurer).
- On 14 May 2009, KBC Group NV signed a guarantee agreement with the Belgian State regarding a substantial part of its structured credit portfolio. The plan basically comprises a notional amount totalling 20 billion euros, with 5.5 billion euros relating to the notional value of the unhedged super senior CDO investments and 14.4 billion euros the notional value of the counterparty exposure to MBIA. Against payment of a fee, KBC Group has purchased a State guarantee which covers 90% of the risk of default, after a first-loss tranche in which KBC Group bears any loss in full. The transaction is structured as follows (in basic terms):
    - a first tranche of 3.2 billion euros: KBC Group bears any credit losses in full.
    - a second tranche of 2 billion euros: KBC Group bears any credit losses in full. It has the option of asking the Belgian State to subscribe to newly issued KBC Group-shares at market value, for 90% of the loss in this tranche (KBC Group continues to bear 10% of the risk).
    - a third tranche of 14.8 billion euros: 90% of any credit losses will be paid in cash by the State (KBC Group continues to bear 10% of the risk).

  Of this guarantee, 3 billion euros relates to the CDO risks in Assurisk (subsidiary of KBC Verzekeringen).
- The total fee to be paid by KBC Group to the Belgian State for the third tranche (*the cash guarantee*) is approximately 1.1 billion euros (recognised upfront in 2009). There was also a positive effect on mark-to-market value of the guaranteed positions. KBC also has to pay the Belgian State a commitment fee of roughly 60 million euros per half year for the second tranche(*the equity guarantee*). That contract, including the fee due, is measured at fair value through profit or loss.

Note 6: Net realised gains from available for sale assets

In millions of EUR	2008	2009
Total	- 11	174
Breakdown by portfolio		
Fixed-income securities	- 6	140
Shares	- 5	34

Note 7: Net fee and commission income

In millions of EUR	2008	2009
Total	1 769	1 545
Fee and commission income	2 443	2 141
Securities and asset management	1 242	1 054
Commitment credit	232	270
Payments	522	494
Other	447	323
Fee and commission expense	- 674	- 595
Commission paid to intermediaries	- 74	- 76
Other	- 600	- 519

- The lion's share of the fees and commissions related to lending is recognised under 'Net interest income' (effective interest rate calculations).

Note 8: Other net income

In millions of EUR	2008	2009
Total	538	313
Net realised gain on loans and receivables	- 2	10
Net realised gain on held-to-maturity investments	0	- 5
Net realised gain on financial liabilities measured at amortised cost	- 1	1
Other	541	308
of which: realised gain on sale of shares Prague Stock Exchange	40	0
of which: impact ownership percentage NLB	54	0
of which: income concerning leasing at the KBC Lease-group	46	74
of which: income from consolidated private equity participations	94	56

Note 9: Operating expenses

In millions of EUR	2008	2009
Total	- 4 411	- 4 241
Breakdown by type		
Staff expenses	- 2 222	- 1 973
of which share based payment: equity settled	0	- 1
of which share based payment: cash settled	30	1
General administrative expenses	- 1 866	- 2 005
Depreciation and amortisation of fixed assets	- 240	- 228
Provisions for risks and charges	- 83	- 35

- General administrative expenses (see table) include repair and maintenance expenses, advertising costs, rent, professional fees, various (non-income) taxes and utilities.
- Share-based payments are included under staff expenses, and can be broken down as follows:

  A Main cash-settled share-based payment arrangements
  KBC Financial Products established a phantom equity plan in 1999 as a means of keeping its senior executives. One million phantom shares were issued between 1999 and 2002. Since only one million shares could be issued under the plan, all new participants had to acquire shares from existing members of the plan. The shares were valued based on the profit before tax of the KBC Financial Products group. The plan was terminated in 2005 and all employees paid out over a four-year period ending in March 2009. At the end of 2009, KBC Financial Products did not recognise any outstanding liabilities in this regard (as opposed to 7 million euros at year-end 2008).

  B Main equity-settled share-based payments
  Since 2000, the KBC Bank and Insurance Holding Company NV (now KBC Group NV) has launched a number of share option plans. The share options have been granted to all or to certain members of staff of the company and various subsidiaries. The share options were granted free to the members of staff, who only had to pay the relevant tax on the benefit when the options were allocated. The share options have a life of seven to ten years from the date of issue and can be exercised in specific years in the months of June, September or December. Not all the options need be exercised at once. When exercising options, members of staff can either deposit the resulting shares on their custody accounts or sell them immediately on NYSE Euronext Brussels.
  The KBC Bank and Insurance Holding Company NV (now KBC Group NV) took over three share option plans of KBC Peel Hunt Ltd. dating from 1999 and 2000. Eligible KBC Peel Hunt staff members have obtained options on KBC Group NV shares instead of KBC Peel Hunt Ltd.shares.
  KBC Group NV has repurchased treasury shares in order to be able to deliver shares to staff when they exercise their options.
- IFRS 2 has not been applied to equity-settled option plans that predate 7 November 2002, since they are not covered by the scope of IFRS 2. The option plans postdating 7 November 2002 are limited in size.
- In 2009, there was a capital increase reserved for KBC group employees, who could buy shares at 27.73 euros per share. This resulted in the recognition of an employee benefit of 1 million euros, recognised as staff expenses (in 2008, the capital increase for staff did not result in the recognition of an employee benefit).
- An overview of the number of stock options for staff is shown in the table. The average price of the KBC Group share was 20.9 euros during 2009. In 2009, no new KBC share options for personnel were issued.

	2008		2009	
Options	Number of options [1]	Average exercise price	Number of options [1]	Average exercise price
Outstanding at beginning of period	1 018 188	47,12	884 558	47,83
Granted during period	0	-	0	-
Exercised during period	- 133 613	42,29	0	0,00
Expired during period	- 16	37,50	- 2 305	42,58
Forfeited during period	0	0,00	0	0
Outstanding at end of period [2]	884 558	47,83	882 253	48,09
Exercisable at end of period	728 111	43,59	821 228	44,03

[1] in equivalent of shares

[2] 2008: Range of exercise prices 28,3-97,94 euros; weighted average residual term to maturity: 35 months.
2009: Range of exercise prices 28,3-97,94 euros; weighted average residual term to maturity: 27 months.

Note 10: Personnel

	2008	2009
Total average number of persons employed (in full-time equivalents)	43.784	40.735
Breakdown by type	43.784	40.735
Blue-collar staff	582	492
White-collar staff	42.349	39.410
Senior management	853	833

Note 11: Impairment (income statement)

In millions of EUR	2008	2009
Total	- 1 439	- 2 400
Impairment on loans and receivables	- 760	- 1 901
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 737	- 1 808
Specific impairments for off-balance-sheet credit commitments	- 4	- 14
Portfolio-based impairments	- 18	- 78
Impairment on available-for-sale assets	- 613	- 84
Breakdown by type		
Shares	- 290	- 82
Other	- 323	- 1
Impairment on goodwill	- 19	- 402
Impairment on other	- 48	- 14
Intangible assets, other than goodwill	- 27	0
Property and equipment	- 5	- 7
Held-to-maturity assets	- 15	- 2
Associated companies (goodwill)	0	0
Other	- 1	- 4

- ‘Impairment on loans and receivables’ was accounted for primarily by loans and advances to customers (term loans and reclassified ABS).

- Impairment on available-for-sale assets. Impairment on shares was, of course, related to plummeting share prices in the second half of 2008 and in the first quarter of 2009. The high level of impairment in the ‘Other’ category in 2008 was accounted for mainly by bonds that had been issued by Washington Mutual, Lehman Brothers and the Icelandic banks.

- Impairment on goodwill. In 2008, this heading had included *inter alia* 15 million euros for a KBC Financial Products group company (Merchant Banking Business Unit); in 2009, it included *inter alia* 318 million euros for group companies in Central and Eastern Europe (primarily Russia, Bulgaria and Slovakia). In most cases, the impairment reflects the difference between the carrying value before impairment and the value in use.

- Impairment on other. In 2008, this heading had included primarily impairment charges on intangible fixed assets (27 million euros), on property and equipment (5 million euros) and on held-to-maturity securities (15 million euros), due to the lower creditworthiness of the issuers of these securities. In 2009, it included *inter alia* impairment charges on property and equipment (7 million euros) and on held-to-maturity securities (2 million euros). Impairment always relates to the difference between the carrying value before impairment and the value in use of the property and equipment and the intangible fixed asset in question.

Note 12: Share in results of associated companies

In millions of EUR	2008	2009
Total	2	- 11
of which Nova Ljubljanska banka	8	- 27

- Impairment on (goodwill on) associated companies is included in 'Impairment'. The share in results of associated companies does not therefore take this impairment into account.

Note 13: Income tax expense

In millions of EUR	2008	2009
Total	216	237
Breakdown by type	216	237
Current taxes on income	- 301	- 195
Deferred taxes on income	517	432
Tax components		
Profit before tax	- 1 500	- 2 745
Income tax at the Belgian statutory rate	33,99%	33,99%
Income tax calculated	510	933
Plus/minus tax effects attributable to	- 293	- 696
Differences in tax rates, Belgium - abroad	75	80
Tax-free income	298	100
Adjustments related to prior years	21	90
Adjustments, opening balance of deferred taxes due to change in tax rate	- 1	2
Unused tax losses and unused tax credits to reduce current tax expense	42	10
Unused tax losses and unused tax credits to reduce deferred tax expense	- 1	53
Reversal of previously recognised deferred tax due to tax losses	- 30	- 4
Other (mainly non-deductible expenses)	- 699	- 1 028
Aggregate amount of temporary differences associated with investments in subsidiaries, branches and associated companies and interests in joint ventures, for which deferred tax liabilities have not been recognized*	475	433

* Reserves of joint or other subsidiaries, associated companies and branches that, at certain entities, will be taxed in full on distribution (recorded in full). For a significant number of entities, the foreign tax credit applies (5% isrecorded, since 95% is definitively taxed).

- For information on tax assets and tax liabilities, see Note 23.

Notes to the balance sheet

Note 14: Financial assets and liabilities, breakdown by portfolio and product

FINANCIAL ASSETS

In millions of EUR	Held for trading	Designated at fair value[1]	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total
31-12-2008							
Loans and advances to credit institutions and investment firms [a]	8 288	4 544	0	23 763	-	-	36 595 [2]
Loans and advances to customers [b]	4 596	4 509	0	147 057	-	-	156 163
Discount and acceptance credit	0	0	0	153	-	-	153
Consumer credit	0	0	0	4 618	-	-	4 618
Mortgage loans	0	3 215	0	51 938	-	-	55 154
Term loans	4 596	1 160	0	72 303	-	-	78 059
Finance leasing	0	0	0	6 728	-	-	6 728
Current account advances	0	0	0	5 994	-	-	5 994
Other	0	134	0	5 323	-	-	5 457
Equity instruments	5 494	10	1 014	-	-	-	6 518
Debt instruments issued by	16 194	12 325	24 889	3 805	8 149	-	65 362
Public bodies	8 918	10 732	19 738	20	7 656	-	47 063
Credit institutions and investment firms	3 793	224	3 214	21	271	-	7 522
Corporates	3 484	1 369	1 938	3 765	221	-	10 776
Derivatives	38 670	-	-	-	-	236	38 906
Total carrying value excluding accrued intrest income	73 242	21 388	25 903	174 625	8 149	236	303 544
Accrued interest income	397	370	472	627	208	39	2 113
Total carrying value including accrued interest income	73 639	21 759	26 376	175 252	8 356	275	305 657
Total fair value	73 639	21 759	26 376	177 967	8 381	275	308 397
[a] *Of which reverse repos*							*11 171*
[b] *Of which reverse repos*							*4 087*
31-12-2009							
Loans and advances to credit institutions and investment firms [a]	566	3 975	0	13 850	-	-	18 391 [2]
Loans and advances to customers [b]	3 328	6 355	0	142 618	-	-	152 301
Discount and acceptance credit	0	9	0	105	-	-	114
Consumer credit	0	0	0	4 939	-	-	4 939
Mortgage loans	0	2 349	0	56 323	-	-	58 672
Term loans	3 328	3 824	0	64 482	-	-	71 634
Finance leasing	0	0	0	5 569	-	-	5 569
Current account advances	0	0	0	4 738	-	-	4 738
Other	0	173	0	6 462	-	-	6 635
Equity instruments	2 940	18	821	-	-	-	3 778
Debt instruments issued by	12 343	12 301	31 498	3 208	8 400	-	67 749
Public bodies	8 031	11 183	27 007	3	8 032	-	54 256
Credit institutions and investment firms	2 460	285	2 772	0	300	-	5 817
Corporates	1 852	832	1 720	3 205	68	-	7 677
Derivatives	21 414	-	-	-	-	165	21 579
Total carrying value excluding accrued interest income	40 591	22 648	32 319	159 676	8 400	165	263 799
Accrued interest income	200	244	559	468	205	48	1 724
Total carrying value including accrued interest income	40 791	22 892	32 878	160 144	8 605	213	265 523
Total fair value	40 791	22 892	32 878	162 434	8 872	213	268 079
[a] *Of which reverse repos*							*4 187*
[b] *Of which reverse repos*							*6 620*

[1] Designated at fair value through profit or loss (fair value option).
[2] Of which loans and advances to banks repayable on demand and term loans to banks at not more than three months amounted to 20 659 million euros in 2008 and 7 325 million euros in 2009.

FINANCIAL LIABILITIES

in millions of EUR	Held for trading	Designated at fair value [1,e]	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2008								
Deposits from credit institutions and investment firms [c]	461	18 973	-	-	-	-	42 491	61 926 [2]
Deposits from customers and debt certificates [d]	1 354	17 681	-	-	-	-	171 119	190 153
Deposits from customers	0	10 786	-	-	-	-	130 111	140 898
Demand deposits	0	847	-	-	-	-	39 526	40 373
Time deposits	0	9 927	-	-	-	-	57 038	66 966
Savings deposits	0	0	-	-	-	-	28 951	28 951
Special deposits	0	0	-	-	-	-	3 546	3 546
Other deposits	0	12	-	-	-	-	1 050	1 062
Debt certificates	1 354	6 894	-	-	-	-	41 007	49 255
Certificates of deposit	0	1 632	-	-	-	-	13 656	15 287
Customer savings certificates	0	0	-	-	-	-	3 072	3 072
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	1 354	4 426	-	-	-	-	15 983	21 763
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	836	-	-	-	-	8 297	9 133
Derivatives	39 577	-	-	-	-	653	-	40 230
Short positions	2 907	-	-	-	-	-	-	2 907
in equity instruments	356	-	-	-	-	-	-	356
in debt instruments	2 551	-	-	-	-	-	-	2 551
Other	244	0	-	-	-	-	3 760	4 004
Total carrying value excluding accrued interest expense	44 543	36 654	-	-	-	653	217 371	299 220
Accrued interest expense	167	288	-	-	-	224	1 174	1 852
Total carrying value including accrued interest expense	44 709	36 942	-	-	-	877	218 544	301 072
Total fair value	44 709	36 942	-	-	-	877	220 319	302 846
[c] Of which repos								*18 260*
[d] Of which repos								*7 855*
[e] Of which valuation own credit risk								*- 371*
31-12-2009								
Deposits from credit institutions and investment firms [c]	211	6 778	-	-	-	-	36 997	43 987 [2]
Deposits from customers and debt certificates [d]	834	16 961	-	-	-	-	170 709	188 504
Deposits from customers	0	13 175	-	-	-	-	127 460	140 635
Demand deposits	0	150	-	-	-	-	39 617	39 767
Time deposits	0	13 013	-	-	-	-	44 442	57 455
Savings deposits	0	0	-	-	-	-	38 645	38 645
Special deposits	0	0	-	-	-	-	3 677	3 677
Other deposits	0	11	-	-	-	-	1 080	1 091
Debt certificates	834	3 786	-	-	-	-	43 249	47 869
Certificates of deposit	0	287	-	-	-	-	15 663	15 950
Customer savings certificates	0	0	-	-	-	-	2 579	2 579
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	834	3 218	-	-	-	-	16 444	20 495
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	282	-	-	-	-	8 564	8 845
Liabilities under investment contracts	-	0	-	-	-	-	0	0
Derivatives	26 100	0	-	-	-	831	-	26 931
Short positions	2 072	0	-	-	-	-	-	2 072
in equity instruments	451	0	-	-	-	-	-	451
in debt instruments	1 621	0	-	-	-	-	-	1 621
Other	250	0	-	-	-	-	1 536	1 785
Total carrying value excluding accrued interest expense	29 467	23 739	-	-	-	831	209 242	263 279
Accrued interest expense	146	89	-	-	-	191	887	1 313
Total carrying value including accrued interest expense	29 613	23 828	-	-	-	1 022	210 129	264 592
Total fair value	29 613	23 828	-	-	-	1 022	213 835	268 298
[c] Of which repos								*10 437*
[d] Of which repos								*13 199*
[e] Of which valuation own credit risk								*- 204*

[1] Designated at fair value through profit or loss (fair value option).
[2] Of which deposits from banks repayable on demand amounted to 15 323 million euros in 2008 and 10 749 million euros in 2009.

- Financial assets and liabilities are grouped into categories. These categories are defined and relevant valuation rules provided in 'Financial assets and liabilities (IAS 39)', Note 1b.
- In October 2008, the International Accounting Standards Board (IASB) issued amendments to IAS 39 and IFRS 7 under 'Reclassification of financial assets'. Endorsed by the European Union on 15 October 2008, these amendments permit an entity to reclassify 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 be reclassified to 'held to maturity', 'loans and receivables' or 'available for sale' in certain cases.
Assets classified as 'available for sale' may be transferred to 'loans and receivables', likewise in certain cases. The amendments to IFRS 7 also impose additional disclosure requirements if the reclassification option is used. Following the implementation of these amendments, the KBC group reclassified 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. KBC reclassified these assets on 31 December 2008.

Financial assets reclassified out of 'available for sale' to 'loans and receivables' on 31-12-2008 (in millions of EUR) – situation at 31-12-2009

Carrying value			3 138
Fair value			3 256
Impact on the revaluation reserve and on the income statement	If not reclassified (before taxes)	After reclassification (before taxes)	Impact (before taxes)
Revaluation reserve (available-for-sale assets)	-599	-763	-165
Income statement	-308	-290	18

The reclassification had a negative impact of 165 million euros on equity and a positive impact of 18 million euros on the income statement. Besides specific impairment, 4 million euros was also set aside for portfolio-based impairment on loans and receivables. On the reclassification date (31 December 2008), the estimated recoverable amount of these assets came to 5 billion euros and the effective interest rate varied between 5.88% and 16.77%.

- In line with the IAS definition, KBC defines fair value as 'the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction'. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale. Distress sales or forced trades are transactions that are either carried out on an occasional basis, due to – for example – changes in the regulatory environment or that are not market-driven but rather entity- or client-driven.

- Financial assets and liabilities measured at fair value are grouped into three categories, viz. available for sale (AFS), held for trading (HFT) and designated at fair value through profit or loss (FIFV), and valued according to the valuation hierarchy provided in IAS 39. This hierarchy prioritises the use of inputs used in valuation techniques into three levels.
  1. The fair value hierarchy gives the highest priority to 'level 1 inputs'. This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. These are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency (and that are quoted in active markets accessible to KBC). They represent actual and regularly occurring market transactions on an arm's length basis. The fair value measurement of financial instruments with quoted prices is based on a mark-to-market valuation derived from currently available transaction prices. No valuation technique (model) is involved.
  2. If there are no price quotations available, an entity establishes fair value by using a model based on observable or unobservable inputs. The use of observable inputs needs to be maximised, whereas the use of unobservable inputs has to be minimised.
     a. Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Observable inputs reflect an active market. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs can include discounted cashflow analysis, reference to the current or recent fair value of a similar instrument, or third-party pricing.
     b. Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions regarding the risks involved). Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.

When the inputs used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is classified in its entirety into the same level as the lowest level input that is significant to the entire measurement. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table.

	Instrument type	Products	Valuation technique
Level 1	Liquid financial instruments for which quoted prices are regularly available	FX spot, exchange traded financial futures, exchange traded options, exchange traded stocks, government bonds, other liquid bonds	Mark-to-market
Level 2	Plain vanilla/Liquid derivatives	(Cross-currency) interest rate swaps (IRS), FX swaps, FX forwards, forward rate agreements (FRA), inflation swaps, reverse floaters, bond future options, interest rate future options, overnight index swaps (OIS), FX resets	Discounted cashflow analysis based on cash and derivative curves
		Caps & Floors, interest rate options, stock options, European & American FX options, forward starting options, digital FX options, FX strips of simple options, European swaptions, constant maturity swaps (CMS), European cancellable IRS	Option pricing model based on observable inputs
		Credit default swaps (CDS)	CDS model based on creditspreads
	Linear financial instruments (without optional features)	Loans & deposits, simple cashflows, repo transactions, commercial paper	Discounted cashflow analysis based on cash and derivative curves
	Illiquid bonds, structured notes	Illiquid bonds, structured notes	Third-party pricing or valuation model base don observable inputs
	Asset backed securities	Asset backed securities (ABS)	Third-party pricing
Level 3	Exotic derivatives	Target profit forwards, Bermudan swaptions, digital interest rate options, quanto digital FX options, FX Asian options, FX simple/double European barrier options, FX simple digital barrier options, FX touch rebates, double average rate options, inflation options, cancellable reverse floaters, American and Bermudan cancellable IRS, CMS spread options, CMS interest rate caps/floors, (callable) range accruals	Option pricing model based on unobservable inputs
	Illiquid credit-linked instruments	Collateralised debt obligations (CDOs; notes and super senior tranches, including the related guarantee from the Belgian Federal Government)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on EVCA (European Private Equity & Venture Capital Association)

- The total change in fair value taken to the income statement in 2009 using a level 3 valuation technique, was largely accounted for by CDOs held in portfolio at group level, and amounted to -2.5 billion euros (including the guarantee agreement with the Belgian Federal Government).

- In 2009, KBC changed its method for valuing CDOs. Instead of using a model based on credit default swap spreads and external ratings, it used a Gaussian Copula model, which better reflects the impact of losses in the underlying reference portfolios of the CDOs that are being valued. The Gaussian Copula models the distribution of default moments and probabilities of the underlying corporate and ABS names in the reference portfolios of the CDOs. The asset default trigger in the model is derived from the credit default swap spreads in the market. The correlation between defaults is modelled through Gaussian Copulas and can as such be simulated. By discounting the cashflows resulting from the default curves on the underlying assets, the value for a specific CDO tranche is determined. The model also ensures that the inner tranches are valued in line with the market, through the calibration with CDX and iTraxx credit spread indices.

- Until September 2009, the value of the CDO notes had been written down to zero. On 31 December 2009, they were valued at the lower of: (1) their value based on the Gaussian Copula (after market value adjustments for illiquidity) and (2) their expected fundamental value (after market value adjustments for illiquidity) at year-end 2009. This valuation method takes account of a reserve for model risk relating to unobservable inputs.

- Results of sensitivity tests on the current model for CDOs originated by KBC Financial Products, in which credit spreads are shifted, are given in the table. The tests take into account the full guarantee agreement with the Belgian Federal Government and a counterparty value adjustment of 70% for MBIA. The scope includes all exposure in the unhedged and hedged CDO portfolio, excluding CDOs in run-off (not structured by KBC Financial Products) and CDOs hedged by Channel.

Profit/loss sensitivity based on corporate and ABS credit spread indices
(in billions of EUR, 31-12-2009)

Spreads -50%	Spreads -20%	Spreads -10%	Spreads +10%	Spreads +20%	Spreads +50%
0.8	0.3	0.1	-0.1	-0.2	-0.5

- The fair value of the equity guarantee with the Belgian Federal Government (and the corresponding commitment fee) is measured using a level 3 model that reflects – among other things – movements in the KBC subordinated credit default swap spread and in the fair value of the hedged super senior exposure since the guarantee agreement was signed. If the fair value of the super senior positions was to improve by 10% on its year-end 2009 level, this would lead to an additional charge of 9 million euros, while a similar improvement in KBC's subordinated credit spread would lead to an additional charge of 7 million euros.

- The total change in fair value taken to the income statement in 2009 also includes the impact of changes in own credit spreads on the fair value of own issues designated at fair value through profit or loss. In 2009, KBC adopted a different method to calculate this impact, changing from a method based on CDS spreads to one based on the actual funding spreads, in order to establish a value that better reflects the accounting policies prevailing in the professional markets for these types of financial liabilities. Using the new method, the effect of changes in own credit spreads resulted in a gain of 44 million euros in 2009, 123 million euros of which was realised on the repurchase of tier-1 issues (in 2008, the effect was a gain of 371 million euros). That is 49 million euros higher than the amount would have been using the method based on CDS spreads (rather than on funding spreads). For certain financial liabilities, the new method for calculating the impact of changes in own credit spreads is based on prices quoted on the secondary market (i.e. Bloomberg prices).

  Sensitivity tests show that an increase of 1 basis point in the actual funding spread would reduce the fair value of the liabilities by 1 million euros.

- Market value adjustments are recognised on all positions that are measured at fair value, with fair value changes being reported in net profit or loss or in equity to cover close-out costs, adjustments for less liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk, liquidity risk and operations-related costs. When calculating market value adjustments for derivatives counterparty risk (excluding MBIA), the group also takes account of its own credit risk for derivatives with a negative fair value.

- The table depicts the financial assets and liabilities measured at fair value. The disclosures on these financial instruments are categorised according to their respective level in the fair value hierarchy (level 1, 2 or 3).

Overview of financial products in the fair value hierarchy as per 31-12-2009, in millions of EUR

	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Held for trading				
Loans and advances to credit institutions	0	566	0	566
Loans and advances to customers	0	3 328	0	3 328
Equity instruments	1 103	1 765	72	2 940
Debt instruments	10 238	1 959	146	12 343
Derivatives	124	17 139	4 151	21 414
Accrued interest				200
Designated at fair value				
Loans and advances to credit institutions	0	3 975	0	3 975
Loans and advances to customers	0	6 355	0	6 355
Equity instruments	2	15	0	18
Investment contracts	0	0	0	0
Debt instruments	11 279	880	141	12 301
Accrued interest				244
Available for sale				
Equity instruments	457	9	356	821
Debt instruments	29 234	2 102	162	31 498
Accrued interest				559
Hedging derivatives				
Derivatives	0	165	0	165
Accrued interest				48
Total	52 437	38 258	5 029	96 774

Liabilities measured at fair value				
Held for trading				
Deposits from credit institutions	0	211	0	211
Deposits from customers and debt certificates	0	729	105	834
Derivatives	90	20 498	5 512	26 100
Short positions	1 826	226	20	2 072
Other	0	250	0	250
Accrued interest				146
Designated at fair value				
Deposits from credit institutions	0	6 778	0	6 778
Deposits from customers and debt certificates	0	13 547	3 414	16 961
Liabilities under investment contracts	0	0	0	0
Other	0	0	0	0
Accrued interest				89
Hedging derivatives				
Derivatives	0	831	0	831
Accrued interest				191
Total	1 916	43 070	9 051	54 463

- The table provides a reconciliation from opening to closing balances for those assets and liabilities that are measured using a level 3 valuation technique.

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy - situation at 31-12-2009 (in millions of EUR)

Level 3 financial assets

	Held for trading				Designated at fair value			Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Debt instruments	Derivatives	Loans and advances	Equity instruments	Debt instruments	Equity instruments	Debt instruments	Derivatives
Opening balance	**0**	**121**	**74**	**6 631**	**0**	**0**	**91**	**386**	**147**	**0**
Total gains/losses	0	- 29	- 91	- 2 808	0	0	70	- 5	11	0
in profit and loss[1]	0	- 29	- 91	- 2 808	0	0	70	0	17	0
in other comprehensive income	0	0	0	0	0	0	0	- 5	- 6	0
Acquisitions	0	19	164	744	0	0	41	44	4	0
Sales	0	- 34	- 1	- 66	0	0	- 60	- 66	0	0
Settlements	0	0	0	- 349	0	0	0	- 2	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	- 5	0	0	0	0	0	0	0	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0
Closing balance	**0**	**72**	**146**	**4 151**	**0**	**0**	**141**	**356**	**162**	**0**
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	73	- 2 107	0	0	101	- 3	0	0

Level 3 liabilities

	Held for trading					Designated at fair value			Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Other	Derivatives
Opening balance	**0**	**291**	**6 336**	**106**	**0**	**0**	**4 859**	**0**	**0**
Total gains/losses	0	25	1 161	- 83	0	0	- 85	0	0
in profit and loss[1]	0	25	1 161	- 83	0	0	- 85	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0
Issues	0	35	- 1 833	10	0	0	0	0	0
Repurchases / disposals	0	- 246	- 151	- 13	0	0	- 1 360	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0
Closing balance	**0**	**105**	**5 512**	**20**	**0**	**0**	**3 414**	**0**	**0**
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	25	1 225	- 73	0	0	- 8	0	0

[1] *Recognised mainly under 'Net (un)realised gains from financial instruments at fair value through profit or loss', 'Net realised gains on available-for-sale assets' and 'impairment on available-for-sale assets'.*

- The following also applies to financial assets:
  - Most of the changes in the market value of loans and advances initially designated at fair value through profit or loss are accounted for by changes in interest rates. The effect of changes in credit exposure is negligible.
  - Most of the loans and advances designated at fair value through profit or loss are accounted for by reverse repo transactions and a limited portfolio of home loans. In each case, the carrying value comes close to the maximum credit exposure.

- In addition, the following applies to financial liabilities:
  - In accordance with IFRS requirements, account was taken of the effect of changes in own credit spreads when measuring the fair value of financial liabilities designated at fair value through profit or loss.
  - The fair value of demand and savings deposits (which both are repayable on demand) is presumed to be equal to their carrying value.
  - A 'repo' transaction is a transaction where one party (the buyer) sells securities to another party and undertakes to repurchase these securities at a designated future date at a set price. In most cases, repo transactions are governed by bilateral framework agreements (generally Global Master Repo Agreements) which include a description of the periodic exchanges of collateral. The repo transactions shown in the table are related mainly to the temporary lending of bonds. In this type of lending, the risk and the income from the bonds are for KBC. The amount of the repos is virtually identical to the amount of the underlying assets (that have been lent out).

Note 15: Financial assets and liabilities, breakdown by portfolio and geographic location

ASSETS

In millions of EUR	Held for trading	Designated at fair value*	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2008								
Belgium	5 954	6 511	9 988	71 391	1 712	141	-	95 698
Central and Eastern Europe and Russia	9 901	1 037	7 019	39 045	5 471	120	-	62 593
Rest of the world	57 387	13 840	8 896	64 189	965	- 25	-	145 252
Total carrying value, excluding accrued interest income	73 242	21 388	25 903	174 625	8 149	236	-	303 544
Accrued interest income	397	370	472	627	208	39	-	2 113
Total carrying value, including accrued interest income	73 639	21 759	26 376	175 252	8 356	275	-	305 657
31-12-2009								
Belgium	4 158	8 504	14 014	74 504	970	56	-	102 207
Central and Eastern Europe and Russia	7 315	817	9 365	35 411	6 450	108	-	59 465
Rest of the world	29 118	13 328	8 941	49 761	980	2	-	102 127
Total carrying value, excluding accrued interest income	40 591	22 648	32 319	159 676	8 400	165	-	263 799
Accrued interest income	200	244	559	468	205	48	-	1 724
Total carrying value, including accrued interest income	40 791	22 892	32 878	160 144	8 605	213	-	265 523

* Designated at fair value through profitor loss

FINANCIAL LIABILITIES

In millions of EUR	Held for trading	Designated at fair value*	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2008								
Belgium	2 831	7 230	-	-	-	558	82 858	93 476
Central and Eastern Europe and Russia	1 548	3 422	-	-	-	27	40 963	45 961
Rest of the world	40 164	26 002	-	-	-	68	93 549	159 783
Total carrying value, excluding accrued interest expense	44 543	36 654	-	-	-	653	217 371	299 220
Accrued interest expense	167	288	-	-	-	224	1 174	1 852
Total carrying value, including accrued interest expense	44 709	36 942	-	-	-	877	218 544	301 072
31-12-2009								
Belgium	4 159	1 510	-	-	-	656	87 125	93 450
Central and Eastern Europe and Russia	948	4 936	-	-	-	90	42 582	48 556
Rest of the world	24 360	17 293	-	-	-	85	79 536	121 274
Total carrying value	29 467	23 739	-	-	-	831	209 242	263 279
Accrued interest expense	146	89	-	-	-	191	887	1 313
Total carrying value, including accrued interest expense	29 613	23 828	-	-	-	1 022	210 129	264 592

* Designated at fair value through profitor loss

Note 16: Financial assets and liabilities, breakdown by portfolio and quality

FINANCIAL ASSETS

in millions of EUR	Held for trading	Designated at fair value *	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	TOTAL
31-12-2008							
Unimpaired assets	73 639	21 759	26 569	174 034	8 561	275	304 837
Impaired assets	-	-	914	4 303	22	-	5 239
Impairment	-	-	- 635	- 2 458	- 19	-	- 3 112
Total carrying value	73 639	21 759	26 376	175 252	8 356	275	305 657
31-12-2009							
Unimpaired assets	40 791	22 892	32 519	155 619	8 605	213	260 638
Impaired assets	-	-	692	8 359	6	-	9 057
Impairment	-	-	- 334	- 3 833	- 6	-	- 4 172
Total carrying value	40 791	22 892	32 878	160 144	8 605	213	265 523

* Designated at fair value through profit or loss

Past due, but not impaired assets*

in millions of EUR	less then 30 days past due	30 days or more, but less then 90 days past due
31-12-2008		
Loans & advances	4 663	1 136
Debt instruments	0	0
Derivatives	32	1
Total	4 695	1 137
31-12-2009		
Loans & advances	3 696	1 234
Debt instruments	8	4
Derivatives	0	0
Total	3 704	1 238

* Financial assets that are 90 days or more past due are always considered 'impaired'

- Financial assets are past due if a counterparty fails to make a payment at the time agreed in the contract. The concept of '*past due*' applies to a contract, not to a counterparty. For example, if a counterparty fails to make a monthly repayment, the entire loan is considered past due, but that does not mean that other loans to this counterparty are considered past due.
- Fixed-income financial assets are impaired when impairment is identified on an individual basis. The concept of '*impairment*' is relevant for all financial assets that are not measured at fair value through profit or loss. For loans, impairment is identified on an individual basis if the loan has a probability of default (PD) rating of 10, 11 or 12. Since PD ratings relate to counterparties, so too does the concept of *impaired*.
- Information on '*maximum credit exposure*' is provided in the table. The maximum credit exposure relating to a financial asset is generally the gross carrying value, net of impairment in accordance with IAS 39.

in millions of EUR	31-12-2008	31-12-2009
maximum credit exposure		
Equity	6 518	3 778
Debt instruments	65 362	67 749
Loans & advances	192 758	170 692
Of which designated at fair value through profit or loss	9 054	10 330
Derivatives	38 906	21 579
Other (including accrued interest)	53 891	35 586
Total	357 435	299 386
Carrying value of financial assets pledged as collateral for		
Liabilities	50 206	39 734
Contingent liabilities	5 966	5 425

- Information on collateral held is provided in the following table. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the trustee in bankruptcy. In other cases, the bank will itself sell up the collateral. Possession of collateral is only taken in exceptional cases (which accounts for the limited amounts shown in the table).
- Collateral held that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table).
- There is an obligation to return collateral held (which may be sold or repledged in the absence of default by the owners) in its original form, or, where necessary, in cash.

Collateral held (which may be sold or repledged in the abesence of default by the owner)

	FV of collateral held		FV of collateral sold/repledged	
	31-12-2008	31-12-2009	31-12-2008	31-12-2009
Financial assets	18 585	14 791	6 352	8 068
Equity instruments	75	47	0	0
Debt instruments	18 129	14 596	6 352	8 068
Loans & advances	206	140	0	0
Cash	175	8	0	0
Non-financial assets	0	0	0	0
Property and equipment	0	0	0	0
Investment property	0	0	0	0
Other	0	0	0	0

- Collateral obtained by taking possession is not material.

Note 17: Financial assets and liabilities, breakdown by portfolio and remaining maturity

FINANCIAL ASSETS

In millions of EUR	Held for trading	Designated at fair value *	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2008								
Not more than one year	20 078	8 033	5 199	68 919	1 634	-	-	103 864
More than one but not more than five year	6 717	5 583	11 542	27 715	3 104	-	-	54 661
More than five years	4 641	8 137	8 535	74 525	3 618	-	-	99 455
Without maturity	42 202	6	1 100	4 093	0	275	-	47 677
Total carrying value	73 639	21 759	26 376	175 252	8 356	275	-	305 657
31-12-2009								
Not more than one year	9 502	9 190	7 271	52 563	1 368	-	-	79 895
More than one but not more than five year	3 957	6 513	17 569	23 711	2 639	-	-	54 390
More than five years	2 426	7 171	7 224	79 837	4 598	-	-	101 256
Without maturity	24 906	18	814	4 032	0	213	-	29 983
Total carrying value	40 791	22 892	32 878	160 145	8 605	213	-	265 523

* Designated at fair value through profit or loss

FINANCIAL LIABILITIES

In millions of EUR	Held for trading	Designated at fair value *	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2008								
Not more than one year	3 905	31 265	-	-	-	-	154 552	189 722
More than one but not more than five year	877	1 096	-	-	-	-	24 688	26 661
More than five years	269	4 581	-	-	-	-	9 104	13 954
Without maturity	39 657	0	-	-	-	877	30 201	70 735
Total carrying value	44 709	36 942	-	-	-	877	218 544	301 072
31-12-2009								
Not more than one year	1 868	19 939	-	-	-	-	134 710	156 517
More than one but not more than five year	687	3 056	-	-	-	-	25 679	29 422
More than five years	454	833	-	-	-	-	10 556	11 842
Without maturity	26 604	1	-	-	-	1 022	39 183	66 810
Total carrying value	29 613	23 828	-	-	-	1 022	210 128	264 592

* Designated at fair value through profit or loss

Note 18: Impairment on financial assets that are available for sale

	2008		2009	
in millions of EUR	Fixed-income securities	Shares	Fixed-income securities	Shares
Opening balance	13	124	235	400
Movements with an impact on results				
Impairment recognised	328	290	1	82
Impairment reversed	- 5	0	0	0
Movements without an impact on results				
Write-offs	0	0	0	0
Change in the scope of consolidation	0	- 2	0	0
Other	- 101	- 13	- 165	- 219
Closing balance	235	400	71	263

Note 19: Impairment on financial assets held to maturity

Fixed income securities		
in millions of EUR	2008	2009
Opening balance	0	19
Movements with an impact on results		
Impairment recognised	15	2
Impairme	0	0
Movements without an impact on results		
Write-offs	0	- 15
Changes in the scope of consolidation	0	0
Other	4	- 1
Closing balance	19	6

Note 20: Impairment on loans and receivables (balance sheet)

In millions of EUR	31-12-2008	31-12-2009
Total	2 567	3 942
Breakdown by type		
Specific impairment, on-balance-sheet loans and receivables	2 216	3 535
Specific impairment, off-balance-sheet credit commitments	89	84
Portfolio-based impairment	262	323
Breakdown by counterparty		
Impairment for loans and receivables to banks	127	36
Impairment for loans and receivables to customers	2 331	3 797
Specific and portfolio based impairment, off-balance-sheet credit commitments	109	109

MOVEMENTS	Specific impairment, on-balance-sheet loans and receivables	Specific impairment, off-balance-sheet credit commitments	Portfolio-based impairments	Total
Opening balance 1-1-2008	1 859	84	185	2 128
Movements with an impact on result				
Loan loss expenses	1 262	43	156	1 461
Loan loss recoveries	- 524	- 39	- 138	- 702
Movements without an impact on result				
Write-offs	- 249	- 2	0	- 251
Changes in the scope of consolidation	9	0	15	25
Other	- 140	3	43	- 95
Closing balance 31-12-2008	2 216	89	262	2 567
Opening balance 1-1-2009	2 216	89	262	2 567
Movements with an impact on result				
Loan loss expenses	2 443	94	181	2 717
Loan loss recoveries	- 635	- 79	- 102	- 816
Movements without an impact on result				
Write-offs	- 460	- 15	0	- 475
Changes in the scope of consolidation	- 6	0	0	- 6
Other	- 23	- 4	- 18	- 45
Closing balance 31-12-2009	3 535	84	323	3 942

Note 21: Derivative financial instruments

in millions of EUR	Held for trading				Micro hedge: fair value hedge				Micro hedge: cash flow hedge[1]				Portfolio hedge			
	Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
31-12-2008																
Total	38 670	39 577	1 073 775	1 045 499	106	88	1 604	1 604	111	396	15 333	15 271	19	169	9 647	9 647
Breakdown by type																
Interest rate contracts	13 045	12 727	664 261	664 638	106	88	1 604	1 604	44	385	14 901	14 888	19	169	9 647	9 647
Interest rate swaps	12 143	12 037	572 287	572 037	106	88	1 604	1 604	44	385	14 877	14 888	19	169	9 647	9 647
Forward rate agreements	129	144	30 518	28 060	0	0	0	0	0	0	0	0	0	0	0	0
Futures	57	52	11 508	12 581	0	0	0	0	1	0	24	0	0	0	0	0
Options	717	490	49 943	51 337	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	0	5	5	622	0	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange contracts	2 981	2 741	221 433	222 792	0	0	0	0	67	12	431	383	0	0	0	0
Forward foreign exchange operations/Currency forwards	861	894	110 492	111 852	0	0	0	0	2	0	30	29	0	0	0	0
Currency and interest rate swaps	1 370	1 294	79 096	79 679	0	0	0	0	64	4	351	297	0	0	0	0
Futures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	750	553	31 845	31 261	0	0	0	0	1	8	50	57	0	0	0	0
Equity contracts	9 552	11 742	47 994	52 636	0	0	0	0	0	0	0	0	0	0	0	0
Equity swaps	2 654	3 500	31 257	31 387	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	25	1	8	29	0	0	0	0	0	0	0	0	0	0	0	0
Futures	3	10	285	147	0	0	0	0	0	0	0	0	0	0	0	0
Options	6 863	7 842	16 414	20 201	0	0	0	0	0	0	0	0	0	0	0	0
Warrants	7	389	30	870	0	0	0	0	0	0	0	0	0	0	0	0
Credit contracts	12 988	12 257	138 912	104 230	0	0	0	0	0	0	0	0	0	0	0	0
Credit default swaps	12 988	12 257	138 912	104 230	0	0	0	0	0	0	0	0	0	0	0	0
Credit spread options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total return swaps	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commodity and other contracts	104	109	1 176	1 204	0	0	0	0	0	0	0	0	0	0	0	0

[1] including hedges of a net investment in a foreign operation

	Held for trading				Micro hedge: fair value hedge				Micro hedge: cash flow hedge[1]				Portfolio hedge			
	Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount	
in millions of EUR	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
31-12-2009																
Total	21 414	26 100	899 090	890 684	43	144	3 849	3 817	119	434	18 773	18 757	3	253	7 996	7 996
Breakdown by type																
Interest rate contracts	11 165	13 248	558 163	558 698	43	144	3 849	3 817	72	425	18 287	18 287	3	253	7 996	7 996
Interest rate swaps	10 352	12 769	493 616	494 590	43	144	3 849	3 817	72	425	18 287	18 287	3	253	7 996	7 996
Forward rate agreements	15	14	9 563	9 715	0	0	0	0	0	0	0	0	0	0	0	0
Futures	13	4	10 740	7 322	0	0	0	0	0	0	0	0	0	0	0	0
Options	786	459	44 238	47 056	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	0	2	5	15	0	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange contracts	1 530	1 522	179 083	181 707	0	0	0	0	47	8	486	470	0	0	0	0
Forward foreign exchange operations/Currency forwards	227	200	79 084	80 809	0	0	0	0	0	2	30	32	0	0	0	0
Currency and interest rate swaps	1 056	1 175	83 389	84 421	0	0	0	0	47	3	266	224	0	0	0	0
Futures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	247	147	16 610	16 477	0	0	0	0	1	4	190	214	0	0	0	0
Equity contracts	3 034	3 682	33 409	42 036	0	0	0	0	0	0	0	0	0	0	0	0
Equity swaps	1 383	958	24 206	24 228	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	14	1	26	7	0	0	0	0	0	0	0	0	0	0	0	0
Futures	0	5	76	213	0	0	0	0	0	0	0	0	0	0	0	0
Options	1 631	2 691	9 094	15 016	0	0	0	0	0	0	0	0	0	0	0	0
Warrants	5	28	7	2 573	0	0	0	0	0	0	0	0	0	0	0	0
Credit contracts	5 635	7 620	128 233	108 040	0	0	0	0	0	0	0	0	0	0	0	0
Credit default swaps	5 635	7 620	128 233	108 040	0	0	0	0	0	0	0	0	0	0	0	0
Credit spread options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total return swaps	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commodity and other contracts	51	28	202	202	0	0	0	0	0	0	0	0	0	0	0	0

[1] including hedges of a net investment in a foreign operation

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- The carrying values given in the tables are dirty prices for derivatives held for trading and clean prices for hedging derivatives. The accrued interest income on hedging derivatives amounted to 39 million euros in 2008 and 48 million euros in 2009, while the accrued interest expense came to 224 million euros in 2008 and 191 million euros in 2009.

- One way in which the group's ALM department manages the interest rate risk is to conclude derivatives contracts. The accounting mismatches attributable to these hedging activities (derivatives as opposed to assets or liabilities) are dealt with in two ways:

  - Portfolio hedges of interest rate risk: used to hedge the interest rate risk on a particular loan portfolio (term loans, home loans, instalment loans and straight loans) with interest rate swaps. The hedge is set up in accordance with the requirements of the carved-out version of IAS 39.

  - Financial assets and liabilities designated at fair value through profit or loss (the fair value option): used to eliminate or significantly reduce a measurement or recognition inconsistency ('an accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases). This method is used specifically to avoid other accounting mismatches relating to the loan portfolio (measured at amortised cost) and the interest rate swaps (measured at fair value) in ALM. For this purpose, a (government) bond portfolio has been classified as a financial asset at fair value through profit or loss. The fair value option is also used for CDOs and certain financial liabilities with embedded derivatives whose economic risk and characteristics are closely related to those of the host contract (some KBC IFIMA issues), which would otherwise give rise to an accounting mismatch with the hedging instruments.

- In addition, KBC uses micro-hedge accounting permitted under IAS 39 to limit the volatility of results in the following cases:
  - Fair value hedges: used in certain asset-swap constructions, where KBC buys a bond on account of the credit spread. The interest rate risk of the bond is hedged by means of an interest rate swap. This technique is also applied to certain fixed-term debt instruments issued by KBC Bank.
  - Cashflow hedges: used primarily to swap floating-rate notes for a fixed rate.
  - Hedges of net investments in foreign operations: the exchange risk attached to foreign currency investments is hedged by attracting funding in the currency concerned at the level of the investing entity.

- Usually one of the micro-hedging techniques that must be documented individually is used for large individual transactions that can clearly be separated out. For the purposes of ALM, which by definition is macro-management, use is made of the possibilities specifically provided for under IAS 39, namely the 'fair value option' and the 'portfolio hedge of interest rate risk' according to the carved-out version.

- As regards the relationship between risk management and hedge accounting policy, 'economic' management is given priority and the risks have to be hedged in accordance with the general ALM framework. It is then decided what the most efficient option is for limiting (any) resulting accounting mismatch using one of the above hedging techniques.

- The estimated cashflows from the cashflow hedging derivatives per time bucket break down as follows:

In millions of EUR	Inflow	Outflow
Not more than three months	26	- 22
More than three but not more than six months	51	- 65
More than six months but not more than one year	112	- 176
More than one but not more than two years	298	- 456
More than two but not more than five years	927	- 1 136
More than five years	2 662	- 2 764

Note 22: Other assets

in millions of EUR	31-12-2008	31-12-2009
Total	1 659	1 782
Breakdown by type	1 659	1 782
Income receivable (other than interest income from financial assets)	148	505
Other	1 511	1 277

Note 23: Tax assets and tax liabilities

in millions of EUR	31-12-2008	31-12-2009
CURRENT TAXES		
Current tax assets	224	190
Current tax liabilities	306	322
DEFERRED TAXES	1 512	1 502
Tax assets by type of temporary difference	2 718	3 113
Employee benefits	196	195
Losses carried forward	134	650
Tangible and intangible fixed assets	67	69
Provisions for risks and charges	47	51
Impairment for losses on loans and advances	257	328
Financial instruments at fair value through profit or loss and fair value hedges	765	954
Fair value adjustments, available-for-sale assets, cash flow hedges and hedges of net investments in foreign entities	1 126	792
Other	127	74
Unused tax losses and unused tax credits	188	1 245
Deferred tax liabilities by type of temporary difference	1 206	1 611
Employee benefits	7	16
Losses carried forward	- 1	0
Tangible and intangible fixed assets	100	104
Provisions for risks and charges	20	21
Impairment for losses on loans and advances	126	120
Financial instruments at fair value through profit or loss and fair value hedges	366	682
Fair value adjustments, available-for-sale assets, cash flow hedges and hedges of net investments in foreign entities	475	505
Other	112	162
Recognised in the balance sheet as follows:		
Deferred tax assets	1 566	1 597
Deferred tax liabilities	54	95

- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit.
- The total net decrease in deferred taxes (10 million euros) breaks down as follows:
  - decrease in deferred tax assets: 395 million euros;
  - increase in deferred tax liabilities: 405 million euros.

- The increase in deferred tax assets (395 million euros) is accounted for by:
  - the increase via the income statement: +775 million euros:
    - losses carried forward, including the capitalised notional interest deduction: + 515 million euros
    - financial instruments at fair value through profit or loss and fair value hedges:+ 189 million euros
    - impairment on loans and receivables: + 71 million euros
  - the decrease in deferred tax assets consequent on the rise in the market value of available-for-sale securities: - 333 million euros;
  - other items: -47 million euros.

- The increase in deferred tax liabilities (405 million euros) is made up of the following:
  - the increase via the income statement: + 318 million euros, mainly explained by financial instruments valued at fair value through profit or loss
  - the increase in deferred tax liabilities consequent on the rise in the market value of available-for-sale securities: +31 million euros;
  - the increase in other items (+57 million euros) is amongst others explained by changes in the consolidation scope, foreign exchange differences and other.

Note 24: Investments in associated companies

in millions of EUR	31-12-2008	31-12-2009
Total	44	638
Overview of investments including goodwill		
Nova Ljubljanska Banka	0	582
Other	44	56
Goodwilll on associated companies		
Gross amount	0	210
Accumulated impairment	0	0
Breakdown by type		
Unlisted	44	638
Listed	0	0
Fair value of investments in listed associated companies	0	0

MOVEMENTS	31-12-2008	31-12-2009
Opening balance (1 January)	646	44
Acquisitions	- 26	0
Carrying value, transfers	0	0
Share in the result for the period	2	- 11
Dividends paid	- 1	- 3
Share of gains and losses not recognized in the income statement	0	9
Translation differences	0	0
Changes in goodwill	0	0
Transfer to or from non-current assets held for sale and disposal groups	- 576	601
Other movements	0	- 2
Closing balance (December, 31)	44	638

- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies.

- Goodwill paid on associated companies is included in the nominal value of ‘Investments in associated companies’ shown on the balance sheet. An impairment test has been performed and the necessary impairment losses on goodwill have been recognised (see table).

- In 2009, the participating interest in Nova Ljubljanska banka (NLB) – transferred in 2008 to ‘Non-current assets held for sale and disposal groups’ – was transferred back to ‘Investments in associated companies’, owing to the uncertainty surrounding the sale of this shareholding in the short term.

Note 25: Property and equipment and investment property

in millions of EUR	31-12-2008	31-12-2009
Property and equipment	2 482	2 382
Investment property	467	461
Rental income	37	37
Direct operating expenses from investments generating rental income	2	1
Direct operating expenses from investments not generating rental income	5	2

MOVEMENT TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2008					
Opening balance	1 283	62	415	1 760	448
Acquisitions	246	61	441	748	9
Disposals	- 30	- 6	- 198	- 233	- 1
Depreciation	- 69	- 37	- 66	- 172	- 14
Impairment					
recognised	- 2	- 1	- 3	- 6	- 1
reversed	1	0	0	1	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	0	0
Translation differences	- 41	- 4	- 12	- 57	- 8
Changes in the scope of consolidation	37	3	13	54	32
Other movements	- 12	2	399	389	0
Closing balance	1 412	81	989	2 482	467
Of which accumulated depreciation and impairment	864	236	204	1 304	51
Of which expenditure on items in the course of construction	17	0	13	30	-
Of which finance lease as a lessee	2	0	0	2	-
Fair value 31-12-2008	-	-	-	-	518
2009					
Opening balance	1 412	81	989	2 482	467
Acquisitions	69	34	358	461	1
Disposals	- 23	- 5	- 175	- 202	- 6
Depreciation	- 73	- 40	- 51	- 164	- 14
Impairment					
recognised	- 1	- 2	0	- 3	- 6
reversed	0	0	0	0	2
Transfer to or from non-current assets held for sale and disposal groups	0	- 16	- 15	- 31	0
Translation differences	8	0	1	9	1
Changes in scope of consolidation	- 1	0	- 6	- 7	3
Other movements	- 1	4	- 167	- 163	12
Closing balance	1 391	56	935	2 382	461
Of which: accumulated depreciation and impairment	903	211	213	1 326	75
Of which expenditure on items in the course of construction	5	0	7	12	
Of which finance lease as a lessee	0	0	1	1	
Fair value 31-12-2009					507

- KBC applies the following annual rates of depreciation to property, equipment and investment property: between 3% and 10% for land and buildings, between 30% and 33% for IT equipment, between 10% and 33% for other equipment, and between 3% and 5% for investment property.

- There are no material obligations to acquire property or equipment. Nor are there any material restrictions on title, and property and equipment pledged as security for liabilities.

- Investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on:
  - the capitalisation of the estimated rental value;
  - unit prices of similar real property, with account being taken of all the market parameters available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).

Note 26: Goodwill and other intangible assets

in millions of EUR	Goodwill	Software developed inhouse	Software developed externally	Other	Total
2008					
Opening balance	1 810	9	71	117	2 008
Acquisitions	375	2	54	12	442
Disposals	0	0	- 5	- 4	- 9
Adjustment resulting from subsequent identification	0	0	0	0	0
Amortisation	0	- 2	- 44	- 7	- 54
Impairment					
recognised	- 19	0	0	- 27	- 46
reversed	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	0	0
Translation differences	- 89	0	- 1	- 1	- 91
Changes in the scope of consolidation	0	0	4	2	5
Other movements	50	0	1	- 58	- 7
Closing balance	2 127	9	79	33	2 248
Of which: accumulated amortisation and impairment	19	10	341	24	394
2009					
Opening balance	2 127	9	79	33	2 248
Acquisitions	24	2	43	10	79
Disposals	0	0	- 1	- 18	- 18
Adjustment resulting from subsequent identification	0	0	0	0	0
Amortisation	0	- 1	- 37	- 12	- 50
Impairment					
recognised	- 402	0	0	0	- 402
reversed	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	- 1	- 1	- 1
Translation differences	- 11	0	0	1	- 11
Changes in the scope of consolidation	- 72	- 6	- 1	0	- 79
Other movements	- 2	0	- 8	18	9
Closing balance	1 664	3	75	31	1 774
Of which: accumulated amortisation and impairment	421	1	360	36	817

- The ‘goodwill’ column includes the goodwill paid on companies included in the scope of consolidation. Goodwill paid on associated companies is included in the nominal value of ‘Investments in associated companies’ shown on the balance sheet. An impairment test has been performed and the necessary impairment losses on goodwill have been recognised (see table). Given the volatility of the markets, the test was carried out in each quarter of 2009 (instead of annually).

- Impairment on goodwill under IAS 36 is recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, regression analysis, etc.) less costs to sell.
  - The discounted cashflow method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company’s business and the resulting cashflows (i.e. projections for a number of years ahead (varying from 5 to 20), and the terminal value of the business at the end of the specific projection period). The terminal growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a compound discount rate, which is based on the Capital Asset Pricing Model (CAPM). A risk-free rate, a market-risk premium (multiplied by an activity beta), and a country risk premium (to reflect the impact of the economic situation of the country where KBC is active) are also used in the calculation. KBC has developed two distinct discounted cashflow models, viz. a bank model and an insurance model. In both cases, free cashflows are considered to be the dividends that can be paid out to the company’s shareholders, account taken of the minimum capital requirements.
  - The multiple-analysis method calculates the recoverable amount of an investment relative to the value of comparable companies. The value is determined on the basis of relevant ratios between the value of the comparable company and the carrying value, or profit, for instance, of that company. For the purposes of comparison, account is taken of listed companies (where value is equated to market capitalisation) and of companies involved in mergers or acquisitions (where the value is equated to the sales price).
  - The regression analysis method calculates the recoverable amount of an investment using a regression analysis of comparable listed companies. For banks, account is taken primarily of the relationship between market capitalisation, net asset value and profitability. Statistical analysis has shown that a strong correlation exists between these parameters. It is assumed that a company with a comparable net asset value and comparable profitability is comparable in value.

- At the end of 2009, goodwill was accounted for primarily by (in each case, the consolidated entity, i.e. including subsidiaries) Absolut Bank (352 million euros), ČSOB Czech Republic (287 million euros), K&H Bank (255 million euros), CIBANK (171 million euros), Kredyt Bank (72 million euros), and ČSOB Slovakia including Istrobanka (188 million euros). At the end of 2008, goodwill was accounted for primarily by (in each case, the consolidated entity, i.e. including subsidiaries) Absolut Bank (457 million euros), ČSOB Czech Republic (305 million euros), K&H Bank (258 million euros), CIBANK (290 million euros), Kredyt Bank (93 million euros), and ČSOB Slovakia including Istrobanka (243 million euros).

Note 27: Provisions for risks and charges

in millions of EUR	Provision for restructuring	Provision for taxes and pending legal disputes	Other	Subtotal	Impairment, off-balance-sheet credit commitments	Total
2008						
Opening balance	7	253	32	293	108	401
Movements with an impact on result						
Amounts allocated	56	146	8	210	57	267
Amounts used	- 1	- 10	- 16	- 28		- 28
Unused amounts reversed	- 6	- 91	- 2	- 98	- 55	- 154
Other movements	1	32	9	43	0	43
Closing balance	57	329	32	419	110	528
2009						
Opening balance	57	329	32	419	110	528
Movements with an impact on result						
Amounts allocated	13	179	6	199	113	312
Amounts used	- 24	- 84	- 8	- 116		- 116
Unused amounts reversed	- 17	- 24	- 7	- 47	- 99	- 147
Other movements	0	7	2	9	- 15	- 6
Closing balance	29	408	26	463	109	572

- Restructuring provisions were set aside mainly for a number of companies in the KBC Financial Products group (at year-end 2009: 21 million euros) and for certain Central and Eastern European subsidiaries of KBC Bank (3 million euros in total). Restructuring provisions set aside a year earlier were primarily for the KBC Financial Products group (at year-end 2008: 45 million euros) and for certain Central and Eastern European subsidiaries of KBC Bank (9 million euros in total).

- In 2009, the provision for taxes and pending legal disputes went up by 79 million euros, largely on account of the amounts set aside for commercial disputes involving the sale of CDOs to customers. Settlement has already been reached with most customers. The remaining portion of the provision for commercial disputes involving CDOs came to 0.1 billion euros at year-end 2009.

- ‘Other provisions’ include those set aside for miscellaneous risks and future expenditure.

- Specific impairment for off-balance-sheet credit commitments includes impairment for guarantees, etc.

- For most of the provisions recorded, no reasonable estimate can be made of when they will be used.

- The most significant legal disputes pending are discussed below. Claims filed against KBC group companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. whether it is probable there will be an outflow of resources (‘probable’); or whether there may, but probably will not, be an outflow of resources (‘possible’); or whether the likelihood of an outflow of resources is remote (‘remotely probable’).
  Provisions are set aside for ‘probable outflow’ cases (see ‘Notes on the accounting policies’).
  No provisions are constituted for ‘possible outflow’ cases, but information is provided in the annual accounts if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 25 million euros).
  All other claims (‘remotely probable outflow’), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. Nonetheless, for reasons of transparency, KBC has also provided information on the current status of the most important cases in this category.

The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.

- Probable outflow:
  - In 2003, a major case of fraud at K&H Equities Hungary was uncovered. Numerous customers suffered substantial losses on their securities portfolios as a result of unauthorised speculative transactions and possible misappropriations of funds. Instructions and portfolio overviews were forged or tampered with. In August 2008, heavy criminal sentences were handed down. An appeal is pending. Most claims have already been settled either amicably or following an arbitral decision. Appropriate provisions have been set aside for the claims still outstanding (including 29 million euros net for the biggest case, known as DBI Kft. (Betonut)).
  - From the end of 1995 until the beginning of 1997, KBC Bank and KB Consult were involved in the transfer of cash companies. KBC Bank and/or KB Consult were joined to proceedings in 26 cases. In addition, KB Consult was placed under suspicion by an investigating magistrate in 2004. KBC Bank and KBC Group NV were also summoned to appear in the proceedings before the Bruges court sitting in chambers, which decided on 27 May

2009 to postpone the case indefinitely. A provision of 47 million euros has been constituted to deal with the potential impact of claims for damages in this respect (on balance, this is a 3-million- euro reversal of the provision recognised at year-end 2008 due to the favourable judgement in one case). The transfer of a cash company is in principle completely legitimate. Nevertheless, it later transpired that certain purchasers were acting in bad faith since they did not make any investments at all and did not file tax returns for the cash companies they had purchased. KBC Bank and KB Consult immediately took the necessary measures to preclude any further involvement with these parties.

- In March 2000, Rebeo and Trustimmo, two subsidiaries of Almafin (itself a former subsidiary of Gevaert, but now owned by KBC Bank), together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company) were summoned by the Belgian Ministry of Finance to appear before the civil court in Brussels regarding non-payment of 16.7 million euros in taxes owed by Broeckdal. In November 1995, Broeckdal had been converted into a cash company and sold to Mubavi België, a subsidiary of Mubavi Nederland (a Dutch real estate investment group, declared bankrupt in 2005), in a transaction that was completely legitimate at the time. According to the Belgian Ministry of Finance, Mubavi België never actually made any investments and failed to file any proper tax returns. However, Broeckdal Vastgoedmaatschappij contested this claim and in December 2002 initiated court proceedings against the Belgian Ministry of Finance before the civil court in Antwerp. The civil case pending before the Brussels court has been suspended until final judgment has been passed in the tax-related proceedings pending before the Antwerp court. A provision of 26 million euros has been set aside to cover potential damages (in 2008, the amount was below the 25-million-euro disclosure threshold).

- Possible outflow:
  - In 2002, a 100-million-euro claim was filed against KBC Bank by the shareholders of a holding company that had wholly owned NV Transport Coulier, a major transport firm in the petrochemical sector declared bankrupt in 1992. According to the claimants, the bank made various errors that led to the bankruptcy of the firm. On 14 October 2005, the court issued a decision, declaring the claims inadmissible. This decision was appealed on 30 June 2006, but no ruling can be expected before the first quarter of 2010.

- Remotely probable outflow:
  - In the criminal proceedings that began on 3 April 2009 against eleven current and former directors and staff members of KBC Bank and Kredietbank SA Luxembourgeoise (KBL) accused of co-operation in tax evasion committed by customers of KBC Bank and KBL, the Brussels criminal court ruled on 8 December 2009 that the criminal proceedings were inadmissible. The Court judged that, given the extraordinary and doubtful circumstances in which the documents submitted by the public prosecutor came into the hands of the judicial authorities, they could not be used as evidence in legal proceedings. Following a close investigation into the way in which the disputed documents were incorporated into the proceedings, the court ruled that the criminal investigation had not been carried out in a fair and impartial manner, and gave very detailed reasons for this. The public prosecutor filed an appeal on 10 December 2009.
  - ČSOB (and KBC Bank in one case) is involved in a number of court cases relating to the *Agreement on Sale of Enterprise*, concluded on 19 June 2000 between Investiční a Poštovní banka (IPB) and ČSOB and to the guarantees provided in this respect by the Czech Republic and the Czech National Bank. In one of these cases, Cˇ SOB initiated arbitration proceedings in respect of the above guarantees at the International Chamber of Commerce on 13 June 2007 against the Czech Republic concerning payment of the equivalent of 62 million euros plus interest. The Czech government has filed a counterclaim, provisionally estimated at the equivalent of 1 billion euros plus interest. Having examined the matter, internationally renowned law firms have, in formal legal opinions, come to the conclusion that the counterclaim is unfounded. A ruling is expected in the second half of 2010.

Note 28: Other liabilities

in millions of EUR	31-12-2008	31-12-2009
Total	4 252	3 015
Breakdown by type	4 252	3 015
Retirement benefit plans or other employee benefits	1 197	965
Accrued charges (other than from interest expenses on financial liabilities)	1 210	674
Other	1 846	1 376

- For more information on retirement benefit plans or other employee benefits, see Note 29.

.

Note 29: Retirement benefit obligations

In millions of EUR	31-12-2008	31-12-2009
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	1 528	1 612
Current service Cost	90	95
Interest cost	79	82
Plan amendments	35	- 18
Actuarial gain/(loss)	- 23	- 3
Benefits paid	- 96	- 95
Exchange differences	- 8	- 1
Curtailment	0	0
Changes in the scope of consolidation	0	0
Other	6	- 9
Defined benefit obligation at end of the period	1 612	1 662
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	1 252	1 037
Actual return on plan assets	- 226	159
Employer contributions	86	75
Plan participant contributions	18	19
Benefits paid	- 92	- 93
Exchange differences	- 6	3
Settlements	0	0
Changes in the scope of consolidation	0	0
Other	5	3
Fair value of plan assets at the end of the period	1 037	1 203
of which financial instruments issued by the group	9	13
Reconciliation of the fair value of reimbursement rights		
Fair value of plan assets at the beginning of the period	55	54
Actual return on reimbursement rights	2	3
Employer contributions	2	2
Plan participant contributions	0	0
Benefits paid	- 3	- 3
Exchange differences	0	0
Settlements	- 2	0
Changes in the scope of consolidation	0	0
Other	0	0
Fair value of plan assets at the end of the period	54	56
Funded Status		
Plan assets in excess of defined benefit obligations	- 510	- 403
Unrecognised net actuarial gains	45	- 52
Unrecognised transaction amount	0	0
Unrecognised past service cost	0	0
Unrecognised assets	- 11	- 11
Unfunded accrued/prepaid pension cost	- 476	- 467

Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	- 475	- 476
Net periodic pension cost	- 98	- 73
Employer contributions	88	77
Exchange differences	0	- 1
Changes in the scope of consolidation	0	0
Other	10	6
Unfunded accrued/prepaid pension cost at the end of the period	- 476	- 467

Amounts recognised in the balance sheet		
Prepaid pension cost	32	4
Reimbursement rights	- 11	0
Accrued pension liabilities	- 496	- 471
Unfunded accrued/prepaid pension cost	- 476	- 467

Amounts recognised in the income statement		
Current service cost	90	95
Interest cost	79	82
Expected return on plan assets	- 78	- 62
iExpected return on reimbursement rights	- 3	0
Adjustments to limit prepaid pension cost	0	- 1
Amortisation of unrecognized prior service costs	35	- 18
Amortisation of unrecognized net (gains)/losses	- 9	- 6
Employee contributions	- 18	- 18
Curtailments	0	0
Settlements	2	0
Changes in the scope of consolidation	0	0
Actuarially determined net periodic pension cost (*)	98	73

Actual return on plan assets (in %)	-18,0%	15,3%
Actual return on reimbursement rights (in %)	4,3%	5,4%

Principal actuarial assumptions used (based on weighted averages)		
Discount rate	5,1%	5,2%
Expected rate of return on plan assets	5,9%	5,4%
Expected rate of salary increase	3,5%	3,5%
Rate of pension increase	0,5%	0,4%

DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	0	0

(*) included under 'staff expenses' (see Note 19: operating expenses)

- The pension claims of the staff of various KBC group companies are covered by pension funds and group insurance schemes, most of which are defined benefit plans. The main defined benefit plans are the KBC pension fund which covers KBC Bank, KBC Insurance (since 2007) and most of their Belgian subsidiaries, the KBC Insurance group insurance scheme (for staff employed prior to 1 January 2007) and KBL EPB's pension plans (which include both group insurance and pension funds). The assets of these first two plans are managed by KBC Asset Management. The benefits are dependent on, among other things, the employee's years of service, as well as on his/her remuneration in the years before retirement.
  The annual funding requirements for these plans are determined based on actuarial cost methods.

- Past figures for the main items shown in the table (figures for year-end 2006, 2007, 2008 and 2009 (in millions of euros):
  - Defined benefit obligations: 1 484, 1 528, 1 612, 1 662;
  - Fair value of plan assets and reimbursement rights: 1 298, 1 307, 1 090, 1 259;
  - Unfunded accrued or prepaid pension cost: -451, -475, -476, -467.

- The expected return on plan assets (ROA) is calculated on the basis of the OLO rate, account taken of the plan's investment mix.
  ROA = (X x rate on OLO T years) + (Y x (rate on OLO T years + 3%)) + (Z x (rate on OLO T years + 1.75%)), where:
  T = term of the OLO used for the discount rate;
  X = percentage of fixed-income securities;
  Y = percentage of shares;
  Z = percentage of real estate.

  The risk premiums of 3% and 1.75%, respectively, are based on the long-term returns from shares and real estate.

- At year-end 2009, the assets of the KBC Bank pension fund plan were as follows:
  40% shares, 48% bonds, 9% real estate and 3% cash (in 2008: 33% shares, 54% bonds, 10% real estate and 3% cash);

- For the KBC pension fund, a contribution of 75 million euros is expected to be made in 2010.

- Changes in the assumptions used in the actuarial calculation of plan assets and gross liabilities from defined benefit plans had the following impact on plan assets (a plus sign indicates a positive impact, a minus sign a negative impact, this relates to the three pension schemes mentioned in the preceding paragraph, combined): +1 million euros in 2006, -1 million euros in 2007, 0 million euros in 2008 and 0 million euros in 2009. The impact on pension liabilities came to +16 million euros, -40 million euros, -7 million euros, -88 million euros and -18 million euros, respectively.

Note 30: Parent shareholders equity

in number of shares	31-12-2008	31-12-2009
Breakdown by type		
Ordinary shares	582 917 643	915 228 482
of which ordinary shares that entitle the holder to a dividend payment	*582 917 643*	*915 228 482*
of which treasury shares	*0*	*0*
Other information		
Par value per ordinary share (in euros)	9,78	9,78
Number of shares issued but not fully paid up	0	0

MOVEMENTS, in number of shares	Ordinary shares	Mandatory convertible bonds	Total
2008			
Opening balance	412 331 794	4 901 015	417 232 809
Issue of shares	165 684 834	0	165 684 834
Conversion of convertible bonds into shares	4 901 015	- 4 901 015	0
Other movements	0	0	0
Closing balance	582 917 643	0	582 917 643
2009			
Opening balance	582 917 643	0	582 917 643
Issue of shares	332 310 839	0	332 310 839
Conversion of convertible bonds into shares	0	0	0
Other movements	0	0	0
Closing balance	915 228 482	0	915 228 482

- The share capital of KBC Bank NV consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs – see 'Other equity instruments' in the table). All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued.
- At 31 December 2009, there were 915 228 482 ordinary shares in circulation. Of these, KBC Group NV and KBC Insurance NV respectively hold 915 228 481 shares and 1 share.
- At 31 December 2009, there were no freely convertible bonds outstanding.
- Preference shares are not included in 'Parent shareholders' equity', but in 'Minority interests'.
- For information on stock option plans, see Note 9.
- Non-voting core-capital securities in KBC Group: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (*pari passu*) with ordinary shares upon liquidation. These have been subscribed by the Belgian Federal Government (the Federal Holding and Investment Company) and the Flemish Regional Government (each in the amount of 3.5 billion euros). The transaction with the Belgian Federal Government was concluded in December 2008, while the agreement with the Flemish Regional Government was finalised in July 2009. KBC Group NV used the pro proceeds of these transactions to strengthen the core capital of its banking activities by a total of 5.5 billion euros (via an ordinary capital increase at KBC Bank) and to raise the solvency margin of its insurance activities by 1.5 billion euros (via an ordinary capital increase at KBC Insurance).

Other notes

Note 31: Commitments and contingent liabilities

In millions of EUR	31-12-2008	31-12-2009
Credit commitments - undrawn amount		
Given	43 153	33 813
Irrevocable	36 247	19 956
Revocable	6 905	13 858
Received	88	90
Financial guarantees		
Given	15 051	13 120
Guarantees received / collateral	155 385	151 775
For impaired and past due assets	5 189	7 886
Non-financial assets	4 011	3 750
Financial assets	1 179	4 136
For assets that are not impaired or past due assets	150 196	143 889
Non-financial assets	111 392	116 958
Financial assets	38 805	26 932
Other commitments		
Given	481	787
Irrevocable	479	787
Revocable	1	0
Received	153	160

- The fair value of financial guarantees is based on the available market value, while the fair value of non-financial guarantees is based on the value when the loan is taken out (for example, the mortgage registration amount) or when the personal guarantee is established.

- KBC Bank NV irrevocably and unconditionally guarantees all sums, indebtedness, obligations and liabilities outstanding on 31 December 2009 listed in Section 5c of the Irish Companies (Amendment) Act of the following Irish companies, which are consequently eligible for exemption from certain disclosure requirements, pursuant to Section 17 of the Irish Companies (Amendment) Act 1986:

  - KBC Asset Management International Limited
  - KBC Asset Management Limited
  - KBC Financial Services (Ireland) Limited
  - KBC Fund Managers Limited
  - Eperon Asset Management Limited

Note 32: Leasing

In millions of EUR	31-12-2008	31-12-2009
Finance lease receivables		
Gross investment in finance leases, receivable	8 004	6 682
At not more than one year	2 416	2 047
At more than one but not more than five years	4 204	3 286
At more than five years	1 384	1 349
Unearned future finance income on finance leases	1 200	1 054
Net investment in finance leases	6 765	5 601
At not more than one year	2 057	1 749
At more than one but not more than five years	3 704	2 858
At more than five years	1 004	994
Of which: unguaranteed residual values accruing to the benefit of the lessor	7	18
Accumulated impairment for uncollectable lease payments receivable	108	187
Contingent rents recognised in income	16	15
Operating lease receivables		
Future aggregate minimum rentals receivable under non-cancellable leases:	715	744
Not more than one year	217	243
More than one but not more than five years	465	486
More than five years	33	14
Contingent rentals recognised in income	3	0

- There are no significant cases in which KBC is the lessee in operating or finance leases.
- Pursuant to IFRIC 4, no operating or finance leases contained in other contracts were identified.
- Finance leasing: most finance leasing is carried out via separate companies operating mainly in Belgium and Central Europe. KBC offers finance lease products ranging from equipment and vehicle leasing to real estate leasing. In Belgium, finance leasing is typically sold through KBC group's branch network.
- Operational leasing involves primarily full service car leasing, which is sold through the network of KBC Bank and CBC Banque branches and through an internal sales team. Full service car leasing activities are being developed in Central Europe, too.

Note 33: Related-party transactions

In millions of EUR	31-12-2008 Parent	Subsidiaries	Associates	Other related parties	Belgian Government	Total	31-12-2009 Parent	Subsidiaries	Associates	Other related parties	Belgian Government	Flemish Government	Total
TRANSACTIONS WITH RELATED PARTIES, EXCLUDING DIRECTORS													
Assets	58	215	565	1 506	19 249	21 594	34	383	256	1 774	23 434	54	25 935
Loans and advances	1	109	554	878	304	1 845	0	84	153	595	103	0	935
Current accounts	0	0	13	84	0	97	0	1	0	141	4	0	146
Term loans	1	109	540	795	304	1 748	0	83	153	454	99	0	789
Finance leases	0	0	0	0	0	0	0	0	0	0	0	0	0
Consumer credit	0	0	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	63	5	20	109	197	12	213	5	9	0	0	238
Trading securities	0	0	5	0	0	5	12	45	5	1	0	0	62
Investment securities	0	63	0	20	109	192	0	168	0	8	0	0	176
Other Receivables	58	43	6	608	18 836	19 552	22	86	98	1 170	23 331	54	24 762
Liabilities	318	198	142	10 051	1 467	12 176	331	150	244	6 120	299	0	7 143
Deposits	31	197	137	9 198	138	9 702	55	145	204	4 301	226	0	4 932
deposits	10	196	13	9 165	138	9 523	55	144	80	4 301	226	0	4 807
other borrowings	21	1	124	33	0	179	0	1	124	0	0	0	125
Other financial liabilities	250	1	1	249	0	501	250	1	30	1 442	0	0	1 723
Debt certificates	0	1	1	249	0	250	0	1	30	1 442	0	0	1 473
Subordinated liabilities	250	0	0	0	0	250	250	0	0	0	0	0	250
Share based payments	0	0	0	0	0	0	0	0	0	0	0	0	0
Granted	0	0	0	0	0	0	0	0	0	0	0	0	0
Exercised	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities	37	0	4	604	1 328	1 974	25	4	9	377	72	0	488
Income statement	- 31	26	28	- 713	562	- 129	- 18	16	10	- 822	728	0	- 86
Net interest income	- 20	21	27	- 272	562	319	- 7	13	4	- 228	728	0	511
Gross earned premiums	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividend income	15	2	2	9	0	28	0	4	7	0	0	0	11
Net fee and commission income	1	4	- 1	176	0	179	0	3	0	133	0	0	136
Other income	0	20	1	51	0	72	0	3	1	38	0	0	42
General administrative expenses	- 27	- 20	- 1	- 678	0	- 727	- 11	- 6	- 2	- 766	0	0	- 785
Guarantees													
Guarantees issued by the group	0	0	0	0	0	0	0	0	0	0	0	0	0
Guarantees received by the group	0	0	0	0	0	0	0	0	0	0	0	0	0

TRANSACTIONS WITH DIRECTORS	31-12-2008	31-12-2009
Amount of remuneration to directors or partners of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount in respect of retirement pensions granted to former directors or partners on that basis	8	6
Short-term employee benefits	5	3
Post-employment benefits	3	2
Defined benefit plans	3	2
Defined contribution plans	0	0
Other long-term employee benefits	0	0
Termination benefits	0	1
Share-based payments	0	0
[1] of whom members of the Executive Committee	3	6
Share options, in units		
At the beginning of the period	124 700	111 600
Granted	7 300	0
Exercised	- 6 400	0
Change in composition of directors	- 14 000	- 59 500
At the end of the period	111 600	52 100
Advances and loans granted to the directors and partners	3	3

- After the elimination of transactions with consolidated subsidiaries, the transactions that remain are primarily with
  - associated companies (including with NLB for around 155 million euros in receivables and around 101 million euros in debt instruments);
  - non-consolidated special purpose vehicles;
  - KBC Ancora, Cera CVBA, MRBB;
  - the pension funds and the directors of the group;
  - the Belgian Federal Government and the Flemish Regional Government (see the capitalstrengthening transactions in Note 30) totalling around 23.5 billion euros in receivables and 0.3 billion euros in debt instruments.
- All related-party transactions occur at arm's length.
- There were no material transactions with associated companies other than shown in the table.

Note 34: Auditor's remuneration

In 2009, KBC Bank NV and its consolidated subsidiaries paid Ernst & Young Bedrijfsrevisoren BCVBA fees amounting to a total of 11 992 514 euros for standard audit services. Remuneration paid for other services came to 1 393 135 euros in 2009, viz.:

- other certifications: 874 554 euros;
- tax advice: 194 197 euros;
- other non-audit assignments: 324 384 euros

Note 35: List of subsidiaries and assocated companies

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: subsidiaries that are fully consolidated			
KBC Bank NV	Brussels - BE	0462.920.226	100
AKB "Absolut Bank" (ZAO)	Moscow - RU	--	95
Absolut Capital (Luxembourg) SA	Luxembourg - LU	--	95
Absolut Finance SA	Luxembourg - LU	--	95
OOO "Absolut Lizing"	Moscow - RU	--	95
OOO Lizingovaya Kompaniya "Absolut"	Moscow - RU	--	95
Antwerpse Diamantbank NV	Antwerp - BE	0404.465.551	100
ADB Asia Pacific Limited	Singapore - SG	--	100
ADB Private Equity Limited	Jersey - GB	--	80
ADB Private Equity Research BVBA	Antwerp - BE	0894.314.363	80
Banque Diamantaire (Suisse) SA	Geneva - CH	--	100
Radiant Limited Partnership	Jersey - GB	--	80
CBC BANQUE SA	Brussels - BE	0403.211.380	100
CENTEA NV	Antwerp - BE	0404.477.528	99,56
Ceskoslovenska Obchodna Banka a.s.	Bratislava - SK	--	100
Business Center s.r.o.	Bratislava - SK	--	100
CSOB Asset Management a.s.	Bratislava - SK	--	100
CSOB d.s.s. a.s.	Bratislava - SK	--	100
CSOB Factoring a.s.	Bratislava - SK	--	100
CSOB Leasing a.s.	Bratislava - SK	--	100
CSOB Leasing Poist'ovaci Maklér s.r.o.	Bratislava - SK	--	100
CSOB Stavebni Sporitelna a.s.	Bratislava - SK	--	100
Istro Asset Management sprav.spol.a.s.	Bratislava - SK	--	100
Istrofinance s.r.o.	Bratislava - SK	--	100
Istro recovery s.r.o.	Bratislava - SK	--	100
Istrorent s.r.o.	Bratislava - SK	--	100
Alpharent s.r.o.	Bratislava - SK	--	100
Betarent s.r.o.	Bratislava - SK	--	100
MFT + RA s.r.o.	Bratislava - SK	--	100
Ceskoslovenska Obchodni Banka a.s.	Prague - CZ	--	100
Auxilium a.s.	Prague - CZ	--	100
Bankovni Informacni Technologie s.r.o.	Prague - CZ	--	100
Centrum Radlická a.s.	Prague - CZ	--	100
CSOB Asset Management a.s.	Prague - CZ	--	20,59
CSOB Factoring a.s.	Prague - CZ	--	100
CSOB Investicni Spolecnost a.s.	Prague - CZ	--	90,81
CSOB Investment Banking Service a.s.	Prague - CZ	--	100
CSOB Leasing a.s.	Prague - CZ	--	100
CSOB Leasing Pojist'ovaci Maklér s.r.o.	Prague - CZ	--	100
CSOB Penzijní fond Progres a.s.	Prague - CZ	--	100
CSOB Penzijní fond Stabilita a.s.	Prague - CZ	--	100
CSOB Property Fund a.s.	Prague - CZ	--	61,05
Merrion Properties a.s.	Prague - CZ	--	61,05
Property Skalika s.r.o.	Bratislava - SK	--	61,05
Hypotecni Banka a.s.	Prague - CZ	--	100
CIBANK AD	Sofia - BG	--	81,69
IIB Finance Ireland	Dublin - IE	--	100
KBC Finance Ireland	Dublin - IE	--	100
K & H Bank Zrt.	Budapest - HU	--	100
K & H Alkusz Kft.	Budapest - HU	--	100
K & H Csoportszolgáltató Központ Kft.	Budapest - HU	--	100
K & H Equities Rt.	Budapest - HU	--	100
K & H Ertékpapir Befektetési Alapkezelö Rt.	Budapest - HU	--	100
K & H Factor Zrt.	Budapest - HU	--	100
K & H Lízingadminisztrációs Rt.	Budapest - HU	--	100
K & H Eszközfinanszirozó Rt.	Budapest - HU	--	100
K & H Eszközlizing Gép-és Thrgj. Bérleti Kft.	Budapest - HU	--	100
K & H Lizingház Rt.	Budapest - HU	--	100
K & H Pannonlizing Rt.	Budapest - HU	--	100
K & H Autófinanszirozó Pénzügyl Szolgátató Rt.	Budapest - HU	--	100
K & H Autópark Bérleti és Szolg Kft.	Budapest - HU	--	100
K & H Ingatlanlizing Kft.	Budapest - HU	--	100
K & H Lizing Rt..	Budapest - HU	--	100
Kvantum Követeléskezelõ és Befektetési Rt.	Budapest - HU	--	100

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: subsidiaries that are fully consolidated			
KBC Asset Management NV	Brussels - BE	0469.444.267	51,86
Eperon Asset Management Limited	Dublin - IE	--	51,86
KBC Access Fund Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Asset Management Limited	Dublin - IE	--	51,86
KBC Asset Management International Limited	Dublin - IE	--	51,86
KBC Asset Management (UK) Limited	London - GB	--	51,86
KBC Fund Managers Limited	Dublin - IE	--	51,86
KBC Asset Management SA	Luxembourg - LU	--	51,86
KBC Bonds Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Cash Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Conseil Service SA	Luxembourg - LU	--	51,86
KBC Districlick Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Equity Fund Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Fund Partners Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Invest Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Life Invest Fund Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Money Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Renta Conseil Holding SA	Luxembourg - LU	--	51,86
KBC Towarzystwo Funduszy Inwestycyjnych a.s.	Warsawa - PL	--	44,74
KBC Bank Deutschland AG	Bremen - DE	--	100
KBC Bank Funding LLC II	New York - US	--	100
KBC Bank Funding LLC III	New York - US	--	100
KBC Bank Funding LLC IV	New York - US	--	100
KBC Bank Funding Trust II	New York - US	--	100
KBC Bank Funding Trust III	New York - US	--	100
KBC Bank Funding Trust IV	New York - US	--	100
KBC Bank Ireland Plc.	Dublin - IE	--	100
Bencrest Properties Limited	Dublin - IE	--	100
Boar Lane Nominee (Number 1) Limited	Dublin - IE	--	100
Boar Lane Nominee (Number 2) Limited	Dublin - IE	--	100
Boar Lane Nominee (Number 3) Limited	Dublin - IE	--	100
Danube Holdings Limited	Dublin - IE	--	100
Glare Nominee Limited	Dublin - IE	--	100
IIB Finance Limited	Dublin - IE	--	100
IIB Asset Finance Limited	Dublin - IE	--	100
IIB Commercial Finance Limited	Dublin - IE	--	100
IIB Leasing Limited	Dublin - IE	--	100
Lease Services Limited	Dublin - IE	--	100
IIB Homeloans and Finance Limited	Dublin - IE	--	100
Cluster Properties Company	Dublin - IE	--	100
Demilune Limited	Dublin - IE	--	100
KBC Mortgage Bank unlimited	Dublin - IE	--	100
KBC Homeloans and Finance Limited	Dublin - IE	--	100
Premier Homeloans Limited	Surrey - GB	--	100
Staple Properties Limited	Dublin - IE	--	100
Intercontinental Finance	Dublin - IE	--	100
Irish Homeloans and Finance Limited	Dublin - IE	--	100
KBC Nominees Limited	Dublin - IE	--	100
Stepstone Mortgage Services Limited	Dublin - IE	--	100
Linkway Developments Limited	Dublin - IE	--	100
Maurevel Investment Company Limited	Dublin - IE	--	100
Meridian Properties Limited	Dublin - IE	--	100
Merrion Commercial Leasing Limited	Surrey - GB	--	100
Merrion Equipment Finance Limited	Surrey - GB	--	100
Merrion Leasing Assets Limited	Surrey - GB	--	100
Merrion Leasing Finance Limited	Surrey - GB	--	100
Merrion Leasing Industrial Limited	Surrey - GB	--	100
Merrion Leasing Limited	Surrey - GB	--	100
Merrion Leasing Services Limited	Surrey - GB	--	100
Monastersky Limited	Dublin - IE	--	100
Needwood Properties Limited	Dublin - IE	--	100
Perisda Limited	Dublin - IE	--	100
Phoenix Funding 2 Limited	Dublin - IE	--	100
Phoenix Funding 3 Limited	Dublin - IE	--	100
Phoenix Funding 4 Limited	Dublin - IE	--	100
Quintor Limited	Dublin - IE	--	100
Rolata Limited	Douglas - IM	--	100

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: subsidiaries that are fully consolidated			
KBC Clearing NV	Amsterdam - NL	--	100
KBC Commercial Finance NV	Brussels - BE	0403.278.488	100
KBC Consumer Finance IFN sa	Bucarest - RO	--	99,95
KBC Credit Invesments NV	Brussels - BE	0887.849.512	100
KBC Financial Products UK Limited	London - GB	--	100
Atomium Funding Corporation SPV	George Town - KY	--	100
Baker Street Finance Limited	Jersey - GB	--	100
Dorset Street Finance Limited	Jersey - GB	--	100
Hanover Street Finance Limited	Jersey - GB	--	100
KBC Financial Products Hong Kong Limited	Hong Kong - HK	--	100
KBC Financial Products Trading Hong Kong Limited	Hong Kong - HK	--	100
Pembridge Square Limited	Jersey - GB	--	100
Picaros Funding Plc.	Dublin - IE	--	100
Picaros Purchasing no.3 Limited	Dublin - IE	--	100
Regent Street Finance Limited	Jersey - UK	--	100
Sydney Street Finance Limited	Jersey - UK	--	100
KBC Alternative Investment Management Belgium NV	Brussels - BE	0883.054.940	100
KBC Alternative Investment Management Limited	London - UK	--	100
KBC Alternative Investment Management HK Limited	Hong Kong - HK	--	100
KBC Financial Holding Inc.	Wilmington - US	--	100
KBC Financial Products (Cayman Islands) Limited "Cayman I"	George Town - KY	--	100
KBC Financial Products International Limited "Cayman III"	George Town - KY	--	100
KBC FP International VI Limited "Cayman VI"	George Town - KY	--	100
Corona Delaware LLC	Wilmington - US	--	100
KBC Financial Products USA Inc.	Wilmington - US	--	100
KBC Structured Investment Management LLC	Delaware - US	--	100
Nebula Holdings LLC	Wilmington - US	--	100
Pulsar Holdings LLC	Wilmington - US	--	100
Pacifica Group LLC	Wilmington - US	--	100
Certo Insurance Services LLC	Wilmington - US	--	100
Churchill Finance LLC	Saint Paul, MN - US	--	100
Clevedon Insurance Services LLC	New York - US	--	100
Dorato Insurance Services LLC	Wilmington - US	--	100
Equity Key LLC	Wilmington - US	--	100
Equity Key Real Estate Option LLC	San Diego, CA - US	--	100
EK002 LLC	San Diego, CA - US	--	100
EK003 LLC	San Diego, CA - US	--	100
EK045 LLC	San Diego, CA - US	--	100
Estate Planning LLC	Wilmington - US	--	100
Londsdale LLC	Wilmington - US	--	100
Midas Life Setllements LLC	Delaware - US	--	100
Oceanus LLC	Wisconsin - US	--	100
PFG Loans Funding LLC	New York - US	--	100
Pinnacle Financing LLC	New York - US	--	100
Seaboard LLC	Madison, WI - US	--	100
Stone River Life LLC	Wilmington - US	--	100
Stratford Services LLC	Wisconsin - US	--	100
Upright RM Holdings LLC	New York - US	--	100
Reverse Mortgage Trust I	New York - US	--	100
Upright Holdings FP Inc.	New York - US	--	100
World Alliance Financial Corporation	New York - US	--	100
KBC Investments Hong Kong Limited	Hong Kong - HK	--	100
KBC Consultancy Services (Shenzhen) Limited	Shenzhen - CN	--	100
KBC Investments Asia Limited	Hong Kong - HK	--	100
KBC Investments Cayman Islands Limited "Cayman IV"	George Town - KY	--	100
KBC Investments Cayman Islands V Limited	George Town - KY	--	100
KBC Investments Cayman Islands VII Limited	George Town - KY	--	100
KBC Investments Cayman Islands VIII Limited	George Town - KY	--	100
KBC Investments Limited	London - GB	--	100
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	--	100
KBC International Finance NV	Rotterdam - NL	--	100

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: subsidiaries that are fully consolidated			
KBC Lease Holding NV	Diegem - BE	0403.272.253	100
Dala Property Holding III BV	Amsterdam - NL	--	100
Sicalis BV	Amsterdam - NL	--	100
Fitraco NV	Leuven - BE	0425.012.626	100
INK Consultanta - Broker de Asigurare SRL	Bucharest - RO	--	100
KBC Autolease NV	Diegem - BE	0422.562.385	100
KBC Bail Immobilier France sas	Paris - FR	--	100
KBC Immolease NV	Diegem - BE	0444.058.872	100
KBC Lease Belgium NV	Leuven - BE	0426.403.684	100
KBC Autolease Polska Sp z.o.o.	Warsawa - PL	--	100
KBC Lease France SA	Lyon - FR	--	100
KBC Bail France sas	Lyon - FR	--	100
KBC Lease (Nederland) BV	Bussum - Nl	--	100
Cathar BV	Bussum - Nl	--	100
Gooieen BV	Bussum - Nl	--	100
Hospiveen BV	Bussum - Nl	--	100
Mercala 1 BV	Bussum - Nl	--	100
Mercala 2 BV	Bussum - Nl	--	100
KBC Lease (UK) Limited	Surrey - GB	--	100
KBC Lease (Deutschland) GmbH & Co. KG	Kronberg - DE	--	92
KBC Lease (Deutschland) Vermietungs GmbH	Kronberg - DE	--	92
KBC Vendor Lease (Deutschland) Service GmbH	Kronberg - DE	--	92
KBC Vendor Finance (Deutschland) GmbH	Kronberg - DE	--	92
Protection One Service GmbH	Kronberg - DE	--	92
KBC Lease (Deutschland) Verwaltungs GmbH	Kronberg - DE	--	76
KBC Lease España SA	Madrid - ES	--	100
KBC Lease Italia S.p.A.	Verona - IT	--	100
KBC Lease (Luxembourg) SA	Strassen - LU	--	100
KBC Lizing Magyarország Kereskedelmi és Szolgátató Kft.	Budapest - HU	--	100
Romstal Leasing IFN SA	Bucharest - RO	--	99,83
Securitas sam	Nandrin - MC	--	100
KBC North American Finance Corporation	New York - US	--	100
KBC Peel Hunt Limited	London - GB	--	100
KBC Peel Hunt CFD Limited	London - GB	--	100
Peel Hunt Nominees Limited	London - GB	--	100
P.H. Nominees Limited	London - GB	--	100
P.H. Trustees Limited	London - GB	--	100
KBC Pinto Systems NV	Brussels - BE	0473.404.540	60
KBC Private Equity NV	Brussels - BE	0403,226,228	100
Boxco NV	Harelbeke - BE	0874.529.234	100
Allbox NV	Harelbeke - BE	0417.348.339	100
Verkoopkantoor Allbox en Desouter NV	Harelbeke - BE	0419.278.540	100
Descar NV	Harelbeke - BE	0405.322.613	100
Dynaco Group NV	Moorsel - BE	0893.428.495	89,54
Dynaco Europe NV	Moorsel - BE	0439.752.567	89,54
Dynaco International NV	Moorsel - BE	0444.223.079	89,54
Dynaco USA Inc.	Northbrook - US	--	89,54
KBC ARKIV NV	Brussels - BE	0878.498.316	52
Mezzafinance NV	Brussels - BE	0453.042.260	100
Novaservis a.s.	Brno - CZ	--	91,58
2 B Delighted NV	Roeselare - BE	0891.731.886	52,78
Wever & Ducré NV	Roeselare - BE	0412.881.191	52,78
Asia Pacific Trading & Investment Co Limited	Hong Kong - HK	--	52,78
Dark NV	Adegem - BE	0472.730.389	52,78
Limis NV	Roeselare - BE	0806.059.310	52,78
Wever & Ducré Asia Pacific Limited	Hong Kong - HK	--	52,78
Wever & Ducré BV	Den Haag - NL	--	52,78
Wever & Ducré GmbH	Herzogenrath - DE	--	52,78
Wever & Ducré Iluminacion SL	Madrid - ES	--	52,78
Wever & Ducré Shanghai Limited	Shanghai - CY	--	52,78
KBC Real Estate Luxembourg SA	Luxembourg - LU	--	100
KBC Real Estate NV	Brussels - BE	0404.040.632	100
Almafin Real Estate NV	Brussels - BE	0403.355.494	100
Almafin Real Estate Services NV	Brussels - BE	0416.030.525	100
Immo Arenberg NV	Brussels - BE	0471.901.337	100
Trustimmo NV	Brussels - BE	0413.954.626	100
KBC Vastgoedinvesteringen NV	Brussels - BE	0455.916.925	99
KBC Vastgoedportefeuille België NV	Brussels - BE	0438.007.854	100
KBC Rusthuisvastgoed NV	Brussels - BE	0864.798.253	100
Novoli Investors BV	Amstelveen - NL	--	83,33
Poelaert Invest NV	Zaventem - BE	0478.381.531	99,99
Vastgoed Ruimte Noord NV	Brussels - BE	0863.201.515	100

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: subsidiaries that are fully consolidated			
KBC Securities NV	Brussels - BE	0437.060.521	100
KBC Equitas LLC	Budapest - HU	--	100
KBC Securitas a.d. Beograd	Belgrade - RS	--	100
KBC Securities Baltic Investment Company sia	Riga - LV	--	51,05
KBC Securities Ukraine LLC	Kiev - UA	--	51,05
KBC Securities Romania SA	Bucarest - RO	--	100
SAI Swiss Capital Asset Management SA	Bucarest - RO	--	100
Ligeva NV	Mortsel - BE	0437.002.519	100
Patria Finance a.s.	Prague - CZ	--	100
Patria Direct a.s.	Prague - CZ	--	100
Kredyt Bank SA	Warsawa - PL	--	80
Kredyt Lease SA	Warsawa - PL	--	80
Kredyt Trade Sp z.o.o.	Warsawa - PL	--	80
Reliz SA	Katowice - PL	--	80
Loan Invest NV "Institutionele VBS naar Belgisch recht"	Brussels - BE	0889.054.884	100
Old Broad Street Invest NV	Brussels - BE	0871.247.565	100
111 OBS Limited Partnership	London - GB	--	100
111 OBS (General Partenr) Limited	London - GB	--	100
Quasar Securitisation Company NV	Brussels - BE	0475.526.860	100
Zagiel SA	Warsawa - PL	--	100
KBC Bank: subsidiaries that are not fully consolidated			
111 OBS (Nominee) Limited (1)	London - GB	--	100
2 B delighted Italia Srl (1)	Torino - IT	--	52,78
Absolut Capital LLC (1)	Moscow - RU	--	95
Absolut Capital Trust Limited (1)	Limasol - CY	--	95
Aldersgate Finance Limited (1)	Jersey - GB	--	100
Almaloisir & Immobilier sas (1)	Nice - FR	--	100
Apicinq NV (1)	Machelen - BE	0469.891.457	50
Apitri NV (1)	Diegem - BE	0469.889.873	100
Applied Maths Inc. (1)	Austin - US	--	50,83
Applied Maths NV (1)	St Martens Latem - BE	0453.444.712	50,83
Atomium Funding LLC (1)	Delaware - US	--	100
Avebury Limited (1)	Dublin - IE	--	100
Baker Street USD Finance Limited (1)	Jersey - GB	--	100
Bankowy Fundusz Inwestycyjny Serwis Sp z.o.o. (1)	Warsawa - PL	--	80
Brussels North Distribution NV (1)	Brussels - BE	0476.212.887	100
Chiswell Street Finance Limited (1)	Jersey - GB	--	100
City Hotels NV (1)	Zaventem - BE	0416.712.394	85,51
Clifton Finance Street Limited (1)	Jersey - GB	--	100
Dala Beheer BV (1)	Amsterdam - NL	--	100
Dala Property Holding XV BV (1)	Amsterdam - NL	--	100
Di Legno Interiors NV (1)	Genk - BE	0462.681.783	62,50
DLI International NV (1)	Genk - BE	0892.881.535	62,50
Eurincasso s.r.o. (1)	Prague - CZ	--	100
Fulham Road Finance Limited (1)	Jersey - GB	--	100
Gearlon Plc (1)	Dublin - IE	--	100
Gie Groupe KBC Paris (1)	Paris - FR	--	100
Gulliver Kereskedelmi és Szolgátáto Kft (1)	Budapest - HU	--	100
Immo-Antares NV (2)	Brussels - BE	0456.398.361	95
Immo-Basilix NV (2)	Brussels - BE	0453.348.801	95
Immo-Beaulieu NV (2)	Brussels - BE	0450.193.133	50
Immobilière Distri-Land NV (2)	Brussels - BE	0436.440.909	87,52
Immo-Duo NV (1)	Zaventem - BE	0435.573.154	100
Immo Genk-Zuid NV (1)	Zaventem - BE	0464.358.497	100
Immo Kolonel Bourgstraat NV (2)	Brussels - BE	0461.139.879	50
Immolease-Trust NV (1)	Zaventem - BE	0406.403.076	100
Immo-Llan NV (2)	Brussels - BE	0448.079.820	99,56
Immo Lux-Airport SA (2)	Luxembourg - LU	--	66,64
Immo Marcel Thiry NV (2)	Brussels - BE	0450.997.441	95
Immo-Quinto NV (1)	Zaventem - BE	0466.000.470	100
Immo-Regentschap NV (2)	Brussels - BE	0452.532.714	75
Immo-Tres NV (1)	Zaventem - BE	0465.755.990	100

Name	Registered office	National identification number	Share of capital held at group (%)
Immo Zenobe Gramme NV (2)	Brussels - BE	0456.572.664	100
IPCOS BV (1)	Boxtel - NL	--	60
IPCOS NV (1)	Heverlee - BE	0454.964.840	60
KB-Consult NV (1)	Brussels - BE	0437.623.220	100
KBC Alternative Investment Management (USA) Inc. (1)	Delaware - US	--	100
KBCAM Australia Limited (1)	Sydney - AU	--	26,45
KBC Concord Asset Management Co.Limited (1)	Tapei - TW	--	28,24
KBC Credit Arbitrage (1)	George Town - KY	--	100
KBC Diversified Fund (part of KBC AIM Master Fund) (1)	George Town - KY	--	100
KBC Financial Services (Ireland) Limited (1)	Dublin - IE	--	100
KBC Private Equity Advisory Services d.o.o. (1)	Belgrade - RS	--	100
KBC Private Equity Advisory Services Limited Liability Company (1)	Budapest - HU	--	100
KBC Private Equity Advisory Services s.r.o. (1)	Prague - CZ	--	100
KBC Private Equity Advisory Services Sp.z.o.o. (1)	Warsawa - PL	--	100
KBC Private Equity Consulting S.R.L. (1)	Bucarest - RO	--	100
KBC Securities Baltic Investment Company Russia (1)	Moscow - RU	--	100
KBC Securities Corporate Finance LLC (1)	Belgrade - RS	--	60
KBC Securities Investment Company Cyprus Lim (1)	Nicosia - CY	--	100
KBC Securities LLC (1)	Moscow - RU	--	100
KBC Structured Finance Limited (1)	Sydney - AU	--	100
KBC Vastgoed Portefeuille Nederland (1)	Rotterdam - NL	--	100
Kredietfinance Corporation (June) Limited (1)	Surrey - GB	--	100
Kredietfinance Corporation (September) Limited (1)	Surrey - GB	--	100
Kredietlease (UK) Limited (1)	Surrey - GB	--	100
Kredyt Bank SA i TUiR WARTA SA (1)	Warsawa - PL	--	100
Lancaster Place Finance Limited (1)	Jersey - GB	--	100
Lancier LLC (1)	Delaware - US	--	100
LIZAR Sp z.o.o. (1)	Warsawa - PL	--	80
Lombard Street Limited (1)	Dublin - IE	--	100
Luxembourg North Distribution SA (1)	Luxembourg - LU	--	100
Luxembourg Offices Securitisations SA (1)	Luxembourg - LU	--	99,99
Mechelen City Center NV (1)	Heffen - BE	0471.562.332	100
Motokov a.s. (1)	Prague - CZ	--	69,10
Net Fund Administration Sp z.o.o. (1)	Warsawa - PL	--	80
Newcourt Street Finance Limited (1)	Jersey - GB	--	100
Oxford Street Finance Limited (1)	Jersey - GB	--	100
Parkeergarage De Panne NV (1)	Brussels - BE	0881.909.548	90
Patria Finance CF a.s.	Prague - CZ	--	100
Patria Finance Slovakia a.s.	Bratislava - SK	--	100
Patria Online a.s.	Prague - CZ	--	100
Pericles Invest NV (1)	Zaventem - BE	0871.593.005	50
Picaros Funding LLC (1)	Wilmington - US	--	100
Picaros Purchasing No.1 Limited (1)	Dublin - IE	--	100
Picaros Purchasing No.2 Limited (1)	Dublin - IE	--	100
PLC Development Sp.z.o.o. (1)	Warsawa - PL	--	100
Property LM s.r.o. (1)	Prague - CZ	--	61,05
Quercus Scientific NV (1)	St Martens Latem - BE	0884.920.310	50,83
Risk Kft. (1)	Budapest - HU	--	99,96
Servipolis Management Company NV (1)	Zaventem - BE	0442.552.206	70
SM Vilvoorde NV (1)	Zaventem - BE	0425.859.197	100
TEE Square Limited (1)	Road Town - VG	--	100
Tormenta Investments Sp.z.o.o. (1)	Warsawa - PL	--	100
Vastgoedmaatschappij Manhattan-Kruisvaarten NV (1)	Zaventem - BE	0419.336.938	100
Vermögensverwaltungsgesellschaft Merkur mbH (1)	Bremen - DE	--	99,76
Weyveld Vastgoedmaatschappij NV (1)	Zaventem - BE	0425.517.818	100
Willowvale Company (1)	Dublin - IE	--	100
ZIPP SKUTERY Sp.z.o.o. (1)	Przasnysz - PL	--	100
KBC Bank: joint subsidiaries that are proportionally consolidated			
Ceskomaravská Stavebni Sporitelna a.s.	Prague - CZ	--	55
Immobiliare Novoli S.p.A.	Firenze - IT	--	44,80
KBC Goldstate Fund Management Co. Limited	Sjanghai - CN	--	25,41

Name	Registered office	National identification number	Share of capital held at group (%)
KBC Bank: joint subsidiaries that are not proportionally consolidated (1)			
Atrium Development SA	Luxembourg - LU	--	25
Barbarahof NV	Zaventem - BE	0880.789.197	30
Consorzio Sandonato Est	Firenze - IT	--	22,80
Covent Garden Development NV	Brussels - BE	0892.236.187	25
Covent Garden Real Estate NV	Zaventem - BE	0872.941.897	50
Flex Park Prague s.r.o.	Prague - CZ	--	50
FM-A Invest NV	Diegem - BE	0460.902.725	50
Immocert t'Serclaes NV	Zaventem - BE	0433.037.989	50
Jesmond Amsterdam NV	Amsterdam - NL	--	50
Miedziana Sp z.o.o.	Warsawa - PL	--	47,75
Panton Kortenberg Vastgoed NV "Pako Vastgoed"	St Niklaas - BE	0437.938.766	50
Amdale Holdings Limited NV	Diegem - BE	0452.146.563	50
Pakobo NV	Diegem - BE	0474.569.526	50
Rumst Logistics NV	Machelen - BE	0862.457.583	50
Perifund NV	Brussels - BE	0465.369.673	50
Prague Real Estate NV	Zaventem - B	0876.309.678	50
Real Estate Participation NV	Zaventem - BE	0473.018.817	50
Resiterra NV	Zaventem - BE	0460.925.588	50
Rumst Logistics II NV	Machelen - BE	0880.830.076	50
Rumst Logistics III NV	Machelen - BE	0860.829.383	50
Sandonato Parcheggi Srl	Firenze - IT	--	44,70
Sandonato Srl	Firenze - IT	--	44,70
UNION KBC Asset Mangement JV	India	--	25,41
Val d'Europe Holding NV	Zaventem - BE	0808.932.092	45
Val d'Europe Invest sas	Paris - FR	--	45
Xiongwei Lighting (Guangzhou) Co., Ltd.	Guangzhou - CY	--	26,41
KBC Bank: companies accounted for using the equity method			
Giro Elszámolásforgáltátó Rt.	Budapest - HU	--	20,99
HAGE Hajdúsági Agráripari Résvényatársaság	Budapest - HU	--	25
Isabel NV	Brussels - BE	0455.530.509	25,33
Nova Ljubljanska Banka d.d.	Ljubljana - SI	--	30,57
KBC Bank: companies not accounted for using the equity method (1)			
Banking Funding Company NV	Brussels - BE	0884.525.182	20,93
BCC Corporate NV	Brussels - BE	0883.523.807	23,95
Bedrijvencentrum Noordoost-Antwerpen NV	Antwerp - BE	0455.474.485	21,28
Bedrijvencentrum Rupelstreek NV	Aartselaar - BE	0427.329.936	33,33
Brand and Licence Company NV	Brussels - BE	0884.499.250	20,00
Czech Banking Credit Bureau a.s.	Prague - CZ	--	20
Etoiles d'Europe sas	Paris - FR	--	45
Justinvest Antwerpen NV	Antwerp - BE	0476.658.097	33,33
Kattendijkdok NV	Antwerp - BE	0863.854.482	39
Prvni Certifikacni Autorita a.s.	Prague - CZ	--	23,25
Rabot Invest NV	Antwerp - BE	0479.758.733	25
Sea Gate Logistics NV	Aalst - BE	0480.040.627	25
Xenarjo cvba	Mechelen - BE	0899.749.531	24,99

Reason for exclusion : (1) exclusion based on limited importance
(2) real estate companies and certificates where the result is not allocated to the Group

Companies qualifying for consolidation are also effectively included in the consolidated accounts if two of the following criteria are met:
if the Group interest in capital and reserves exceed 2,5 million euro
if the Group interest in the result exceeds 1 million euro
if the balance sheet total exceed 100 miliion euro
The aggregated total balance sheet of the companies excluded from consolidation may not exceed 1 % of the consolidated balance sheet total.

Note 36: Main changes in the scope of consolidation

Parent company	Company	Consoli-dation method	Ownership percentage at Group level		Comments
			31-12-2008	31-12-2009	
Additions					
None					
Exclusions					
KBC Bank	KBC International Portfolio	Full	100,00%	-	Sold to KBC Verzekeringen in 2Q2009
Changes in ownership percentage and internal mergers					
KBC Bank	CIBANK AD	Full	77,09%	81,69%	
KBC Bank	Istrobanka	Full	100,00%	-	Merged with ČSOB (Slovakia) in 3Q2009
KBC Bank	KBC Bank Nederland	Full	100%	-	Merged with KBC Bank NV in 2Q2009

Note 37: Post-balance-sheet events

Events after balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date (31 December 2009) and the date when the financial statements are authorised for issue by the Board of Directors. They include both adjusting events after balance sheet date (events that provide evidence of conditions that existed at the balance sheet date) and non-adjusting events after balance sheet date (events that are indicative of conditions that arose after the balance sheet date). Adjusting events in principle lead to an adjustment of the financial statements for the financial period preceding the event, whereas non-adjusting events in principle only influence the financial statements for the following period.

The main non-adjusting events after balance sheet date were:

- 24 February 2010: as part of the new strategy that focuses on the group's home markets, KBC sold its US reverse mortgage loan portfolio (World Alliance Financial Corp.) held by KBC Financial Products. Although the financial impact of this transaction is limited, it reduces KBC's risk profile and frees up some 0.8 billion US dollars in cash.
- In the first half of 2010, KBC will significantly reduce its credit default swap position, as part of its restructuring of KBC Financial Products. This will ultimately lead to a reduction in regulatory capital requirements.

Note 38: General information (IAS 1)

Name	KBC Bank NV
Incorporated	17 March 1998
Country of incorporation	Belgium
Registered office	2 Havenlaan, 1080 Brussels, Belgium
VAT	BE 0462.920.226
RLP	Brussels
Legal form	*Naamloze vennootschap* (company with limited liability) under Belgian law, which solicits or has solicited savings from the public; the company is a bank registered with the Belgian Banking, Finance and Insurance Commission.
Life	Indefinite
Object	In Belgium or abroad, for its own account or for account of third parties, the company has as object the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue (Article 2 of the Articles of Association).

Documents open to public inspection

The Articles of Association of the company are open to public inspection at the Registry of the Brussels Commercial Court. The annual accounts have been filed with the National Bank of Belgium. Decisions on the appointment, resignation and dismissal of members of the Executive Committee and the Board of Directors are published in the *Appendices to the Belgian Official Gazette*. Financial reports about the company and convening notices of general meetings of shareholders are also published in the financial press and/or on www.kbc.com. Copies of the company's annual reports are available at its registered office. They are sent annually to the holders of registered shares and to those who have requested a copy.

General Meeting of Shareholders

A General Meeting is held every year at the company's registered office or at any other place indicated in the convening notice, at 11 a.m. on the Wednesday immediately preceding the last Thursday of April, or, if this day is a public holiday, on the business day immediately before it.

In order to be admitted to the General Meeting, the holders of bearer bonds or bearer warrants, and the holders of bearer certificates issued in co-operation with the company, must deposit these securities at least four business days prior to the meeting at the registered office or at another place designated in the convening notice.

The owners of registered bonds, warrants or certificates issued in co-operation with the company must also notify the registered office in writing, at least four business days prior to the meeting, of their intention to attend the General Meeting. Holders of bonds and warrants are entitled to attend the General Meeting, but they have only advisory voting capacity.

Holders of book-entry bonds, warrants or certificates issued in co-operation with the company, who wish to be admitted to the General Meeting must, at least four business days prior to the meeting, deposit at the registered office or at another place designated in the convening notice, a certificate drawn up by the recognised account holder or by the clearing house, attesting to the non-availability of the bonds, warrants or certificates until the date of the General Meeting.

Holders of bonds, warrants or certificates issued in co-operation with the company are entitled to attend the General Meeting, but they have only advisory voting capacity.

Company annual accounts

This section contains the company (non-consolidated) annual accounts of KBC Bank, as filed with the National Bank of Belgium.

				9	EUR		
NAT.	Date of filing	No.	PP.	B.	D.		1.

ANNUAL ACCOUNTS

FIRM OR NAME : KBC BANK
Legal form : NV
Address : Havenlaan Nr : 2 Box :
Postal code : 1080 Municipality : Brussels
Register of corporate bodies - Chamber of Commerce : Brussels
Internetaddress : http://www.kbc.be

Company number 0462.920.226

DATE 17/08/2009 of filing of the deed op incorporation OR the most recent document stating the date on which the deed of incorporation and the deed amending the articles of association were published

ANNUAL ACCOUNT approved by the General Meeting of 28/04/2010

concerning the financial year covering the period from 01/01/2009 till 31/12/2009

Preceding period from 01/01/2008 till 31/12/2008

The amounts for the preceding period are identical to those previously published yes / ~~no~~

COMPLETE LIST with name, first names,occupation place of residence(address, number, postal code and municipality) of both the DIRECTORS OR MANAGERS of the enterprise and of the AUDITORS who audited the accounts.

		Period on the Board in 2008	End, current term of office
CHAIRMAN OF THE BOARD OF DIRECTORS			
Dhr. Jan HUYGHEBAERT	Prins van Oranjelaan 10, 1180 Brussel	full year	2010
PRESIDENT OF THE EXECUTIVE COMMITTEE			
Dhr. Jan VANHEVEL	Max Hermanlei 8, 2930 Brasschaat	full year President since 01/09/2009	2010
MEMBERS:			
Dhr. Herman AGNEESSENS	Edelweisslaan 47, 3080 Tervuren	4 months	2009
Dhr. André BERGEN	Zeedijk 769/61, 8300 Knokke	8 months	2009
Mevr. Sonja DE BECKER	Meerbeekstraat 20, 3071 Erps-Kwerps	full year	2013
Dhr. Jan Maarten DE JONG	P.C. Hooftstraat 175B, NL 1071 BW Amsterdam	2 weeks	2013
Dhr. Danny DE RAYMAEKER	Brabançonnestraat 84, 3000 Leuven	full year	2012
Dhr. Julien DE WILDE	Jabekestraat 49, 9230 Wetteren	full year	2010
Dhr. Chris DEFRANCQ	Zonnelaan 23, 3070 Kortenberg	full year	2010
Dhr. Jean-Pierre DEPAEMELAERE	Zeedijk (ODK) 450/0401, 8670 Koksijde	2 weeks	2013
Dhr. Franky DEPICKERE	Izegemstraat 203, 8770 Ingelmunster	full year	2011
Dhr. John HOLLOWS	Vlaamse Gaaienlaan 11, 3080 Tervuren	4 months	2013
Dhr. Pierre KONINGS	Prins van Oranjelaan 178, 1180 Brussel	full year	2013
Dhr. Walter NONNEMAN	Molenstraat 245, 9150 Kruibeke	full year	2012
Mevr. Marita ORLENT-HEYVAERT	Richard Orlentstraat 2, 2070 Zwijndrecht	full year	2013
Dhr. Paul PEETERS	Molenstraat 2A, 2811 Mechelen (Leest)	full year	2013
Dhr. Luc PHILIPS	Platanenlaan 14, 1820 Perk	full year	2010
Dhr. Luc POPELIER	Voosdonk 21, 2801 Heffen	4 months	2013
Dhr. Gustaaf SAP	Stationsstraat 70, 8730 Beernem	full year	2013
Dhr. Guido SEGERS	Torenstraat 114, 3110 Rotselaar	7 months	2009
Dhr. Johan THIJS	Moorsemsestraat 260, 3130 Betekom	4 months	2013
Dhr. Patrick VANDEN AVENNE	Desselgemsestraat 15, 8710 Ooigem	full year	2013
Dhr. Germain VANTIEGHEM	Dalemstraat 9, 3078 Everberg	full year	2010
Dhr. Etienne VERWILGHEN	avenue de la Faïencerie 149, L 1511 Luxembourg	full year	2010
Dhr. Dirk WAUTERS	Bovenbosstraat 17, 3052 Blanden	full year	2013
Dhr. Marc WITTEMANS	Beatrijslaan 91, 3110 Rotselaar	full year	2010

AUDITOR
Ernst & Young Bedrijfsrevisoren c.v., Moutstraat 54, 9000 GENT, represented by Jean-Pierre ROMONT and/or Pierre VANDERBEEK

Total number of pages filed :
Number of pages of the standardform not being filed becouse they are not relevant :

These annual accounts include:
- the report of the statutory auditor
- annual report of the Board of Directors to the ordinary General Meeting of shareholders

J. VANHEVEL
President of the executive committee

J. HUYGHEBAERT
President of the board of directors

	Codes	Period	Preceding Period
		(in thousands of EUR)	
		05	10
1. BALANCE SHEET AFTER PROFIT APPROPRIATION			
ASSETS			
I. Cash in hand, balances at central banks and post office banks	101.000	4,690,485	1,306,922
II. Treasury bills eligible for refinancing at the central bank	102.000	2,031,158	446,343
III. Loans and advances to credit institutions	103.000	32,657,548	38,674,605
A. Repayable on demand	103.100	2,286,045	2,721,015
B. Other loans and advances (with agreed maturity dates or periods of notice)	103.200	30,371,503	35,953,590
IV. Loans and advances to customers	104.000	83,613,739	94,013,018
V. Bonds and other fixed-income securities	105.000	44,791,797	39,143,031
A. Issued by public bodies	105.100	29,684,493	27,974,086
B. Issued by other borrowers	105.200	15,107,304	11,168,945
VI. Shares and other variable-yield securities	106.000	525,687	619,507
VII. Financial fixed assets	107.000	15,345,703	15,821,175
A. Participating interests in affiliated enterprises	107.100	13,445,799	13,921,192
B. Particpating interests in other enterprises linked by participating interests	107.200	488,996	488,697
C. Other shares constituting financial fixed assets	107.300	74,277	97,823
D. Subordinated loans and advances to affiliated enterprises and other enterprises linked by participating interests	107.400	1,336,631	1,313,463
VIII. Formation expenses and intangible fixed assets	108.000	991	1,061
IX. Tangible fixed assets	109.000	710,839	724,023
X. Own shares	110.000		
XI. Other assets	111.000	1,736,039	1,905,023
XII. Deferred charges and accrued income	112.000	14,265,577	17,361,693
TOTAL ASSETS	199.000	200,369,563	210,016,401

NO	0462.920.226			3.

	Codes	Period 05	Preceding Period 10
		(in thousands of EUR)	
LIABILITIES			
I. Amounts owed to credit institutions	201.000	34,305,793	48,359,379
A. Repayable on demand	201.100	5,543,351	8,444,047
B. Amounts owed as a result of the rediscounting of trade bills	201.200		
C. Other debts (with agreed maturity dates or periods of notice)	201.300	28,762,442	39,915,332
II. Amounts owed to customers	202.000	111,581,619	113,990,244
A. Saving deposits	202.100	29,611,402	22,466,578
B. Other debts	202.200	81,970,217	91,523,666
1) Repayable on demand	202.201	28,110,481	26,857,564
2) With agreed maturity dates or periods of notice	202.202	53,859,736	64,666,102
3) As a result of the rediscounting of trade bills	202.203		0
III. Debts represented by securities	203.000	12,925,686	5,039,370
A. Bonds and other fixed-income securities in circulation	203.100	1,669,679	1,077,457
B. Other debt instruments	203.200	11,256,007	3,961,913
IV. Other liabilities	204.000	1,349,283	1,602,602
V. Accrued charges and deferred income	205.000	17,301,192	19,890,563
VI. A. Provisions for liabilities and charges	206.100	3,355,976	667,728
1. Pensions and similar commitments	206.101	67,287	52,017
2. Taxation	206.102	5,997	6,178
3. Other liabilities and charges	206.103	3,282,692	609,533
B. Deferred taxes	206.200		
VII. Fund for General Banking Risks	207.000		
VIII. Subordinated liabilities	208.000	9,357,862	9,699,357
CAPITAL AND RESERVES	290.000	10,183,028	10,767,158
IX. Capital	209.000	8,948,440	5,698,440
A. Subscribed capital	209.100	8,948,440	5,698,440
B. Uncalled capital (-)	209.200		
X. Share premium account	210.000	2,490,814	2,490,814
XI. Revaluation reserve	211.000		
XII. Reserves	212.000	2,575,598	2,577,904
A. Legal reserve	212.100	403,011	403,011
B. Reserves not available for distribution	212.200		
1. Own	212.201		
2. Other	212.202		
C.Untaxed reserves	212.300	13,006	15,312
D.Reserves available for distribution	212.400	2,159,581	2,159,581
XIII. Profit brought forward	213.000	(3,831,824)	0
TOTAL LIABILITIES	299.000	200,369,563	210,016,401

OFF-BALANCE-SHEET HEADINGS	Codes	Period 05 (in thousands of EUR)	Preceding Period 10 (in thousands of EUR)
I. Contingent liabilities	301.000	48,180,292	55,180,632
A. Non-negotiated acceptances	301.100	38,682	157,287
B. Guarantees in the nature of direct credit substitutes	301.200	3,986,098	4,283,203
C. Other guarantees	301.300	42,657,496	49,272,112
D. Documentary credits	301.400	1,498,016	1,468,026
E. Assets charged as collateral security on behalf of third parties	301.500		4
II. Commitments carrying a potential credit risk	302.000	45,897,643	41,453,581
A. Firm credit commitments	302.100	2,367,575	2,404,912
B. Commitments arising from spot purchases of securities	302.200	1,435,762	84,085
C. Undrawn margin on confirmed credit lines	302.300	42,087,191	38,957,219
D. Underwriting and placing commitments	302.400	7,115	7,365
E. Commitments as a result of open-ended sale and repurchase agreements	302.500		
III. Assets lodged with the credit institution	303.000	197,198,591	223,092,601
A. Assets held for fiduciary purposes	303.100	3,109,201	2,402,879
B. Safe custody and equivalent items	303.200	194,089,390	220,689,722
IV. Uncalled share capital	304.000	36,780	36,635

	Codes	Period	Preceding Period
		(in thousands of EUR)	
	Codes	05	10
2. PROFIT AND LOSS ACCOUNT			
I. Interest receivable and similar income	401.000	5,569,218	10,094,066
of which income from fixed-income securities	401.001	1,744,624	2,385,760
II. Interest payable and similar charges	502.000	(3,974,971)	(8,695,418)
III. Income from variable-yield securities	403.000	451,262	1,247,007
A. From shares and other variable-yield securities	403.100	14,153	12,936
B. From participating interests in affiliated enterprises	403.200	426,593	1,209,554
C. From participating interests in other enterprises linked by participating interests	403.300	6,667	16,290
D. Other shares constituing financial fixed assets	403.400	3,849	8,227
IV. Commission receivable	404.000	970,680	772,260
V. Commission payable (-)	505.000	(219,251)	(222,475)
VI. Profit (loss) on financial transactions	506.000	(820,815)	(34,442)
A. On the trading of securities and other financial instruments	506.100	(655,500)	(12,826)
B. On the disposal of investment securities	506.200	(165,315)	(21,616)
VII. General administrative expenses (-)	507.000	(1,894,021)	(1,635,032)
A. Remuneration, social security costs and pensions	507.100	748,562	894,742
B. Other administrative expenses	507.200	1,145,459	740,290
VIII. Depreciation and write-downs on formation expenses and on intangible and tangible fixed assets (-)	508.000	(46,981)	(46,397)
IX. Adjustments to write-downs (Write-downs (-)) on receivables and write-back of provisions (Provisions (-)) for Off-balance-sheet headings 'I. Contingent liabilities' and 'II. Commitments carrying a potential credit risk'	509.000	(365,985)	(255,338)
X. Adjustments to write-downs (Write-downs (-)) on the investment portfolio in bonds, shares and other fixed-income and variable-yield securities	510.000	(508,226)	(156,765)
XI. Utilization and write-back of provisions for liabilities and charges other than those referred to in Off-balance-sheet headings 'I. Contingent liabilities' and 'II. Commitments carrying a potential credit risk'	411.000	91,983	35,203
XII. Provisions for liabilities and charges other than those referred to in Off-balance-sheet headings 'I. Contingent liabilities' and 'II. Commitments carrying a potential credit risk'	512.000	(2,966,517)	(463,150)
XIII. Transfer from (Transfer to) the Fund for General Banking Risks	513.000		
XIV. Other operating income	414.000	654,352	137,394
XV. Other operating charges (-)	515.000	(61,053)	(48,001)
XVI. Profit (Loss) on ordinary activities before tax	416.000	(3,120,325)	728,912

	Codes	Period	Preceding Period
		(in thousands of EUR)	
		05	10
2. PROFIT AND LOSS ACCOUNT			
XVII. Extraordinary income	417.000	151,470	5,520
A. Adjustment to depreciation and write-downs on intangible and tangible fixed assets	417.100		
B. Adjustments to write-dows on financial fixed assets	417.200	37,827	
C. Adjustments to provisions for extraordinary liabilities and charges	417.300	1,797	2,318
D. Gains on the disposal of fixed assets	417.400	111,595	3,119
E. Other extraordinary income	417.500	251	83
XVIII. Extraordinary charges (-)	518.000	(1,035,304)	(1,361,015)
A. Extraordinary depreciation and write-downs on formation expenses, and on intangible and tangible fixed assets	518.100		
B. Write-downs on financial fixed assets	518.200	1,011,855	1,351,515
C. Provisions for extraordinary liabilities and charges	518.300		
D. Losses on the disposal of fixed assets	518.400	21,428	7,570
E. Other extraordinary charges	518.500	2,021	1,930
XIX. Profit (Loss(-)) for the financial year, before tax	419.000	(4,004,159)	(626,583)
XIX.bis A. Transfer to deferred taxes (-)	519.100	95,360	
B. Transfer from deferred taxes	419.200		
XX. Income taxes	520.000	74,669	(45,285)
A. Income taxes (-)	520.000	(27,841)	(69,468)
B. Adjustments to income taxes and amounts written back from tax provisions	420.200	102,510	24,183
XXI. Profit (Loss(-)) for the financial year	421.000	(3,834,130)	(671,868)
XXII. Transfer to untaxed reserves (-)	522.000	(24)	(34)
(+)	422.000	2,330	63,557
XXIII. Profit (Loss(-)) for the financial year, to be appropriated	423.000	(3,831,824)	(608,345)

APPROPRIATION ACCOUNT	Codes	Period 05	Preceding Period 10
		(in thousands of EUR)	
A. Profit (Loss (-)) to be appropriated	600.100	(3,831,824)	(608,325)
1. Profit (Loss (-)) for the period available for appropriation	600.101	(3,831,824)	(608,347)
2. Profit (Loss (-)) brought forward from the previous financial year	600.102		22
B. Transfers from capital and reserves	600.200		(608,325)
1. From capital and share premium account	600.201		(608,325)
2. From reserves	600.202		
C. Appropriation to capital and reserves (-)	600.300		0
1. To capital and share premium account	600.301		
2. To the legal reserve	600.302		0
3. To others reserves	600.303		
D. Result to be carried froward	600.400	3,831,824	0
1. Profit to be carried forward (-)	600.401		0
2. Loss to be carried forward	600.402	3,831,824	
E. Shareholders' contribution in respect of losses	600.500		
F. Profit for distribution (-)	600.600		0
1. Dividends (a)	600.601		0
2. Directors' entitlements (a)	600.602		0
3. Other allocations	600.603		0

(a) only for companies with restricted liability governed by Belgian law

3. ANNEX

I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS (in thousands of EUR)
(Assets heading III.)

A. For the heading as a whole :

	Codes	Period 05	Preceding Period 10
1. - Loans and advances to affiliated enterprises	010	19,246,602	20,732,687
- Loans and advances to other enterprises linked by participating interests	020	67,199	369,220

	Codes	Period 05	Preceding Period 10
2. - Subordinated loans and advances	030	8,057	83,789

B. Other loans and advances (with agreed maturity dates or periods of notice) to credit institutions
(Assets sub-heading III.B.)

	Codes	Period 05	Preceding Period 10
1. Trade bills eligible for refinancing at the central banks of the credit institution's countries of establishment	040		

2. Analysis of loans and advances according to remaining maturity :

	Codes	Period 05
. up to three months	050	24,262,654
. more than three months and up to one year	060	3,152,364
. more than one year and up to five years	070	2,330,126
. more than five years	080	549,539
. undated	090	76,820

II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS
(Assets heading IV.)

(in thousands of EUR)

1. Loans and advances to	Codes	Period 05	Preceding Period 10
- affiliated enterprises	010	25,632,520	24,917,086
- other enterprises linked by participating interests	020	75,581	100,778

	Codes	Period 05	Preceding Period 10
2. Subordinated loans and advances	030	253,523	580,002

	Codes	Period 05	Preceding Period 10
3. Trade bills eligible for refinancing at the central banks of the credit institution's countries of establishment	040		

4. Analysis of loans and advances according to remaining maturity :	Codes	Period 05
. up to three months	050	38,050,966
. more than three months and up to one year	060	6,374,476
. more than one year and up to five years	070	9,294,283
. more than five years	080	25,320,117
. undated	090	4,573,897

5. Analysis of loans and advances according to type:	Codes	Period 05
. trade bills (including own acceptances)	100	175,431
. loans and advances arising from leasing and similar claims	110	556,038
. fixe-rate loans	120	1,015,246
. mortgage loans *	130	9,614,999
. other loans at terms of more than one year	140	33,780,274
. other loans and advances	150	38,471,751

6. Geographical analysis of loans and advances ** :	Codes	Period 05
. loans and advances in respect of Belgium	160	48,879,849
. loans and advances in respect of other countries	170	34,733,890

7. Breakdown of mortgage loans, with reconstitution at the institution or linked to which there are life assurance and capitalization agreements

	Codes	Period 05
a) . Capital borrowed initially	180	
b) . Reconstitution and actuarial reserves for these loans	190	
c) . Net amount outstanding for these loans (a-b)	200	

* The securitised volume of morgage loans amounts euro 12.838.758.133,96 at december 31, 2009 (Home Loan Invest). This amount is not included in this item.

** Amount for trade bills is broken down according to beneficiary of the credit.

III. STATEMENT OF BONDS AND OTHER FIXED-YIELD SECURITIES

(Assets heading V.)

(in thousands of EUR)

1. Bonds and other securities issued by :

	Codes	Period 05	Preceding Period 10
- affiliated enterprises	010	12,034,933	6,818,321
- enterprises linked by participating interests	020	4,831	4,947

	Codes	Period 05	Preceding Period 10
2. Bonds and other securities representing subordinated loans	030	367,312	71,579

3. Geographical analysis of the following sub-headings :

		Belgian issuers	Foreign issuers
V.A. . issued by public bodies	040	17,311,841	12,372,652
V.B. . issued by other borrowers	050	10,131,515	4,975,789

4. Listing and maturity

		Carrying value	Market value
a) . Listed securities	060	44,416,395	43,636,807
. Unlisted securities	070	375,402	

	Codes	Period 05
b) . Remaining maturity of up to one year	080	7,351,386
. Remaining maturity of more than one year	090	37,440,411

5. Analysis of bonds and other securities classified according to :

	Codes	Period 05
a) . Trading portfolio	100	6,525,656
b) . Investment portfolio	110	38,266,141

6. Trading portfolio :

	Codes	Period 05
. the positive difference between the higher market value and acquisition value of the bonds and other securities valued at market value	120	105,528
. the positive difference between the higher market value and the acquisition value of the bonds and securities valued in accordance with Article 35 ter, §2, paragraph two of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions	130	

7. Investment portfolio :

	Codes	Period 05
. the positive difference in respect of all securities whose redemption value is greater than their carrying value	140	3,103,613
. the negative difference in respect of all securities whose redemption value is less than their carrying value	150	1,290,571

8. Detailed statement of the carrying value of the investment portfolio :
(in continuation of Assets heading V.)

(in thousands of EUR)

	Codes	Period 05
a) ACQUISITION VALUE		
As at the end of the previous financial year	010	27,639,928
Movements during the financial year :		
. acquisitions	020	18,987,948
. transfers (-)	030	(7,244,514)
. adjustments pursuant to Art. 35 ter, §4 and 5 (+/-) of the royal decree of September 23, 2992 concerning the annual accounts of credit institutions	040	(1,236,016)
. price difference (+/-)	050	846,129
As at the end of the financial year	099	38,993,475
b) TRANSFERS BETWEEN PORTFOLIOS		
1. Transfers		
. from the investment portfolio to the trading portfolio (-)	110	
. from the trading portfolio to the investment portfolio (+)	120	
2. Repercussion on the result	130	
c) WRITE-DOWNS		
As at the end of the financial year	200	172,470
Movements during the financial year		
. recorded	210	575,524
. written back as being redundant	220	(64,707)
. written off	230	(11,475)
. transfer from one heading to another	240	55,522
. price difference (+/-)	250	
As at the end of the financial year	299	727,334
d) CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR (a) + b)1. - c))	399	38,266,141

IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES
(Assets heading VI.)

(in thousands of EUR)

1. Geographical analysis of issuers :

	Codes	Period 05
- Belgian issuers	010	1,076
- foreign issuers	020	524,611

2. Listing :

		Carrying value	Market value
- listed securities	030	513,679	513,679
- unlisted securities	040	12,008	

3. Analysis of shares and other securities classified according to :

	Codes	Period 05
. Trading portfolio	050	513,679
. Investment portfolio	060	12,008

4. Trading portfolio :

	Codes	Period 05
. the positive difference between the higher market value and acquisition value of the shares and other securities valued at market value	070	24,614
. the positive difference between the market value and carrying value of securities valued in accordance with Article 35 ter, §2, paraggraph two of the royal decree of 23 September 1992on the annual accounts of credit institutions	080	

5. Detailed statement of the carrying value of the investment portfolio :
(in continuation of Assets heading VI.)

	Codes	Period 05
a) ACQUISITION VALUE		
As at the end of the previous financial year	100	13,905
Movements during the financial year :		
. acquisitions	110	8,506
. transfers (-)	120	(2,617)
. other changes	130	(40)
As at the end of the financial year	199	19,754
b) TRANSFERS BETWEEN PORTFOLIOS		
1. Transfers		
. from the investment portfolio to the trading portfolio (-)	200	
. from the trading portfolio to the investment portfolio (+)	210	
2. Repercussion on the result	220	
c) WRITE-DOWNS		
As at the end of the financial year	300	8,071
Movements during the financial year		
. recorded	310	1,268
. written back as being redundant	320	(3,859)
. written off	330	
. transfer from one heading to another	340	
. price differences	350	2,266
As at the end of the financial year	399	7,746
d) CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR (a) + b)1. - c))	499	12,008

V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets heading VII)

A1. Analysis of assets sub-headings VII.A,B,C :

(in thousands of EUR)

a) Economic sector of the following holdings		Credit institutions		Other companies	
		Period	Preceding Period	Period	Preceding Period
	Codes	05	10	15	20
A. participating interests in affiliated enterprises	010	6,853,871	7,036,257	6,591,928	6,884,935
B. participating interests in other enterprises linked by participating interests	020	467,451	467,450	21,545	21,247
C. Other shares constituting financial fixed assets	030	12,624	25,067	61,653	72,756

b) Listing		Listed	Unlisted
	Codes	05	10
A. participating interests in affiliated enterprises	040	767,311	12,678,488
B. participating interests in other enterprises linked by participating interests	050	10,799	478,197
C. Other shares constituting financial fixed assets	060	63,030	11,247

A2.Detailed statement of carrying value as at the end of the financial year of assets headings VII.A, B and C

		Companies		
		Affiliated enterprises (VII.A.)	Other enterprises linked by particip interests (VII.B.)	Other (VII.C.)
A. ACQUISITION VALUE				
As at the end of the previous financial year	100	15,233,914	508,817	220,483
Movements during the financial year:				
. Acquisitions	110	1,021,906	500	88
. Transfers and asset retirements (-)	120	(521,264)	(238)	(126,314)
. Transfers from one heading to another (+/-)	130			
As at the end of the financial year	199	15,734,556	509,079	94,257
B. SURPLUS VALUES	200			
Movements during the financial year:				
. Recorded	210			
. Acquired from third parties	220			
. Written off (-)	230			
. Transfers from one heading to another (+/-)	240			
As at the end of the financial year	299			
C. WRITE-DOWNS				
As at the end of the previous financial year	300	1,312,722	20,120	122,660
Movements during the financial year:				
. Recorded	310	1,010,999		856
. Written back as being redundant (-)	320	(34,967)		(2,824)
. Acquired from third parties	330			
. Written off (-)	340			(100,710)
. Transfers from one heading to another (+/-)	350			
As at the end of the financial year	399	2,288,757	20,083	19,980
E. NET CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR (A + B - C)	499	13,445,799	488,996	74,277

ARTICLE 29, 1 UNCLAIMED AMOUNTS ON PARTICIPATIONS AND SHARES

	Companies: Affiliated enterprises (VII.A.)	Other enterprises linked by particip interests (VII.B.)	Other (VII.C.)	TOTAL
IIB Finance Ireland	1,314			
KBC Dublin Capital Plc	30			
KBC Private Equity	34,876			
African Export-Import Bank			555	
Mode Natie			0	
Mts Belgium			5	
Total	36,220		560	36,780

B. Analysis of Assets sub-heading VII D.

		Credit institutions		Other enterprises	
1. Subordinated loans and advances to:		Period	Preceding Period	Period	Preceding Period
	Codes	05	10	15	20
. Affiliated enterprises	010	953,624	817,291	308,007	421,172
. Participating interests in other enterprises linked by participating interests	020	75,000	75,000		
2. Amount of noted shares represented by subordinated loans and advances	030				

3. Detailed statement of subordinated loans and advances		affiliated enterprises	other enterprises linked by participating interests
	Codes	10	15
NET CARRYING VALUE AS AT THE END OF THE PREVIOUS FINANCIAL YEAR	100	1,238,463	75,000
Movements during the financial year			
. Additions	110	136,692	
. Repayments (-)	120	(111,509)	
. Recorded write downs (-)	130		
. Written back write downs	140		
. Exchange rate difference (+/-)	150	(2,015)	
. Other (+/-)	160		
NET CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR	199	1,261,631	75,000
CUMULATED WRITE DOWNS AS AT THE END OF THE FINANCIAL YEAR	200		

C. Declaration concerning the consolidated annual accounts

A. Information that must be supplied by all credit institutions:

Pursuant to the provisions of the Royal Decree of 23 September 1992 concerning the consolidated annual accounts of credit institutions, the credit institution draws up annual accounts and a consolidated annual report: YES / ~~NO~~*

B. Information that need only be supplied by the credit institution if it is a subsidiary or a joint subsidiary

. Name, complete address of the registered office and, if the company concerned is incorporated under Belgian law, the VAT number or the national identification number of the parent company(companies), and whether the parent company(companies) draws(draw) up and publishes(publish) consolidated annual accounts in which the annual accounts of the company are included via consolidation*:

- KBC Group NV, Havenlaan 2, 1080 Brussels, BE 403.227.515

. If the parent company(companies) is(are) incorporated under foreign law, where the above-mentioned annual accounts can be obtained*:

* If the annual accounts of the institution are consolidated at various levels, this information must be provided for the largest grouping and and for the smallest grouping of companies to which the institution belongs in its capacity as a subsidiary and for which consolidated annual accounts are drawn up and published.

VI. ART.1. LIST OF ENTERPRISES IN WHICH THE CREDIT INSTITUTION HOLDS A PARTICIPATING INTEREST

Mentioned below are those enterprises in which the credit institution has a participating interest in the sense of the Royal Decree of 23 September 1992, as well as the other enterprises in which the credit institution has shareholder rights representing at least 10 % of issued capital.

Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via subsidiary	Annual accounts	Currency	Own Funds	Net result
	Type	Number	%	%	as at		(+) of (-)	(+) of (-)
A. Affiliated entreprices :								
AKB Absolut Bank Moskou RU -	Ordinary	175,255,720	95.00	0.00				
Antwerpse Diamantbank NV Antwerpen BE, 0404.465.551	Ordinary	7,686,400	100.00	0.00				
CBC BANQUE SA Brussel BE, 0403.211.380	Ordinary	1,838,956	100.00	0.00				
CENTEA NV Antwerpen BE, 0404.477.528	Ordinary	184,561	99.56	0.00				
Ceskoslovenska Obchodná Banka a.s. Bratislava SK,-	Ordinary	5,000	100.00	0.00				
Ceskoslovenska Obchodni Banka a.s. (CSOB) Praag CZ,-	Ordinary	5,855,000	100.00	0.00				
CIBANK AD Sofia, BG -	Ordinary	5,695,260	81.69	0.00				
Covent Garden Real Estate NV Zaventem, BE, 0872.941.897	Ordinary	750	50.00	0.00	31-dec-08	EUR	2,382	5,732
Fidabel NV Brussel, BE, 0417.309.044	Ordinary	1	0.80	0.00	31-dec-08	EUR	143	1
Gearlon Plc Dublin IE,-	Ordinary	40,000	100.00	0.00	31-dec-07	USD	173	51
IIB Finance Ireland Dublin IE,-	Ordinary Ordinary AUD Ordinary EUR Ordinary GBP Ordinary USD	2,166,999 700,000 366,000,000 104,000,000 116,000,000	99.99 100.00 100.00 100.00 100.00	0.00 0.00 0.00 0.00 0.00				

VI. ART.1. LIST OF ENTERPRISES IN WHICH THE CREDIT INSTITUTION HOLDS A PARTICIPATING INTEREST

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Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via sub-sidiary	Annual accounts as at	Currency	Own Funds	Net result
	Type	Number	%	%			(+) of (-)	(+) of (-)
K & H Bank Zrt. Budapest HU,-	Reg. Sh. HUF 2000	73,709,164,412	100.00	0.00				
KB Consult NV Brussel BE, 0437.623.220	Ordinary	364,543	99.95	0.00	31-dec-08	EUR	955	-8
KBC Alternative Investment Management Belgium NV Brussel BE, 0883.054.940	Ordinary	4,699,530	99.99	0.01				
KBC Asset Management NV Brussel BE, 0469.444.267	Cat. A shares	2,580,644	44.75	7.11				
KBC Bank Deutschland AG Bremen DE,-	Ordinary Genusrechte	567,300 97,791,500	100.00 100.00	0.00 0.00				
KBC Bank Funding LLC II New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Funding LLC III New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Funding LLC IV New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Funding Trust II New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Funding Trust III New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Funding Trust IV New York US,-	Common Shares	1,000	100.00	0.00				
KBC Bank Ireland Limited Dublin IE,-	Ordinary	372,038,509	100.00	0.00				
KBC Clearing NV Amsterdam NL,-	Ordinary	30,491	100.00	0.00				

VI. ART.1. LIST OF ENTERPRISES IN WHICH THE CREDIT INSTITUTION HOLDS A PARTICIPATING INTEREST

Mentioned below are those enterprises in which the credit institution has a participating interest in the sense of the Royal Decree of 23 September 1992, as well as the other enterprises in which the credit institution has shareholder rights representing at least 10 % of issued capital.

Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via sub-sidiary	Annual accounts as at	Currency	Own Funds	Net result
	Type	Number	%	%			(+) of (-)	(+) of (-)
KBC Commercial Finance NV Brussel BE, 0403.278.488	Ordinary	120,000	100.00	0.00				
KBC Consumer Finance IFN sa Boekarest BG,-	Ordinary	133,934	99.95	0.00				
KBC Credit Investments NV Brussel, BE 0887.849.512	Ordinary	4,999,999	99.99	0.00				
KBC Financial Holding Inc. Wilmington US,-	Ordinary	1,000	100.00	0.00				
KBC Financial Products UK Limited Londen GB,-	Ordinary	350,100,000	100.00	0.00				
KBC Groep NV Brussel, BE, 0403.227.515	Ordinary	3,917,845	1.10	0.00				
KBC Ifima NV Rotterdam NL,-	Ordinary	10,585	100.00	0.00				
KBC Investments Hong Kong Limited Hong Kong, HK,-	Ordinary	130,000,000	100.00	0.00				
KBC Investments Limited Londen, UK,-	Ordinary	170,000,000	100.00	0.00				
KBC Lease Holding NV Leuven BE, 0403.272.253	Ordinary	167,595	99.99	0.01				
KBC Lease (UK) Limited Guildford GB,-	Ord. Shares of 1 GBP	7,327,865	34.00	66.00				
KBC North American Finance Corporation Delaware US,-	Ordinary	1,000	100.00	0.00				
KBC Peel Hunt Limited Londen GB,-	Ordinary	51,303,594	100.00	0.00				

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Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via sub-sidiary	Annual accounts as at	Currency	Own Funds	Net result
	Type	Number	%	%			(+) of (-)	(+) of (-)
KBC Pinto Systems NV Brussel BE, 0473.404.540	Ordinary	2,793	49.42	10.60				
KBC Private Equity NV Brussel BE, 0403.226.228	Ordinary Ordinary - 25% fully paid-up	445,416 73,502	100.00 100.00	0.00 0.00				
KBC Real Estate Luxembourg SA Luxemburg LU, -	Ordinary	99,947	99.95	0.05				
KBC Real Estate NV Brussel BE, 0404.040.632	Ordinary	638,358	100.00	0.00				
KBC Securities NV Brussel BE, 0437.060.521	Ordinary	1,898,517	99.95	0.05				
KBC Structured Finance Limited Melbourne AU,-	Ordinary	500,000	100.00	0.00	31-dec-08	AUD	462	97
KBC Verzekeringen NV Leuven BE, 0403.552.563	Ordinary	1	0.00	0.00	31-dec-08	EUR	2,657,156	-706,115
Kredyt Bank SA Warschau PL,-	Ordinary PLN	217,327,103	80.00	0.00				
Ligeva NV Mortsel BE, 0437.002.519	Ordinary	1	0.02	99.98				
Luxembourg Offices Securitisations SA Luxemburg LU,-	Ordinary	99	99.00	1.00	31-dec-08	EUR	-11	-11
Mezzafinance NV Brussel BE, 0453.042.260	Ordinary	1	0.02	99.98				
Old Broad Street Invest NV Brussel, BE, 0871.247.565	Ordinary	503,000	99.41	0.59				
Omnia CVBA Leuven BE, 0413.646.305	Ordinary	1	0.01	0.00	31-dec-08	EUR	1,047	283

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Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via sub-sidiary	Annual accounts	Currency	Own Funds	Net result
	Type	Number	%	%	as at		(+) of (-)	(+) of (-)
Real Estate Participations NV Zaventem BE, 0473.018.817	Ordinary	500	50.00	0.00	31-dec-08	EUR	6,155	2,630
Valuesource NV Brussel, BE, 0472.685.453	Ordinary	1	0.01	0.00	31-dec-08	EUR	1,652	127
Zagiel a.s. Lublin PL,-	Ordinary	479,281	100.00	0.00				
B. Enterprises linked by participating interests >20% and <= 50%								
Banking Funding Company NV Brussel BE, 0884.525.182	Ordinary	12,870	20.93	0.00	31-dec-08	EUR	682	94
BCC Corporate NV Brussel BE, 0883.523.807	Ordinary	5,747	23.95	0.00	31-dec-08	EUR	2,398	203
Bedrijvencentrum Rupelstreek NV Aartselaar BE, 0427.329.936	Ordinary	5,000	33.33	0.00	31-dec-08	EUR	279	-148
Brand and Licence Company NV Brussel BE, 0884.499.250	Ordinary	123	20.00	0.00	31-dec-08	EUR	130	25
Isabel NV Brussel BE, 0455.530.509	Ordinary	253,322	25.33	0.00				
Nova Ljubljanska Banka d.d. Ljubljana SL,-	Ordinary	2,722,634	30.57	0.00				
Xenarjo cvba Mechelen BE, 0899.749.531	Ordinary	673	24.99	0.00	31-dec-08	EUR	702	0

VI. ART.1. LIST OF ENTERPRISES IN WHICH THE CREDIT INSTITUTION HOLDS A PARTICIPATING INTEREST

Mentioned below are those enterprises in which the credit institution has a participating interest in the sense of the Royal Decree of 23 September 1992, as well as the other enterprises in which the credit institution has shareholder rights representing at least 10 % of issued capital.

Name, registerd office, VAT number or national registration number	Shareholder rights				Data on the latest financial year for which annual accounts are available ('000)			
	Direct			via sub-sidiary	Annual accounts as at	Currency	Own Funds	Net result
	Type	Number	%	%			(+) of (-)	(+) of (-)
C. Enterprises linked by participating interests >10% and <= 20%								
Bedrijvencentrum Leuven NV Heverlee BE, 0428.014.676	Ordinary	40	9.52	0.00	31-dec-08	EUR	2,053	31
Bedrijvencentrum Regio Roeselare NV Roeselare BE, 0428.378.724	Ordinary	500	18.52	0.00	31-dec-08	EUR	525	84
Bedrijvencentrum Vilvoorde NV Vilvoorde BE, 0434.222.577	Ordinary	338	9.31	0.00	31-dec-08	EUR	1,257	56
Bedrijvencentrum Westhoek NV Ieper BE, 0430.383.258	Ordinary	200	11.85	0.00	31-dec-08	EUR	476	-19
Bedrijvencentrum Zaventem NV Zaventem BE, 0426.496.726	Ordinary	350	11.64	0.00	31-dec-08	EUR	195	4
BEM NV Brussel BE, 0461.612.904	Ordinary	1,500	6.47	0.00	31-dec-08	EUR	5,890	522
BH-Capital a.s. Prostejov CZ,-	Ordinary	717,300	14.06	0.00	31-dec-08	CZK	519,381	15,707
De Beitel NV Lier BE, 0869.799.196	Ordinary	25	16.34	0.00	31-dec-08	EUR	114	18
Designcenter De Winkelhaak Borgerhout BE, 0470.201.857	Cat. B	124	10.84	0.00	31-dec-08	EUR	2,136	81
Europay Belgium CV Brussel BE, 0434.197.536	Ordinary	4,857	14.17	1.81	31-dec-08	EUR	1,354	13,594
Retail Estates NV Ternat BE, 0434.797.847	Ordinary	347,886	7.90	1.80	31-mrt-09	EUR	158,982	11,253
Visa Belgium CVBA Brussel BE, 0435.551.972	Ordinary	22	12.29	2.24	01/01/08 - 30/09/2009	EUR	15,796	39,593

VI §2 LIST OF ENTERPRISES IN RESPECT OF WHICH THE CREDIT INSTITUTION IS FULLY LIABLE IN ITS CAPACITY AS A PARTNER OR MEMBER WITH UNLIMITED LIABILITY

	Name, registered office, VAT number		Possible codes (*)
Codes	05		10
	IIB Finance Unltd., Sandwith Street, Dublin 2		C
	KBC Clearing, Oudezijds Voorburgwal 302, NL-1012 GL Amsterdam		C
	KBC Asset Management, Havenlaan 2,B-1080 Brussel ,	0469.444.267	C
	KBC Asset Management International Ltd, Joshua Dawson House, Dawson Street, Dublin 2		C
	KBC Asset Management Ltd, Joshua Dawson House, Dawson Street, Dublin 2		C
	KBC Financial Services (Ireland) Ltd, KBC House, 4 George's Dock IFSC, Dublin 1		C
	KBC Fund Managers Ltd, Joshua Dawson House, Dawson Street, Dublin 2		C
	KBC Securities, Havenlaan 12, B-1080 Brussel,	0437.060.521	C
	Antwerpse Diamantbank NV, Pelikaanstraat 54, 2018 Antwerpen	0404.465.551	C
	Eperon Asset Management Ltd, Dawson Street, Dublin 2		C

(*) The annual accounts of the enterprise:

A. Will be published through a deposition in the National Bank of Belgium
B. Will be published effectively in another member state of the EC pursuant to art.3 of the directive 68/151/EEG;
C. Will be fully or proportionally consolidated in the consolidated annual statements of the enterprise which is prepared, audited and published pursuant to the Royal Decree of 29 September 1992 on the consolidated annual account of the credit institutions.

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS (in thousands of EUR)

(Assets heading VIII.)

A. Detailed statement of formation expenses

	Codes	Period 05
Net carrying value as at the end of the previous financial year	010	
Movements during the financial year :		
. New costs	020	
. Whrite-downs (+/-)	030	
. Other changes (+/-)	040	
Net carrying value as at the end of the financial year :	099	
- costs incurred at establishment or capital increase, costs of issuing loans and other formation expenses	110	
- restructuring costs	120	

B. Intangible fixed assets

	Codes	Goodwill 05	Other intangible fixed assets 10	Of which provisions as compensation for bringing in transactions art 27 bis * 15
a) ACQUISITION VALUE				
As at the end of the previous financial year	210	1,639	1,827	
Movements during the financial year				
. additions, including own production	220		238	
. Sales and disposals (-)	230			
. transfers from one heading to another (+/-)	240	39		
As at the end of the financial year	299	1,678	2,065	
b) DEPRECIATION AND WRITE-DOWNS				
As at the end of the previous financial year	310	1,639	766	
Movements during the financial year				
. recorded	320		266	
. written back as being redundant (-)	330			
. acquired from third parties	340			
. written off (-)	350			
. transfers from one heading to another (+/-)	360	39	42	
As at the end of the financial year	399	1,678	1,074	
c) NET CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR (a) - b))	499	0	991	

* If there is a substantial amount under this heading

VIII. STATEMENT OF TANGIBLE FIXED ASSETS

(Assets heading IX) (in thousands of euros)

	Codes	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Leasing and similar rights	Other tangible fixed assets	Assets under construction and advance payments
		05	10	15	20	25	30
a) ACQUISITION VALUE							
As at the end of the previous financial year	010	1,111,060	15,970	88,010	11,039	209,913	
Movements during the financial year							
- acquisitions, including the resulting fixed assets	020	27,300	624	142	3,708	1,827	
- transfers and asset retirements	030	(5,498)	(2,238)	(12,890)		1,569	
- transfers from one heading to another	040	(412)				412	
As at the end of the financial year	099	1,132,450	14,356	75,262	14,747	213,721	
b) REVALUATION SURPLUSES							
As at the end of the previous financial year	110	65,660					
Movements during the financial year							
. recorded	120						
. acquired from third parties	130						
. written off (-)	140						
. transfers from one heading to another (+/-)	150						
As at the end of the financial year	199	65,660					
c) DEPRECIATION AND WRITE-DOWNS							
As at the end of the previous financial year	210	605,035	14,215	57,724	1,219	99,436	
Movements during the financial year							
. recorded	220	29,337	1,246	4,438	465	11,229	
. written off as being redundant	230						
. acquired from third parties	240						
. written off (-)	250	(2,415)	(2,377)	(12,821)		(1,374)	
. transfers from one heading to another (+/-)	260	(200)				200	
As at the end of the finacial year	299	631,757	13,084	49,341	1,684	109,491	
d) NET CARRYING VALUE AS AT THE END OF THE FINANCIAL YEAR (a) + b) - c))	399	566,353	1,272	25,921	13,063	104,230	
of which . land and buildings	410				13,063		
. plant, machinery and equipment	420						
. furniture and vehicles	430						

IX. OTHER ASSETS
(ASSETS HEADING XI)

Breakdown when there occur an important amount under this item

	05
Codes	period
010	
020	
030	
040	
050	
060	
070	

X. DEFERRED CHARGES AND ACCRUED ASSETS
(ASSETS HEADING XII)

	Codes	05
		period
1. Deferred charges	110	18,916
2. Accrued income	120	14,246,660

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS

(in thousands of EUR)

(Liabilities heading I)

A. For the heading as a whole :

		Period	Preceding period
	Codes	05	10
- amounts owed to affiliated enterprises	010	2,615,051	4,810,467
- amounts owed to other enterprises linked by participating interests	020	72,219	3,718

B. Analysis of amounts owed, other than those repayable on demand, according to remaining maturity (Liabilities sub-headings I.B. and C.)

		Period
	Codes	05
. Up to three months	110	21,560,369
. More than three months and up to one year	120	7,139,125
. More than one year and up to five years	130	53,168
. More than five years	140	3,690
. Undated	150	6,090

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS

(in thousands of EUR)

(Liabilities heading II)

1. Amounts owed to:

		Period	Preceding period
	Codes	05	10
- affiliated enterprises	210	32,013,337	30,040,352
- other enterprises linked by participating interests	220	130,100	131,865

2. Geographical analysis of amounts owed :

		period
	Codes	05
- in respect of Belgium	310	56,612,516
- in respect of other countries	320	54,969,102

3. Analysis according to remaining maturity :

		period
	Codes	05
. Repayable on demand	410	27,594,620
. Up to three months	420	28,142,584
. More than three months and up to one year	430	5,452,431
. More than one year and up to five years	440	14,942,124
. More than five years	450	5,838,457
. Undated	460	29,611,402

XIII. STATEMENT OF DEBTS REPRESENTED BY SECURITIES (in thousands of EUR)
(Liabilities heading III.)

	Codes	Period 05	Preceding period 010
1. Securities which, to the knowledge of the credit institution, are debts			
- to affiliated enterprises	010	1,753,196	12,236
- to enterprises linked by participating interests	020	29,886	500.00

2. Analysis according to remaining maturity

	Codes	Period 05
. up to three months	110	8,982,340
. more than three months and up to one year	120	588,600
. more than one year and up to five years	130	2,740,948
. more than five years	140	613,797
. undated	150	

XIV. STATEMENT OF OTHER LIABILITIES (in thousands of EUR)
(Liabilities heading IV)

	Codes	Period 05
1. Expired debts in relation to taxes, payments and social charges against:		
a) Tax Department	210	
b) National Office of Social Security	220	
2. Taxes :		
a) taxes payable	230	150,847
b) estimated tax liabilities	240	49,288

	Codes	Period 05
3. Other liabilities Breakdown when there occur an important amount under this item		
- holiday money, remuneration and other staff charges payable	310	195,565
- dividends payable	320	
- other	330	953,583
	340	

XV. ACCRUED CHARGES AND DEFERRED INCOME (in thousands of EUR)

(Liabilities V)

	Codes	Period 05
1. Accrued charges	010	17,204,900
2. Deferred income	020	96,293

XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (in thousands of EUR)

(Liabilities sub-heading VI. A. 3.)

	Codes	Boekjaar 05
Breakdown when there occur an important amount under this item		
. Guarantee credits	110	56,749
. Litigation	120	91,474
. Provision VAT-litigation	130	4,548
. Provision disablement benefit	140	10,303
. Provisions on positions derivatives and securities	150	89,276
. Other	160	3,030,342

XVII. STATEMENT OF SUBORDINATED LIABILITIES (in thousands of EUR)

(LIABILITIES heading VIII)

A. For the heading as a whole :

	Codes	Period 05	Preceding period 10
- debts to affiliated enterprises	210	3,779,511	3,706,016
- debts to other enterprises linked by participating interests	220		

B.

	Codes	Period 05
- Costs attendants on subordinated liabilities	310	531,051

C. Detail of each subordinated loan :

Reference-number	Currency	Amount	Maturity date or conditions governing the maturity	a) Circumstances in which the enterprise is required to repay this loan b) conditions for the subordination c) conditions for the conversion into capital
0001	GBP	46,949	19/12/2003-perpetual Issued by KBC Bank Hybrid Tier 1 - emission	a) Fiscal requalification Repayment possible from 19/12/2019 c) Mandatory conversion into KBC Bank in case of Supervisory Event
0002	EUR	1,244,934	14/05/2008-perpetual Issued by KBC Bank Hybrid Tier 1 - emission	a) Fiscal requalification Repayment possible from 14/05/2013 c) Call option after 5 years, yearly onwards
0003	EUR	250,000	01/08/2006-01/08/2016 Issued by KBC Bank	a) Fiscal requalification
0004	EUR	2,479	10/04/1998-01/04/2010 Issued by KBC Bank	a) Fiscal requalification
0005	EUR	700,000	27-06-2008 - perpetual Issued by KBC Bank Hybrid Tier 1 - emission	a) Fiscal requalification Repayment possible from 27/06/2013 c) Call option after 5 years, yearly onwards
0006	EUR	16,113	01/04/1998-01/04/2010 Issued by KBC Bank	a) Fiscal requalification
0007	HUF	6,267	On-tap (1.707,5 mio HUF) Deposits originated by KBC IFIMA	a) Fiscal requalification
0008	EUR	3,156,663	Subordinated Certificates On-tap Issued by KBC Bank	a) Unconditional
0009	EUR	161,322	Subordinated Time Deposits On-tap Issued by KBC Bank	a) Unconditional
0010	USD	242,102	On-tap Deposits originated by KBC IFIMA	a) Fiscal requalification
0011	USD	5,657	On-tap Deposits originated by KBC International Finance	a) Fiscal requalification
0012	EUR	1,855,534	On-tap Deposits originated by KBC IFIMA	a) Fiscal requalification
0013	EUR	300,000	14/12/2005-14/12/2015 Deposits originated by KBC IFIMA	a) Fiscal requalification c) Call option from 14/12/2010 onwards
0014	EUR	27,077	On-tap Deposits originated by KBC International Finance	a) Fiscal requalification
0015	CZK	94,436	18/05/2005-18/05/2016 Deposits originated by KBC IFIMA (2.500 million CZK)	a) Fiscal requalification
0016	EUR	99,582	18/05/2005-18/05/2016 Deposits originated by KBC IFIMA (3.000 million SKK)	a) Fiscal requalification
0017	EUR	48,131	21/12/2005-21/12/2020 Deposits originated by KBC IFIMA (1.450 million SKK)	a) Fiscal requalification
0018	EUR	280,000	30/06/1999-perpetual Deposits originated by KBC Bank Funding Trust (280 million EUR)	a) Fiscal requalification and solvency test

C. Detail of each subordinated loan :

Reference-number	Currency	Amount	Maturity date or conditions governing the maturity	a) Circumstances in which the enterprise is required to repay this loan b) conditions for the subordination c) conditions for the conversion into capital
0019	EUR	300,000	10/11/1999-perpetual Deposits originated by KBC Bank Funding Trust (300 million EUR)	a) Fiscal requalification and solvency test
0020	USD	416,493	02/11/1999-perpetual Deposits originated by KBC Bank Funding Trust (600 million USD)	a) Fiscal requalification and solvency test
0021	USD	104,123	07/02/2005-07/02/2025 Deposits originated by KBC IFIMA (150 million USD)	a) Fiscal requalification

XVIII. STATEMENT OF CAPITAL

A. SHARE CAPITAL

	Codes	amounts	number of shares
		05	10
1. Issued capital (liabilities sub-heading IX.A.)			
- As at the end of the previous financial year	010	5,698,440	xxxxxxxxxxxxxxxxxxxx
- Movements during the financial year			
	020	3,250,000	
	030		
	040		
	050		
	060		
- As at the end of the financial year	099	8,948,440	xxxxxxxxxxxxxxxxxxxx
2. Structure of capital			
2.1. Types of share			
- ordinaries	110	8,948,440	915,228,482
	120		
	130		
	140		
	150		
2.2. Registered or bearer shares			
* Registered			
KBC Bank and Insurance Holding NV			915,228,481
KBC Insurance NV			1
TOTAL REGISTERED	160	xxxxxxxxxxxxxxxxx	915,228,482
* Bearer	170	xxxxxxxxxxxxxxxxx	

B. UNPAID CAPITAL

	Codes	unclaimed amounts	claimed, unpaid amounts
		05	10
Shareholders who still have to pay	210		
	220		
TOTAL	299		

	Codes	total amount of the capital in possession	corresponding number of shares
C. OWN SHARES held by:		05	10
- the credit institution	310		
- the credit institution 's subsidiaries	320		
D. Commitments to issue shares			
1. In consequence of the exercise of conversion rights:			
. Amount of current convertible loans	410		
. Amount of capital to be issued	420		
. Maximum number of shares for issue	430		
2. In consequence of the exercise of subscription rights			
. Number of outstanding subscription rights	440		
. Amount of capital to be issued	450		
. Maximum number of shares for issue	460		
E. AUTHORIZED CAPITAL UNISSUED	510	750,000	

	Codes	number of shares	voting right
F. SHARES OUT OF THE CAPITAL of whom:		05	10
- shares held by the credit institution itself	610		
- sharers held by the credit institutions' daughters	620		

XIX. ANALYSIS OF THE BALANCE ACCORDING TO EUROS AND FOREIGN CURRENCY

(in thousands of EUR)

		In EUR	In foreign currency (Euro equivalent)
	Codes	05	10
TOTAL ASSETS	010	158,575,711	41,793,852
TOTAL LIABILITIES	020	151,645,665	48,723,898

XX. FIDUCIARY TRANSACTIONS IN ACCORDANCE WITH ARTICLE 27TER §1, PARAGRAPH 3

Assets and liabilities headings involved		Period
	Codes	05
	110	
	120	
	130	
	140	
	150	
	160	
	170	
	180	
	190	
	200	
	210	
	220	
	230	

XXI. STATEMENT OF GUARANTEED DEBTS AND COMMITMENTS

(in thousands of EUR)

(1) Amount of subscription or carrying value of the mortgaged buildings, when these are lower
(2) Amount of subscription
(3) Book value of the premised assets
(4) Amount of the concerned assets

Collateral security constituted or irrevocably committed by the instituion on its own assets :

	Codes	Mortgages (1)	Pledges on the Trade Fund (2)	Pledges on other assets (3)	Securities on future assets (4)
		05	10	15	20
a) as guarantee for debts and commitments of the credit institution					
1. Liabilities headings					
Mobilisations	010			15,006,217	
Fixed pledge in respect of European Investment Bank credit facility	020			362,163	
Asset pledge requirement KBC New York	030			29,672	
Pledge Federal Reserve Bank of New York	040			5,233,089	
Other	050			23,112	
2. Off-balance-sheet headings					
Margins in respect of options and futures	110			4,488,256	
	120				
	130				
	140				
	150				
b) as guarantee for debts and commitments of third parties					
1. Liabilities headings					
Other	210				
	220				
	230				
	240				
	250				
2. Off-balance-sheet headings					
	310				
	320				
	330				
	340				
	350				

XXII. STATEMENT OF CONTINGENT LIABILITIES AND OF COMMITMENTS CARRYING A POTENTIAL CREDIT RISK

(Off-balance-sheet headings I. and II.)

(in thousands of EUR)

	Codes	Period 05	Preceding Period 010
. Total of contingent liabilities for affiliated companies	010	37,682,649	43,512,499
. Total of contingent liabilities for companies linked by participating interests	020	84,292	132,709
. Total of commitments in respect of associated companies	030	7,115	14,730
. Total of commitments in respect of companies linked by participating interests	040		

XXIII. DETAILS CONCERNING THE OPERATING RESULTS

(Profit and loss account headings I. to XV.)

	Codes	Period 05	Preceding Period 10
A.1. Employees in the personnel register			
a) Number of employees at the end of the period	100	10,817	11,658
b) Average number of employees calculated in full-time equivalents	101	9,924	10,543
c) Number of hours worked	102	13,893,865	14,741,635
A.1.Bis. Temporary personnel and persons placed at the disposal of the enterprise			
a) Number of employees registered at the end of the period	110		
b) Average number of employees calculated in full-time equivalents	111		12
c) Number of hours worked	112	22	22,288
d) Charges to the enterprise	113		826
2. Staff charges			
a) Remuneration and direct social benefits	210	522,438	644,936
b) Employer social security contributions	220	152,714	155,544
c) Employer premiums for extra-legal insurance	230	40,838	60,845
d) Other	240	29,228	30,299
e) Pensions	250	3,344	3,118
3. Provisions for pensions			
a) additions (+)	310	48,550	24,224
b) expenditure and write-backs (-)	320	(33,261)	(21,040)
B. 1. Other operating income			
Breakdown of heading XIV of the profit and loss account if there is a substantial amount under this heading			
	410		
	420		
	430		
2. Other operating charges (Profit and loss account heading XV.)			
. Taxation	510	38,366	45,196
. Other operating charges	520	22,687	2,805
Breakdown of heading XV if there is a substantial amount under this heading			
	610		
	620		
	630		
C. Operating results in respect of associated companies			
. Income	710	4,606,244	7,494,122
. Charges	720	4,393,559	4,901,667

XXIII. DETAILS CONCERNING THE OPERATING RESULTS (continued)

D. Analysis of operating income according to source

(in thousands of EUR)

		Period		Previous period	
		Belgian branches	Foreign branches	Belgian branches	Foreign branches
	Codes	05	10	15	20
I. Interest receivable and similar income	010	4,679,951	889,267	7,704,937	2,389,129
III. Income from variable-yield securities					
. shares and other variable-yield securities	110	14,135	18	12,909	27
. participating interests in associated companies	120	426,593		1,209,554	
. participating interests in companies linked by participating interests	130	6,667		16,290	
. Other shares constituting financial fixed assets	140	3,849		8,226	1
IV. Commission receivable	210	895,318	75,362	677,912	94,348
VI. Profit on financial transactions					
. on the trading of securities and other financial instruments	310	(692,022)	36,522	15,661	(28,487)
. on the disposal of investment securities	320	(160,009)	(5,306)	(11,882)	(9,734)
XIV. Other operating income	410	649,694	4,658	131,739	5,655

Remarks :

1) The attachment to the standard form must include a an analysis by category of activities and by geographical market if there are substantial differences between these markets as regards the organization of sales of products and services that are part of the credit institution's ordinary activities

2) Headings III.B. and C. of the profit and loss account must include in the attachment to the standard form a geographical distinction by refering to the place where the head office of the enterprise is situated

Geographical analysis of Profit and loss account sub-headings III.B.,C. and D.

III. Income from variable-yield securities

	B.Participating interests in affiliated enterprises	C. Participating interests in other enterprises linked by participating interests	D. Other financial fixed assets	TOTAL
Belgium	330,405	5,769	2,375	338,549
Germany	14,294			14,294
Egypt			28	28
France				
Great-Britain			727	727
Hungary	25,548			25,548
Ireland				
Luxemburg				
Netherlands	23,867		241	24,108
Panama			15	15
Poland				
Portugal			463	463
Singapore		898		898
Slovakia	6,238			6,238
Taiwan				
Czechie	26,241			26,241
Total	426,593	6,667	3,849	437,109

XXIV. STATEMENT OF FORWARD OFF-BALANCE-SHEET TRANSACTIONS ON SECURITIES, FOREIGN CURRENCIES AND OTHER FINANCIAL INSTRUMENTS NOT INVOLVING COMMITMENTS CARRYING A POTENTIAL CREDIT RISK IN THE SENSE OF OFF-BALANCE-SHEET HEADING II.

(in thousands of EUR)

TYPE OF TRANSACTION	Codes	AMOUNT AT CLOSURE DATE OF THE ACCOUNTS	OF WHICH TRANSACTIONS NOT INTENDED AS HEDGES
		05	010
1. On securities			
- Forward purchases and sales of securities	010	7,335	7,335
2. On foreign currency (a)			
- forward exchange operations	110	81,858,148	81,857,467
- currency and interest rate swaps	120	80,202,536	80,126,596
- currency futures	130	250	250
- currency options	140	16,018,008	16,018,008
- foreign exchange contracts	150		
3. On other financial instruments			
1. Forward interest-rate operations (b)			
- interest rate swap agreements	210	537,330,426	536,824,019
- interest rate futures	220	18,694,056	18,694,056
- forward rate agreements	230	6,281,863	6,281,863
- interest rate options	240	99,093,427	99,093,427
2. Other forward purchases or sales (c)			
- other option transactions	310	9,999,117	9,999,117
- other future transactions	320		
- other forward purchases and sales	330	17,059	

CALCULATION IN THE NOTES OF THE ACCOUNTS OF THE EFFECT ON RESULTS OF THE DEROGATION FROM THE VALUATION RULE OF ART.36BIS,§2,WITH REGARD TO FORWARD INTEREST-RATE OPERATIONS

Categories of forward interest-rate operations	Codes	Amounts as at year end of the accounts	Difference between market value and carrying value
		05	010
a) within the framework of cash management	410	13,220,043	(27,917)
b) within the framework of ALM	420	21,278,640	(1,228,032)

a) Amounts to be deliverd
b) Nominal/Notional reference amount
c) Purchase/Sale price agreed between the parties
d) + positive difference between market value and carrying value
 - negative difference between market value and carrying value

XXV. EXTRAORDINARY RESULTS

	Codes	Period 05
A. . Gains on the transfer of fixed assets to associated companies	010	
. Losses on the transfer of fixed assets to associated companies	020	

B.

	Codes	Period 05
Other extraordinary income (subheading XVII.E. of the profit and loss account): Breakdown, if there is a substantial amount under this heading		
	110	
	120	
	130	
	140	
	150	
Other extraordinary charges (subheading XVIII.E. of the profit and loss account) : Breakdown, if there is a substantial amount under this heading		
	210	
	220	
	230	
	240	
	250	

XXVI. INCOME TAXES

	Codes	Period 05
A. Breakdown of Profit and loss account sub-heading XX.A.		
1. Income taxes for the financial year		
a. Taxes and advance levies due or paid	310	8,074
b. Capitalized excess tax and advance levies paid	320	(13,100)
c. Estimated additional charges for income taxes (recorded under Liabilities heading IV.)	330	26,606
2. Income taxes for previous financial years		
a. Additional taxes due or paid	410	5,365
b. Estimated additional taxes (recorded under Liabilities heading IV.) or additional tax for which a provision has been formed (recorded under Liabilities sub-heading VI.A.2.)	420	896

B. MAIN DIFFERENCES BETWEEN PROFIT BEFORE TAX AS SHOWN IN THE ANNUAL ACCOUNTS AND ESTIMATED TAXABLE PROFIT

With separate mention of the differences stemming from the lapse of time between the moment the accounting profit is determined and the moment the taxable profit is determined (insofar as the profit for the period was materially affected by taxes)

The difference between profit before tax and estimated taxable profit stems from	Codes	Period 05
- movements in taxable reserves and provisions	510	2,930,846
- the specific tax treatment accorded to gains and losses on shares	520	868,462
- the application of the FII (Franked Investment Income) system to dividends received	530	(414,570)
- disallowed expenditure (other than depreciation charges, impairment losses on shares and company tax)	540	35,751
	550	

XXVI. INCOME TAXES **(continued)**

C. EFFECT OF EXTRAORDINARY RESULTS ON THE AMOUNT OF INCOME TAX FOR THE FINANCIAL YEAR

	Period
Codes	05
010	(100,648)
020	974,028
030	(1,797)

D. SOURCES OF DEFERRED TAX BALANCES
(when this information is important to get an overall view of the financial position of the credit institution)

		Period
	Codes	05
1. Deferred tax debit		
. Taxed provisions and write-downs	110	103,747
. Exaggerated depreciations	120	737
	130	
	140	
	150	
2. Deferred tax credit		
. Revaluation resources to be taxed	210	9,124
	220	
	230	
	240	
	250	

XXVII. OTHER TAXES AND TAXATION FOR ACCOUNT OF THIRD PARTIES

		Period	Previous period
	Codes	05	10
A. Value-added tax, turnover tax and special taxes charged during the financial year			
1. To the enterprise (deductible)	310	8,413	15,862
2. By the enterprise	320	27,589	27,972
B. Amounts withheld for account of third parties for:			
1. Payroll withholding taxes	410	158,907	165,475
2. Withholding taxes on investment income	420	162,541	208,647

XXVIII. RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET THAT ARE NOT REFERRED TO IN THE SECTION ABOVE OR UNDER OFF-BALANCE-SHEET HEADINGS

	Codes	Period 05
A. Material commitments to purchase fixed assets		
	010	
	020	
	030	
	040	
Material commitments to sell fixed assets		
	110	
	120	
	130	
	140	
B. Material disputes (*) and other important commitments (**) :		
	210	
	220	
	230	
	240	
C. In the event, a brief description of the supplementary retirement or survivor's pensions for staff or senior management, with an indication of the measures designed to cover the attendant costs	310	
(***).	320	
	330	
	340	
Pensions paid for by the credit institution itself		
. Estimated amount of the commitments for the credit institution stemming from work already performed	410	
. Basic amount and how it was calculated	420	

(*)
The most significant, pending legal disputes are commented on below. Claims filed against KBC Bank and its companies are treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. whether it is probable there will be an outflow of resources (‘probable’); or whether there may, but probably will not, be an outflow of resources (‘possible’); or whether the likelihood of an outflow of resources is remote (‘remotely probable’))

Provisions are set aside for ‘probable outflow’ cases (see ‘Notes on the accounting policies’).
No provisions are constituted for ‘possible outflow’ cases, but information is provided in the annual accounts if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 25 million euros).
All other claims (‘remotely probable outflow’), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. Nonetheless, for reasons of transparency, KBC has also provided information on the current status of the most important cases in this category.

These cases are as follows :
the information provided is limited in order not to prejudice the position of the group in ongoing litigation

Probable outflow
In March 2000, Rebeo NV and Trustimmo NV, two subsidiaries of Almafin NV (itself a former subsidiary of Gevaert, but now owned by KBC Bank), together with four former directors of Broeckdal Vastgoedmaatschappij NV (a real estate company) were summoned by the Belgian Ministry of Finance to appear before the civil court in Brussels regarding non-payment of 16.7 million euros in taxes owed by Broeckdal. In November 1995, Broeckdal had been converted into a cash company and sold to Mubavi België NV, a subsidiary of Mubavi Nederland NV (a Dutch real estate investment group, declared bankrupt in 2005), in a transaction that was completely legitimate at the time. According to the Belgian Ministry of Finance, Mubavi België never actually made any investments and failed to file any proper tax returns. However, Broeckdal Vastgoedmaatschappij NV contested this claim and in December 2002 initiated court proceedings against the Belgian Ministry of Finance before the civil court in Antwerp.
The civil case pending before the Brussels court has been suspended until final judgment has been passed in the tax-related proceedings pending before the Antwerp court.
A provision of 25.8 million euros has been set aside to cover potential damages.
In 2008, the EUR 25 million threshold for provisions was not exceeded.

Possible outflow

In 2002, a 100-million-euro claim was filed against KBC Bank by the shareholders of a holding company that had wholly owned NV Transport Coulier, a major transport firm in the petrochemical sector declared bankrupt in 1992. According to the claimants, the bank made various errors that led to the bankruptcy of the firm. On 14 October 2005, the court issued a decision, declaring the claims inadmissible. This decision was appealed on 30 June 2006, but no ruling can be expected before the first quarter of 2010.

Remotely probable outflow

In the criminal proceedings that began on 3 April 2009 against eleven current and former directors and staff members of KBC Bank and Kredietbank SA Luxembourgeoise (KBL) accused of co-operation in tax evasion committed by customers of KBC Bank and KBL, *the Brussels criminal court ruled on 8 December 2009 that the criminal proceedings were inadmissible*. The Court judged that, given the extraordinary and doubtful circumstances in which the documents submitted by the public prosecutor came into the hands of the judicial authorities, they could not be used as evidence in legal proceedings. Following a close investigation into the way in which the disputed documents were incorporated into the proceedings, the court ruled that the criminal investigation had not been carried out in a fair and impartial manner, and gave very detailed reasons for this. The public prosecutor filed an appeal on 10 December 2009.

ČSOB (and KBC Bank in one case) is involved in a number of court cases relating to the *Agreement on Sale of Enterprise*, concluded on 19 June 2000 between Investiční a Poštovní banka (IPB) and ČSOB and to the guarantees provided in this respect by the Czech Republic and the Czech National Bank. In one of these cases, ČSOB initiated arbitration proceedings in respect of the above guarantees at the International Chamber of Commerce on 13 June 2007 against the Czech Republic concerning payment of the equivalent of 62 million euros plus interest. The Czech government has filed a counterclaim, provisionally estimated at the equivalent of 1 billion euros plus interest. Having examined the matter, internationally renowned law firms have, in formal legal opinions, come to the conclusion that the counterclaim is unfounded. A ruling is expected in the second half of 2010.

(**)

The credit institution irrevocably guarantees all the commitments of the Irish companies named below as at 31 December 2008; these companies may accordingly be exempted from certain publication requirements under section 17 of the Irish Companies Amendment Act 1986.

KBC Bank Ireland Plc
KBC Asset Management International Limited
KBC Asset Management Limited
KBC Financial Services (Ireland) Limited
KBC Fund Managers Limited
Eperon Asset Management Ltd

The credit institution irrevocably guarantees all the commitments of the companies named below as at 31 December 2008; these companies are be exempted from publication on consolidated basis.

KBC Asset Management NV
KBC Securities NV
Antwerpse Diamantbank NV

(***)

A system of extra pension provision exists for all members of staff, including old-age pensions, death benefits, pensions for the surviving partner and orphan's pensions The amount of these provisions depends on the final average salary, the number of years in service and the age of the person when he/she takes retirement, this within the scope of a 'defined benefits' scheme

These pension provisions are financed entirely by the employer by means of yearly sums charged against profit. These sums, calculated on actuarial basis according to the the 'aggregate cost' method, are transferred to KBC's Pensioenfonds OFP and and KBC's Pensioenfonds Directie OFP, which is responsible for the supervision of the provisions that are set aside the payment of the extra pensions and the relevant administration

The directors on the Executive Committee are also entitled to extra pension provisions, based on similar principles. A group assurance policy has been taken out for this purpose.

There is also a supplementary pension plan (capitalization system) based exclusively on personal contributions by staff made through the deduction of sums from pay. The credit institution guarantees the capitalization of the contributions made at an interest rate of 4.75% a year for the period through 30 June 1999 and at an interest rate of 3.75% from 1 july 1999,which is effective on disbursement.
The management of the provisions set aside for this purpose, the payment of pensions and the relevant administration are entrusted to the OFP pensioenfonds KBC and OFP Pensioenfonds Directie KBC.

XXIX. FINANCIAL RELATIONSHIPS

A. WITH DIRECTORS AND PARTNERS
B. WITH NATURAL OR LEGAL PERSONS WHO CONTROL THE COMPANY DIRECTLY OR INDIRECTLY, AND ARE NOT ASSOCIATED COMPANIES
C. WITH OTHER COMPANIES THAT DIRECTLY OR INDIRECTLY CONTROL THE PERSONS REFERRED TO UNDER B.

			Period
		Codes	05
A.	1. Amounts receivable from the above-mentioned persons	510	2,709
	2. Liabilities incurred in their favour	520	
	3. Other significant commitments entered into in their favour	530	
	Most important conditions in relation to A1, A2 en A3.		
B.	1.The amount of direct and indirect remuneration and of pensions charged to the profit and loss account, on the understanding that this does not relate exclusively or primarily to the situation of a single identifiable person:		
	- to the directors and managers	610	1,889
	- to former directors and managers	620	4,215
D.	Note regarding assignments carried out by the auditor and work performed by companies with which the auditor has entered into professional co-operation arrangements. Pursuant to Article 134 of the Companies Code, shown below is: The total of the fees paid by KBC Bank NV to Ernst&Young and to the companies with which it has entered into a professional co-operation arrangement :		
	- Fees paid for the statutory audit assignment	810	2,923
	- Fees paid for other certifications	820	207
	- Fees paid for tax advice:	830	35
	- Fees paid for other non-audit services	840	

E. Transactions with related parties

Related party transactions are at arm's lenght.

SOCIAL REPORT

Numbers of joint industrial committees which are competent for the enterprise	310		

I. STATEMENT REGARDING THE COMPANY'S WORKFORCE

A. EMPLOYEES IN THE PERSONNEL REGISTER

1. During the present and the preceding financial period	Codes	**1. Full-time** *period*	**2. Part-time** *period*	**3. Total (T) or total in full-time equivalents (FTE)** *period*		**4. Total (T) or total in full-time equivalents (FTE)** *period*	
Average number of employees	100	6,679	3,606	9,168	(FTE)	9,763	(FTE)
Number of actual hours worked	101	9,439,043	3,006,306	12,445,349	(T)	13,399,061	(T)
Staff charges (in thousands of EUR)	102	503,451	160,347	663,798	(T)	790,903	(T)
Benefits in addition to wages (in thousands of EUR)	103	11,951	3,806	15,757	(T)	14,106	(T)

2. As at the closing date of the financial period	Codes	**1. Full-time**	**2. Part-time**	**3. Total in full-time equivalents**
a. Number of employees recorded in the personnel register	105	6,440	3,631	8,947.7
b. By nature of the employment contract				
Contract of unlimited duration	110	6,440	3,631	8,947.7
Contract of limited duration	111			
Contract for specific work	112			
Substitute's contract	113			
c. By sex and level of education				
Men :	120	4,159	846	4,703.9
Primary education	1200			
Secondary education	1201	866	456	1,146.1
Higher, non-university education	1202	2,320	316	2,535.6
University education	1203	973	74	1,022.2
Women	121	2,281	2,785	4,243.8
Primary education	1210			
Secondary education	1211	398	1,014	1,053.4
Higher, non-university education	1212	1,347	1,402	2,371.4
University education	1213	536	369	819.0
d. By professional category				
Senior management	130	75	1	75.8
Employees	134	6,365	3,630	8,871.9
Workers	132			
Other	133			

B. TEMPORARY PERSONNEL AND PERSONS PLACED AT THE DISPOSAL OF THE ENTERPRISE

During the financial period	Codes	**1. Temporary personnel**	**2.Persons placed at the disposal of the enterprise**
Average number of personnel employed	150		
Number of hours worked	151	22	
Charges to the enterprise (in thousands of EUR)	152	340	

(*) Numbers and figures in the social report are exclusive foreign offices.

II. CHANGES IN THE WORKFORCE DURING THE FINANCIAL PERIOD

A. NEW EMPLOYEES	Codes	**1. Full-time**	**2. Part-time**	**3. Total in full-time equivalents**
a. Number of new employees entered in the personnel register during the financial period	205	94	11	102.4
b. By nature of the employment contract				
Contract of unlimited duration	210	93	11	101.4
Contract of limited duration	211	1		1.0
Contract for specific work	212			
Substitute's contract	213			

B. Employees leaving the company	Codes	**1. Full-time**	**2. Part-time**	**3. Total in full-time equivalents**
a. Number of employees whose contract termination date as entered in the personnel register was in the financial period	305	680	218	836.6
b. By nature of the employment contract				
Contract of unlimited duration	310	679	218	835.6
Contract of limited duration	311	1		1.0
Contract for specific work	312			
Substitute's contract	313			
c. By reason for contract termination				
Pension	340	255	36	281.9
Early retirement	341			
Dismissal	342	33	9	39.4
Other reason	343	392	173	515.3
Of which: number of former employees who continued rendering services to the enterprise at least on a part-time basis as self-employed persons	350	1		1.0

III. STATEMENT CONCERNING THE IMPLEMENTATION OF MEASURES STIMULATING EMPLOYMENT DURING THE FINANCIAL PERIOD

Total in respect of formal continuous professional training initiatives for employees charged to the employer	Codes	Men	Codes	Women
1. Number of employees	5801	2,841	5811	2,746
2. Number of training hours	5802	74,781	5812	85,656
3. Charges to company (in thousands of EUR)	5803	7,518	5813	7,267
– gross costs directly related to the training course	58031	7,330	58131	7,084
– contributions and payments made to group funds	58032	189	58132	182
– subsidies received (deducted)	58033		58133	

Total in respect of less formal and informal continuous professional training initiatives for employees charged to the employer	Codes	Men	Codes	Women
1. Number of employees	5821	1,979	5831	2,098
2. Number of training hours	5822	32,937	5832	49,813
3. Charges to company (in thousands of EUR)	5823	2,555	5833	2,709

Total in respect of initial professional training initiatives charged to the employer	Codes	Men	Codes	Women
1. Number of employees	5841		5851	
2. Number of training hours	5842		5852	
3. Charges to company (in thousands of EUR)	5843		5853	

Valuation Rules - KBC Bank NV

1. General

The accounting principles and valuation rules conform to Belgian accounting legislation and the provisions of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The annual accounts are made up as at 31 December after profit appropriation.

2. Valuation rules

CURRENCY TRANSLATION

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. Negative and positive valuation differences, except for those relating to the financing of shares and investments in foreign currency and to dotation capital for foreign branches, are recorded in the profit and loss account.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.
For transactions that entailed funding (lending), the rate of the day is used if there is no exchange rate.

Income and charges denominated in foreign currency are stated in the profit and loss account at the rate prevailing when they were recognised. Foreign-currency income and expenditure which is hedged in advance is recorded in euros on the basis of the fixed rate.

Translation of the financial statements of foreign branches outside the euro zone:
balance sheet items are translated at the closing exchange rate prevailing at year-end, profit and loss account items are translated based on average rates. For this purpose, each month’s profit or loss is translated into euros at the rate prevailing at the end of that month.

The translation difference at balance sheet date, resulting from translating the profit and loss account on the basis of average rates, is taken to the profit and loss account as profit on financial transactions.

AMOUNTS RECEIVABLE

Interest collected in advance and similar income (including such additional compensation as fees for foreign loans) for the entire loan period cannot be taken to the profit and loss account immediately, and is therefore posted to an accruals and deferrals heading. At month-end, the amount earned is written to the profit and loss account.
Origination and processing fees charged are taken to profit and loss immediately on the inception of the loans and advances concerned, credit insurance premiums are taken to the profit and loss account annually when paid.
Commissions due (payable in advance) for bank guarantees given are recorded in the profit and loss account immediately. The commissions awarded by KBC Bank for credit broking are charged to the profit and loss account when the credit is disbursed.

Amounts receivable arising from advances and cash deposits are recorded in the balance sheet in the amount made available. The difference between the amount made available and the nominal value (discount) is recognised on an accruals basis according to the straight-line method as interest receivable via the accruals and deferrals accounts.

Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by customers. Interest received but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings.

The other amounts receivable are recognised in the balance sheet at nominal value.

Loans and advances that are transferred through securitisation operations where the transfer qualifies as a sale under CBFA guidelines no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the amount is required to be recorded in the contingent accounts. Until the securitisation operation comes to an end, the entry in the contingent accounts is required to be adjusted at the end of each month to reflect customers' loan repayments. Any gains realised on the sale of securitised assets are taken to the profit and loss account immediately at the time of the sale.
If the sales price is made up entirely or in part of a variable element dependent on the buyer's operating profit, this element will only be taken to the profit and loss account when the operating profit is known and this element is therefore fixed.

In synthetic securitisation operations, the (credit) risk in respect of the underlying (loan) portfolio is all that is transferred to a third party, and this by means of a credit default swap, for example, and not through the effective transfer/sale of the (loan) receivables. In other words, the loans remain on the balance sheet. Transactions used to hedge the bank's own loan receivables are booked as guarantees given or received. Transactions relating to the trading book are recorded as interest rate swaps. Both types of transaction are marked to market and taken to profit and loss, unless carried out on an illiquid market (in this case, positive valuation differences are posted to an accruals and deferrals heading, and negative valuation differences to the profit and loss account).

For loans with an uncertain outcome, general provisions are set aside, specific write-downs are charged and provisions are created for loans that are linked economically. All interest and various other receivables which have remained unpaid for three months after having become payable will not be recognised in the profit and loss account.
Non-specific write-downs are calculated for domestic loans with an uncertain outcome on the basis of the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the 'uncertain outcome' portfolio that might become 'doubtful') and the loss percentage. The percentages are arrived at on the basis of their moving average over the latest twelve months.
IBNR losses are recognised to take account of incurred but not yet reported losses on normal loans.

For loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely to ensue on the outstanding loans. Interest due and charges are written to reserves.
Loans are classified as irrecoverable and doubtful if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.

The amount of any security is equal to the principal amount registered. Personal security is recorded in the accounts in the amount that can be obtained if execution is levied. Whenever the borrower makes a payment, the current amount of security has to be adjusted. If insufficient security is provided for a loan, a risk premium in the form of a higher rate of interest will be charged. The income this generates will be posted to 'Net interest income' on an accruals basis.

For country risks, provisions are established that meet the relevant provisioning requirements imposed by the CBFA. In addition, the bank sets aside additional funds, which it considers necessary for the management of country risks. These are risks in respect of countries or groups of countries whose economic, financial, legal or political situation warrants the setting aside of provisions on prudential grounds.

Amounts provisioned for country risks are broken down by type of counterparty (credit institution or non-credit institution) and recorded as an adjusting entry under the 'Loans and advances to credit institutions' or 'Loans and advances to customers' heading, as appropriate.

Deferred taxes are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base, except for deferred tax assets on tax losses or notional interest deductions carried forward, which are not recognised due to the principle of prudence. Deferred taxes to be recognised are measured using the tax rates in effect on realisation of the assets or settlement of the liabilities to which they relate

SECURITIES

Securities are recognised at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged directly to the result.

- *Investment portfolio*

Fixed-income investment securities are recorded at acquisition cost, less or plus the matured portion of the premium or discount. The difference between the acquisition cost and the redemption value is reflected as an interest item in the profit and loss account on an accruals basis over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, based on the internal rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

If redemption of a security is uncertain or doubtful, a write-down is recorded according to the principles that apply for the valuation of amounts receivable.
If securities are sold, their carrying value is determined on a case-by-case basis. Gains or losses are posted directly to the profit and loss account.

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year, based on the annual accounts for the previous year. File administrators are responsible for ensuring that any significant negative developments during the course of the year are also dealt with.

No value impairments are posted for shares hedged against a decline in price by means of an option.

- *Trading portfolio*

Securities belonging to the trading portfolio are marked to market. The valuation differences this generates are recorded in the profit and loss account under heading VI: ‘Profit (Loss) on financial transactions’.

FINANCIAL FIXED ASSETS

Included in KBC Bank’s holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.
If there are no lasting ties and the shares are acquired for resale, then this investment will not be considered a financial fixed asset, but rather as part of the investment portfolio, regardless of the size of the shareholding and the influence that could be exerted on the management of the company in question through this shareholding.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition cost. Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.
Participating interests, shares and share certificates classified as financial fixed assets may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to associated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

All formation expenses referred to in the Royal Decree on the annual accounts of credit institutions are charged directly to the profit and loss account for the financial year as administrative expenses.

Capitalised goodwill is depreciated according to the straight-line method over a period of five years, unless the Board of Directors decides otherwise.

Software developed in-house is charged immediately to the profit and loss account. Systems software is depreciated at the same rate as hardware, being written off according to the straight-line method over a period of three years. Standard software and software customised or developed by third parties or tailor-made software, as well as its implementation, is capitalised and written off according to the straight-line method over its useful economic life. Since 2000, software developed for KBC head office has been capitalised for KBC Exploitatie NV.

At KBC Bank, intangible fixed assets recorded are capitalised at acquisition cost including ancillary costs, and are written off on an accruals basis during the first year of investment.

TANGIBLE FIXED ASSETS

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT, etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis during the first year of investment. The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

When tangible fixed assets are sold, realised gains or losses are taken immediately to the profit and loss account. If these assets are destroyed, the remaining amount to be written off is charged directly to the result.

Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is written off over the average residual useful life of the assets in question.

CREDITORS

Amounts owed as a result of advances or cash deposits received are recorded in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected as interest on an accruals basis in the profit and loss account.

PROVISIONS FOR LIABILITIES & CHARGES

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

- Pensions
Concerned here are commitments with regard to retirement and survivor's pensions, benefits paid out on early retirement and other similar pensions or allowances (related mainly to employees' leaving employment early and end-of-career schemes).

- Taxation
This provision covers the commitments that may arise from a change in the tax base or in the calculation of tax. It is set aside in anticipation of additional tax charges (not yet assessed) for past financial years, for the amount that is disputed.

- Other liabilities and charges

This is a residual heading in respect of the provisions referred to above and includes provisions for legal disputes, commitment credit and indirect taxes.

FINANCIAL INSTRUMENTS

- Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealised profit or loss on revaluation is recognised at least at the end of every month. This revaluation takes into account any interest flows that have already been recognised on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognised immediately. Where illiquid currencies or securities are concerned, no profit on revaluation is recognised.

The existing strategic positions the dealing room takes for its own account via derivatives with a view to generating a profit on the long term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest rate positions.

For non-trading activities, where interest rate instruments are concerned, the gains or losses realised are only recognised on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., share option premiums) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest rate products denominated in a foreign currency (macro-hedging) are also valued according to the ‘lower of cost and market’ principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR ALM interest rate management purposes is recognised solely on an accruals basis.

Option premiums that are paid in advance are only taken to the profit and loss account on the due date or on liquidation, with the exception of option premiums for caps, floors and collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the ‘Other assets’ or ‘Other liabilities’ items. Option premiums relating to trading activities are revalued at least at the end of every month.

- Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term only starts at that time for certain interest rate products (e.g., FRAs).

Trading transactions are marked to market, and the mark-to-market value is recognised in the trading results. Non-trading transactions are included in interest income on an accruals basis, which is the case for interest payable and interest receivable relating to interest rate swaps and foreign currency interest rate swaps. The swap difference arising on FX swaps (and FX outrights) is also released to the results on an accruals basis. The results from interest rate futures and FRAs are included in the profit and loss account spread over the term of the underlying hedged item. Equity swaps are treated in the same way as interest rate swaps. In practice, equity swaps (just like options) are only recorded in the trading book and consequently marked to market. KBC Bank makes use of the derogation allowed by the CBFA to Article 36 bis of the Royal Decree on the annual accounts of credit institutions. This derogation makes it possible to take interest rate derivatives that do not meet the hedging criteria to the profit and loss account on an accruals basis (interest rate derivatives classified as ALM or treasury management instruments).

- Hedging criteria for forward interest rate transactions:

The general criteria are set out in Article 36bis of the Royal Decree on the annual accounts of credit institutions of 23 September 1992:

the hedged item or the combination of comparable hedged items must expose the credit institution to a risk of interest rate fluctuation;

the transaction must be recorded in the books as a hedge from its inception;
there must be a close correlation between fluctuations in the value of the hedged item and fluctuations in the value of the hedge; in the case of hedging options, there must be a correlation between fluctuations in the value of the hedged item and fluctuations in the value of the underlying financial instrument.

In addition, specific company criteria apply. All these criteria must be met: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered trading transactions once the underlying position to be hedged no longer exists.

Future interest rate positions can be hedged if it is reasonably certain that the position will actually materialise. Moreover, the amount, term and interest rate conditions must be sufficiently certain.

- Calculation of unrealised profit/loss on revaluation

Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the accounting records. Only for calculating capital adequacy requirements relative to market risks is the market risk calculated on a net basis per counterparty.

For forward interest rate and similar products (namely forward foreign exchange products), valuation occurs on the basis of the net present value of future, determinable cash flows using a single yield curve per currency, which is used throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation. Options are valued according to the usual valuation models. For interest rate products, calculations are always based on the assumption of a liquid market, provided the underlying currencies are liquid.

If a credit granted to a counterparty is classified as ‘doubtful’ or ‘irrecoverable’, the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be recorded; for commitments, provisions will be set aside.

3. Changes in valuation rules

Deferred taxes are recognized for all temporary taxable differences between book value and tax value as described above.

Review of the company annual accounts of KBC Bank NV at 31 December 2009

The company annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

General

An important event in 2009 was the agreement that the KBC group concluded with the Belgian Federal Government regarding structured credit.

Against payment of a fee, the KBC group has purchased a State guarantee which covers 90% of the risk of default, after a first-loss tranche in which KBC bears any loss in full. This guarantee has significantly reduced the impact of any future value markdowns on CDO-related exposures.

The transaction is structured as follows for the KBC group:

- The first-loss tranche comes to 3.2 billion euros (notional amount; all credit losses will be borne by the KBC group, though without them having any impact on the income statement, as they have already been covered by valuation losses recorded in the past).
- 90% of all losses incurred in the second tranche of 2 billion euros will be reimbursed by the State through subscription to new KBC Group NV shares at market value (KBC retains a 10% risk).
- 90% of all further losses (up to 14.8 billion euros) will be compensated in cash by the State. The KBC group continues to bear 10% of the risk.

Of the 20 billion euros exposure at the KBC group, 16 billion euros is accounted for by the KBC Bank group (12 billion euros of which is covered by the state guarantee).

In 2009, KBC Bank NV recognised a total of -1.042 million euros (before taxes) upfront in respect of this fee.

Under the above agreement, the potential negative impact of these exposures on the future results and solvency levels will be largely eliminated. For the purpose of providing information as stipulated in Article 96 6° of the Belgian Companies Code and given the above, it can be confirmed that drawing up the financial statement using the valuation rules based on the assumption of continuity, is justified

Balance sheet

KBC Bank NV (x 1 000 EUR)	31-12-2009	31-12-2008	Difference
Assets	**200 369 563**	**210 016 401**	**-9 646 838**
Cash in hand and at central banks	4 690 485	1 306 922	3 383 563
Loans and advances to credit institutions	32 657 548	38 674 605	-6 017 057
Loans and advances to customers	83 613 739	94 013 018	-10 399 279
Bonds and other fixed-income securities	46 822 955	39 589 374	7 233 581
Shares and other variable-yield securities	525 687	619 507	-93 820
Financial fixed assets	15 345 703	15 821 175	-475 472
Formation expenses, tangible and intangible fixed assets	711 830	725 084	-13 254
Other assets	1 736 039	1 905 023	-168 984
Deferred charges and accrued income	14 265 577	17 361 693	-3 096 116
Liabilities	**200 369 563**	**210 016 401**	**-9 646 838**
Amounts owed to credit institutions	34 305 793	48 359 379	-14 053 586
Amounts owed to customers	111 581 619	113 990 244	-2 408 625
Debts represented by securities	12 925 686	5 039 370	7 886 316
Other liabilities	1 349 283	1 602 602	-253 319
Accrued charges and deferred income	17 301 192	19 890 563	-2 589 371
Provisions for liabilities and charges and deferred taxes	3 365 100	667 728	2 697 372
Subordinated liabilities	9 357 862	9 699 357	-341 495
Capital and reserves	10 183 028	10 767 158	-584 130

Total assets

Total assets fell by 9.6 billion euros to 200.4 billion euros. Efforts were made across the board in 2009 to reduce the balance sheet total in order to decrease risk-weighted assets and to limit the amount of capital required. Restructuring was also carried out to improve the company's liquidity.

On 31 December 2009, assets held abroad accounted for 53.37% of total assets (57.48% at year-end 2008). The foreign branches held around 18.17% of the bank's total assets, up 2% on the year-earlier figure.

Transactions with credit institutions

Loans and advances to credit institutions went down by 6 billion euros to 32.7 billion euros, while amounts owed to credit institutions fell by 14.1 billion euros to 34.3 billion euros, an even greater decline that enabled the net borrowing from credit institutions to be reduced (to 1.6 billion euros at year-end 2009 compared with 9.7 billion euros a year earlier).

Loans and advances to customers

Loans and advances to customers fell by 10.4 billion euros to 83.6 billion euros. The main reason for this decrease was the additional securitisation transaction involving home loans for 6.7 billion euros that was carried out through Loan Invest, KBC's securitisation vehicle. Another reason was the scaling down of activities at foreign branches (-4.0 billion euros) and the reduction in reverse repos (-2.9 billion euros). Disregarding these factors, lending (chiefly home loans and loans to subsidiaries) at KBC Belgium was up by 4.5 billion euros.

Bonds and other fixed-income securities

The total portfolio of fixed-income securities increased by 7.2 billion euros to 46.8 billion euros. Securities issued by public authorities represented 67.7% of the portfolio.

The investment portfolio went up by 10.4 billion euros to 38.6 billion euros, with 3.6 billion euros of this increase being accounted for by loans to (Belgian) public authorities. In addition, 5.3 billion euros' worth of notes was issued by Loan Invest as part of the securitisation transaction referred to above. An important point to note here is that these notes can be mobilised at the European Central Bank.

The trading book – made up mainly of government securities and securities issued by credit institutions – contracted by 3.2 billion euros to 8.2 billion euros.

Financial fixed assets

Financial fixed assets fell by 475 million euros to 15.3 billion euros, due to capital increases carried out at subsidiaries (+627 million euros: primarily at ČSOB Slovakia following the acquisition of the shareholding from ČSOB in the Czech Republic) and to impairment recorded on participating interests (1 billion euros).

Other asset items

The 'Shares and other variable-yield securities' item consists primarily of a trading book.

'Other assets' fell by 0.2 billion euros to 1.7 billion euros and comprises mainly the revaluation of the trading book of foreign currency options and interest rate options.

Accounted for chiefly by accrued interest and the revaluation of derivatives, the 'Deferred charges and accrued income' heading went down as a result of the decrease in the volume of assets and outstanding derivatives.

Amounts owed to customers and debts represented by securities

Total customer deposits grew by 5.5 billion euros, and amounted to 124.5 billion euros at year-end 2009. This came about as a result of, among other things, the shift private customers made from short-term deposits to savings accounts due to lower interest rates making short-term investments less interesting. In addition, there was a slight increase in savings accounts. Although there was a decline in relation to the corporate and market segments, this was offset by assets deposited by subsidiaries with KBC.

Provisions for liabilities and charges and deferred taxes

The provision for liabilities and charges rose by 2.7 billion euros to 3.4 billion euros, due primarily to the increase in the provision for losses incurred at subsidiaries following the financial crisis.

Subordinated liabilities

Total outstanding subordinated liabilities fell slightly to 9.4 billion euros and consisted of:
– non-convertible bonds: 6.2 billion euros;
– other subordinated term borrowings: 3.2 billion euros.

In 2009, two call options were exercised on perpetual loans of 300 million euros and 5 billion yen, respectively. A repurchase programme for hybrid loans was also implemented. This reduction was offset in part by new issues of mainly subordinated certificates and time deposit accounts through the branch network.

Capital and reserves

Capital and reserves fell by 584 million euros to 10 183 million euros, as a result primarily of a 3 250-million-euro capital increase and the inclusion of the 3 832-million-euro loss for the financial year.

Other liabilities items

Chiefly accounted for by liabilities relating to option premiums paid, taxation, remuneration and social security charges, 'Other liabilities' were down 0.3 billion euros on their year-earlier level.

'Accrued charges and deferred income', which comprises mainly interest payable and the revaluation of derivatives, fell on account of the decrease in the volume of liabilities and outstanding derivatives.

Off-balance-sheet headings

Contingent liabilities

Off-balance-sheet items carrying an actual credit risk fell by 7 billion euros, and came to 48.2 billion euros. This decrease was accounted for almost entirely by other guarantees and consisted mainly of the guarantees provided for the subsidiaries.

Liabilities carrying a potential credit risk

The undrawn margin on confirmed credit lines rose by 3.1 billion euros to 42 billion euros, owing chiefly to decreased utilisation of the credit lines.

Profit and loss account

KBC Bank NV (x 1 000 EUR)	31-12-2009	31-12-2008	Difference
Gross income from ordinary activities	1 976 123	3 160 998	-1 184 875
General administrative expenses	-1 347 703	-1 592 036	244 333
Write-downs and provisions	-3 748 745	-840 050	-2 908 695
Profit from ordinary activities	-3 120 325	728 912	-3 849 237
Extraordinary result	-883 834	-1 355 495	471 661
Taxes	172 335	18 238	154 097
Profit for the period available for appropriation	**-3 831 824**	**-608 345**	**-3 223 479**

The loss for the financial year came to 3 832 million euros. As in 2008, the result was severely impacted by factors related to the financial crisis.

(x 1 000 EUR)	31-12-2009	31-12-2008	Difference
Net interest income	1 594 247	1 398 648	195 599
Income from variable-yield securities	451 262	1 247 007	-795 745
Net commission income	751 429	549 785	201 644
Earnings on financial transactions	-820 815	-34 442	-786 373
Gross income from ordinary activities	**1 976 123**	**3 160 998**	**-1 184 875**

Gross income came to 1 976 million euros, down 37% on the year-earlier figure due mainly to lower dividend income from associated companies and to losses realised on specific financial instruments and bond portfolios (e.g. premium paid in relation to the cash guarantee agreement with the Belgian Government (EUR -1.042 mln)).

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The impact of those factors relating to the financial crisis was offset partly by improved net interest income (+196 million euros, better interest margins and higher volumes for all products except short-term deposits). Despite the difficult investment climate, commission income from securities transactions rose and the results for the dealing room were good.

’General administrative expenses’ (including ‘depreciation and amortisation on intangible and tangible fixed assets’, ‘Other operating charges’ and ‘Other operating income’) fell by 244 million euros (or 18.3%) to -1 348 million euros. This decrease was attributable primarily to the stringent control that KBC Bank maintained over all its cost components in 2009 (e.g., staff expenses by reducing the number of FTEs, operating costs, etc.).

Write-downs and provisions came to -3 749 million euros, accounted for chiefly by the increase in the provision for losses incurred at subsidiaries due to the financial crisis and write-downs on securities, including the CDO and ABS portfolios.

The increase in loan loss provisioning (111 million euros) was accounted for mainly by the international loan portfolio at the foreign branches. Loan loss provisions for Belgian retail customers and local businesses only edged up and remain at a low level.

As in 2008, the negative extraordinary result (-884 million euros) was consequent mainly on the amount written down on participating interests in associated companies (-1 012 million euros). The impact of the financial crisis on the value of the subsidiaries necessitated an additional write-down in 2009. It was offset to a degree (+128 million euros) by the realisation of net gains on participations sold and by the reversal of write-downs posted in 2008 on certain investments following the stock market recovery.

The positive contribution of taxes to the net result (+172 million euros) was due chiefly to one-off factors, such as the adjustment for taxes in the previous financial year as part of the new foreign tax credit scheme, which permits foreign tax credit surpluses to be carried forward if the financial result is negative. In addition, changes to the accounting rules meant that a deferred income tax credit was posted on taxed provisions and write-downs.