

REPORT ON THE FIRST QUARTER OF 2005

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SUMMARY TABLE

Key financial data 1Q 2005

Profitability	EUR m or %	Balance sheet and solvency	EUR bln or %	Credit portfolio (banking and KBL)	EUR bln or %
Net profit - Group share	717	Total assets, group	296	Total credit portfolio (granted)	159
Banking	470	Parent shareholders' equity, group	13	Non-performing ratio	2.7%
Insurance	122	Tier-1 ratio, banking & KBL	10%	Loan loss ratio (annualized)	-0.01%
Asset management (AM)	58	Solvency ratio, insurance	366%		
KBL European Private Bankers	53			Other information (end of 2004)	number
Gevaert	32			Bank branches in Belgium	968
Adjusted return on equity, group	24%			Bank branches in Central Europe	1 017
Cost/income ratio, banking & AM	51%	Assets under management	EUR bln	Insurance agencies in Belgium	594
Combined ratio, insurance	92%	Assets under management, group	151	Number of staff (FTEs, pro forma KBC Group)	50 430

Definition of ratios: see 'Glossary of ratios used'

NOTE REGARDING THE PRO FORMA REFERENCE FIGURES

Reference figures (for 2004) shown in this report are *pro forma* figures, based on a combined KBC-Almanij entity. Comparability, however, is not complete, as the reference figures have not been adjusted to take account of IAS32/39 and IFRS4.

MESSAGE FROM THE CEO

This quarterly report is an historic one for KBC. Not only is it the first report drawn up according to the International Financial Reporting Standards, it is also the first report issued by our new KBC Group.

Indeed, in order to streamline our group structure and enhance transparency and visibility, we have merged the 'old' KBC with its parent company Almanij, thus creating a larger group (market capitalization at 31 March 2005 was almost 24 billion euros), with an increased free float. The new KBC Group NV directly controls KBC Bank, KBC Insurance, KBC Asset Management, Kredietbank SA Luxembourgeoise (KBL) and Gevaert, allowing us to achieve complete unity of strategy, capital and management.

To our successful bancassurance model, we have added private banking expertise, which will allow us to offer a more complete wealth management service to our clients. Efficiency gains are, and will continue to be, achieved by realizing synergies in various domains within the new Group, such as in private banking (between KBL and KBC Bank's private banking network in Belgium), private equity (between Gevaert and KBC Investco) and real estate (between Gevaert and KBC Bank). Possibilities for co-operating in other areas such as asset management and market activities are also being explored.

Our new KBC Group is a major financial group in the euro zone. Geographically, the focus of the new Group remains on Belgium and Central Europe for retail bancassurance activities and corporate services, and on the whole of Europe for private banking activities. Central Europe, particularly the Czech Republic, Slovakia, Hungary, Poland and Slovenia, and the pan-European private banking network (more than 100 locations in eleven countries) are expected to be the long-term earnings drivers for our new Group.

The first quarter results of our new Group are very encouraging, to say the least. The net profit amounted to 717 million euros, up 91% on the results for the first quarter of last year (though we should add that this is

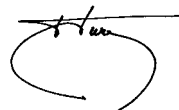
not fully comparable since the reference figures for 2004 exclude IAS32/39 and IFRS4 adjustments). This caused the return on shareholders' equity (ROE) to increase to an excellent 24%.

Even if we were to exclude some one-off elements from the first quarter results (related to a large recuperation on an unpaid Slovak loan and a capital gain on the sale of our participation in an Irish insurance company), the profit increase would still have been 55% and the ROE 19%.

Our banking activities contributed 470 m euros to net profit, the insurance activities accounted for 122 m euros and asset management for 58 m euros. The 'new' business segments, KBL European Private Bankers and Gevaert, contributed 53 m euros and 32 m euros, respectively.

Disregarding the major one-off elements, the fine result was generated, inter alia, on the back of revenue growth, especially as regards fee and commission income, low costs, good technical results in non-life insurance, a very good performance with respect to loan losses (even a small net retrieval of loan loss impairments) and limited impairments on the securities portfolios.

Notwithstanding the fact that, as already mentioned, the first quarter results contain some positive one-off elements, we remain confident regarding 2005 and expect the full year profit to amount to at least 1 825 m euros.



Willy Duron
President of the Executive Committee of KBC Group

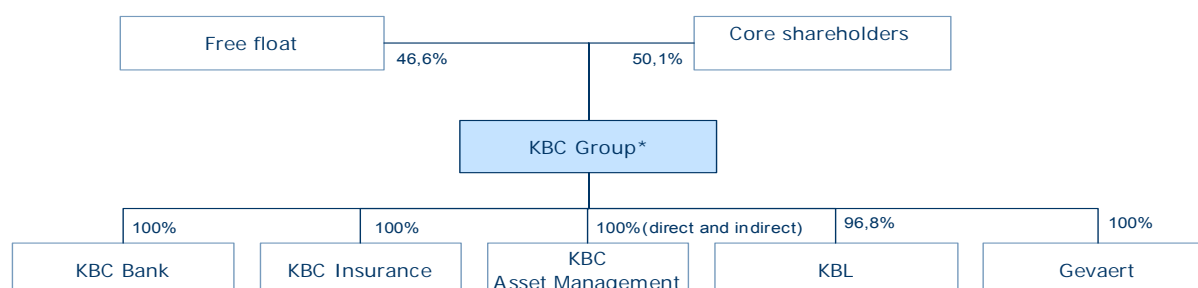
MERGER MILESTONES

Merger milestones

23 December 2004	Announcement by KBC Bank and Insurance Holding Company (KBC) and Almanij of their planned merger (through acquisition of Almanij by KBC).
31 January 2005	Start of unconditional public cash tender offer for Kredietbank Luxembourgeoise (KBL) shares not yet owned by Almanij or its subsidiaries. The price offered per KBL share amounted to 150 euros per ordinary share and 135 euros per preference share.
14 February 2005	Closing of the public offer for KBL shares. On this date, Almanij had acquired 96.6% ownership of KBL.
23 February 2005	Publication of the merger prospectus.
2 March 2005	Approval by extraordinary shareholders' meetings of KBC and Almanij of the proposed restructuring. Name of the new group is KBC Group NV. Almanij shareholders receive new KBC Group shares according to an exchange ratio of 1.35 new KBC Group shares for each Almanij share. The legal status of the new KBC Group shares is the same as that of the KBC shares prior to the merger.
23 March 2005	Publication of pro forma results (for 2004) for the new KBC Group.
28 April 2005	First general shareholders' meeting of the new KBC Group.

GROUP STRUCTURE

KBC Group structure (31-03-2005)



* KBC Group shares held by KBC Group companies represent approximately 3% of share capital.

FINANCIAL CALENDAR

Financial calendar

Publication of 1Q 2005 results	09-Jun-05
Publication of Embedded Value, Life insurance	16-Jun-05
Investor Day (London)	23-Jun-05
Publication of 1H 2005 results	01-Sep-05
Publication of 3Q 2005 results	24-Nov-05
Publication of FY 2005 results	02-Mar-06
General Meeting	27-Apr-06

For the most up-to-date version of the calendar, including other events such as analyst meetings and investor road shows, see the KBC web site (www.kbc.com)

SHAREHOLDER INFORMATION

SHAREHOLDERS

Shareholders, 31-03-2005 ¹	number	(in %)
Ordinary shares		
Almancora	75 815 339	20.7%
CERA	23 345 500	6.4%
Maatschappij voor Roerend bezit van de Boerenbond	42 562 675	11.6%
Other core shareholders	41 806 796	11.4%
Subtotal	183 530 310	50.1%
KBC Group companies ²	12 106 093	3.3%
Free float	170 790 017	46.6%
Total	366 426 420	100.0%
Mandatorily convertible bonds (MCBs)³	2 645 149	

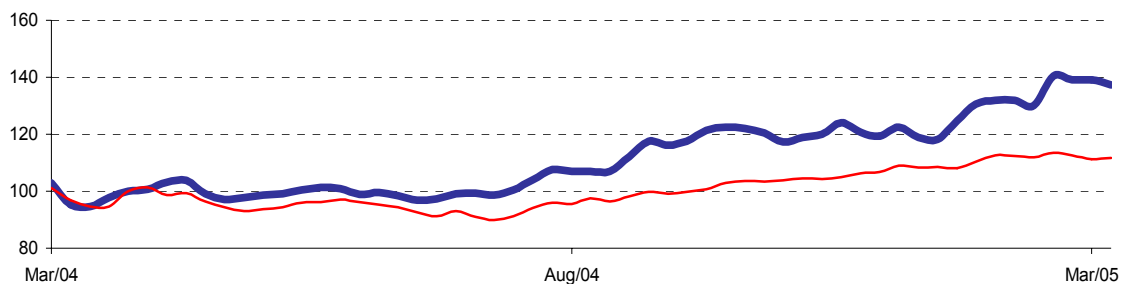
1 Taking into account the existing shares, MCBs and freely convertible bonds, the maximum potential number of shares in the future will come to 374 300 269.

2 Including, among other things, shares held for ESOP. Excluding shares held in the trading book of KBC Securities and KBC Financial Products (included in free float).

3 Number of shares on conversion. More information can be found on page 159 of the 2004 Annual Report of KBC.

KBC SHARE

Relative performance of the KBC share (end March 2004 = 100)¹



Ticker codes:	Bloomberg:	KBC BB	Datastream:	B:KB	Reuters:	KBKbt.BR	
Share price from 31-03-2004 - 31-03-2005 (EUR)							
Highest price:	67.9	Lowest price:	45.1	Average price:	53.3	Closing price 31-03-2005:	65.0

1 Graphs are based on end-of-week prices.

RATIOS

Key ratios

	1Q 2004 pro forma	1Q 2005
Profitability		
Adjusted return on equity (group)	13%	24%
Cost/income (banking and asset management)	63%	51%
Combined ratio, insurance (non-life insurance business)	97%	92%
Basic earnings per share (group, EUR)	1.05	2.00
Diluted earnings per share (group, EUR)	1.03	1.96
Balance sheet, solvency and market capitalization		
	31-12-2004 pro forma	31-03-2005
Parent shareholders' equity per share (group, in EUR)	33.6	37.4
Tier-1 ratio (banking and KBL)	10.0%	10.0%
Solvency ratio (insurance)	347%	366%
Equity market capitalization, end of period (group, EUR billion)	-	23.8

Definition of ratios: see 'Glossary of ratios used'.

RATINGS

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

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GROUP RESULTS

The full consolidated income statement and balance sheet, a condensed consolidated statement of changes in equity and cash flow statement, a summary of

accounting policies, a reconciliation of Belgian GAAP and IFRS and a number of other notes to the accounts are provided in the 'Consolidated financial statements'.

Highlights, consolidated income statement (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	995	966	910	963	1 048
Gross earned premiums	1 275	1 404	901	1 577	729
Dividend income	25	121	39	46	34
Net gains from financial instruments at fair value	224	191	123	187	133
Net realized gains from available-for-sale assets	193	60	93	157	168
Net fee and commission income	357	324	323	399	429
Other income	106	113	128	132	215
Gross income	3 175	3 178	2 517	3 462	2 756
Operating expenses	-1 269	-1 105	-1 147	-1 424	-1 104
Impairment	-152	-90	-44	-79	-15
Gross technical charges, insurance	-1 169	-1 240	-771	-1 454	-612
Ceded reinsurance result	-5	-22	-12	-29	-17
Share in results of associated companies	20	-60	34	28	21
Profit before tax	602	662	577	504	1 030
Income tax expense	-170	-177	-155	-35	-256
Minority interests	-55	-51	-57	-29	-57
Net profit - Group share	376	434	365	440	717

Highlights, consolidated balance sheet (EUR m)	31-12-2004 pro forma	31-03-2005
Total assets	285 163	296 208
Loans and advances to customers	111 177	108 421
Securities	98 862	107 847
Deposits from customers and debt securities	157 712	166 474
Gross technical provisions	13 259	13 383
Liabilities under investment contracts	3 931	4 195
Parent shareholders' equity	12 328	13 316

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

SUMMARY

KBC closed the first quarter of 2005 strongly with a Group profit of 717 m euros, a 63% increase on the preceding quarter and a 91% increase on the first quarter of 2004. This reflected – viewed on a comparable basis – (i) a solid development in income, low cost ratios and minimal impairments of loans and investments and (ii) a number of non-recurrent results (136 m euros). The trend started in 2004 has therefore been sustained, and KBC remains positive about the outlook for 2005.

COMMENTS

Scope of consolidation, valuation rules and currency translation

The results relate to the new KBC Group created through the merger between KBC Bank and Insurance Holding Company and Almanij (for accounting purposes since 1 January 2005). For comparative purposes the reference figures for 2004 have been recalculated on a pro forma basis for the new KBC Group. Apart from this adjustment, no other changes in the scope of consolidation have had a substantial impact on the results.

As already mentioned, the results have been drawn up for the first time in accordance with the International Financial Reporting Standards (IFRS). The reference figures for 2004 have been recalculated in accordance with the IFRS standards, but - in accordance with the European regulations - not including standards IAS32/39 concerning financial instruments and IFRS4 on insurance contracts ('IFRS 2004' version). The figures for the first quarter of 2005 (drawn up in accordance with 'IFRS 2005') are not therefore entirely comparable with the pro forma figures for 2004.

The results are based on exchange rates for the Czech koruna and the Polish zloty that are 7% and 13% higher respectively than the 2004 average. These exchange rates are respectively 9% and 19% higher than in the first quarter of 2004. Fluctuations of other currencies are less relevant.

Financial headlines

Quarterly profit (717 m euros, of which 136 m euros non-recurrent) was 63% and 91% up on the preceding quarter and the corresponding quarter in 2004 respectively.

Commission income of the Group grew by 20% year-on-year, due in particular to the successful sale of investment funds and unit-linked insurance and to asset management.

On account of the changed IFRS treatment, the net interest earnings, results from financial instruments and insurance premiums are not entirely comparable with those of 2004.

On a comparable basis, net interest earnings from banking remain stable despite stiffer competition (e.g. in Belgium) and the difficult interest-rate climate (e.g. in Central and Eastern Europe).

The cost level of the Group is lower than in each preceding quarter in 2004 and the cost/income ratio of the banking business and asset management has fallen to 51%.

Non-life insurance business grew by 5%, once again generating a strong technical result (combined ratio: 92%)

No net supplementary provisions were set aside this quarter for loan losses.

Value impairments on the investment portfolio are still very limited; partly as a result, the contribution to the result from insurance business (122 m euros) was at a significantly higher level than the pro forma figure for the first quarter of 2004.

The retail segment (mainly in Belgium) contributed 295 m euros to the Group result, the Central European region 191 m euros, the financial services for corporates and the capital market activities 134 and 75 m euros respectively, European Private Banking 53 m euros and Gevaert 32 m euros. More information can be found in the 'results per area of activity' section'.

The Polish banking activities once again measured up to expectations, with no net additional loan losses and a net profit of 23 m euros (17 m euros contribution towards KBC Group profit).

Main business developments

Merger of KBC Bank and Insurance Holding Company and Almanij. From now on, in addition to KBC's bancassurance and asset management businesses, the private banking activities of KBL European Private Bankers together with the investment activities and the specialized financial services of Gevaert will also form part of the new KBC Group.

Start-up of synergy projects in the area of private banking level and reorientation of Gevaert. The cooperation between KBC Bank and KBL European Private Bankers is generating cross-sales and cost-savings that will result in an improvement in the results of at least 75 m euros before tax per annum (of which 60% already from 2006 onwards). The relevant Gevaert business units are being transferred wherever possible to KBC Bank while non-core activities are being systematically hived off.

Streamlining of the activities in Central Europe. The cross-border operations of asset management and investment banking under the umbrella of 'KBC Asset Management' and 'KBC Securities' respectively will enhance the effectiveness of the KBC Group in these areas of activity.

Solvency

As at 31 March 2005, the net capital and reserves of the KBC Group amounted to 13.3 billion euros (37.4 euros per share), of which 1.3 billion was held in the revaluation reserve for assets available for sale.

The core capital ratio (Tier 1) for the banking business is 10.0% (10.1% at KBC Bank and 8.5% at KBL European Private Bankers). The solvency margin of the insurance business is 366%.

Gross income

Net interest earnings (1 048 m euros) was well above the pro forma level of the previous quarters. In part this reflected the IFRS treatment of the interest flows from derivatives which, as from 2005, are included under 'result on financial instruments at fair value' (impact: +63 m euros).

Leaving this aside, the increase in volume has meant that it proved possible to hold interest income from banking business more or less stable, despite the more competitive environment (especially in Belgium) and the difficult interest-rate climate (especially in Central Europe). The interest margin came to 1.65% which, disregarding the positive effect of 'IFRS2005', is in line with both the previous quarter and with the average for 2004.

Net interest income (EUR m)	1Q 2005
Interest income	2 488
Loans and advances to banks	325
Loans and advances to customers	1 229
Deposits with ceding companies	1
Fixed-income securities not measured at fair value through P&L	723
Financial assets at fair value through P&L	210
Interest expense	-1 440
Deposits from banks	-414
Deposits from customers	-721
Debt securities	-220
Subordinated liabilities	-84
Investment contracts at amortized cost	0
Net interest income	1 048

Premium income from insurance business amounted to 729 m euros.

In the case of non-life business, where the turnover is mainly generated by the agents network, premium income rose by 5% on the first quarter of 2004.

The premium income from life business is not comparable with that in 2004 since the premium inflow from certain forms of life products - especially unit-linked (464 m in euros in the first quarter) - are no longer included as premium income under IFRS from 2005 onwards. The total turnover of life products (771 m euros) may be lower than the quarterly average for 2004, but this is offset by the higher sales of investment funds. It is notable that in contrast to preceding quarters, more unit-linked life products were sold than products with a guaranteed interest.

Gross earned premiums (EUR m)	1Q 2005
Life*	314
Non-life	415
Gross earned premiums	729

* Excludes investment contracts without Discretionary Participation Feature (i.e. mainly the unit-linked insurance).

Commission income (429 m euros) was 20% higher than in the first quarter of 2004 and as much as 8% up on the exceptionally strong fourth quarter of 2004, thanks in particular to the further strong growth in earnings from the sale of investment funds and asset management (mainly in the Belgian market). Furthermore a favourable effect (13 m in euros) was generated by the IFRS treatment of the margin on unit-linked life insurance.

Net fee and commission income (EUR m)	1Q 2005
Fee and commission income	659
Securities and asset management ¹	440
Commitment credit	35
Payments	95
Other	90
Fee and commission expense	-230
Acquisition costs	-113
Other	-117
Net fee and commission income	429

¹ Including from investment contracts

The result from financial instruments at fair value (133 m euros) is well below the pro forma quarterly average for 2004, primarily as a result of the altered valuation of financial instruments from 2005 onwards which, among other things, involved the shifting of a sum of -63 m euros from interest income.

The result on professional currency dealing/securities trading was in line with the preceding quarter and lower than the strong first quarter of 2004.

Net gains from financial instr. at fair value (EUR m)	1Q 2005
Trading instruments (including derivatives)	-15
Other financial instruments at fair value	56
Foreign exchange trading	92
Net gains from financial instruments at fair value	133

Realized capital gains on the AFS investment portfolio amounted to 168 m euros, with a significant element (89 m euros) coming from the sale of the participating interest in the Irish insurance group FBD.

The total capital gains remained in line with the previous quarter and were slightly down on the pro forma amount in the first quarter of 2004.

Net realized gains from AFS assets (EUR m)	1Q 2005
Fixed-income securities	27
Shares	142
Net realized gains from AFS assets	168

AFS: available-for-sale

Dividend income amounted to 34 m euros, more or less equal to the pro forma figure in the first and fourth quarters of 2004. Dividend receipts are traditionally concentrated in the second quarter of the year.

The item 'other income' (215 m euros) was significantly higher than in the preceding quarters due to a non-recurrent banking receipt (101 m euros before tax - net impact on the result 68 m euros) in connection with the repayment of an outstanding loan issued to the Slovakian government.

Operating expenses

The cost performance has been exceptionally favourable.

Leaving aside the provisions formed in 2004 (e.g. for restructuring expenses and legal disputes), operating expenses fell by 18% on the preceding quarter. Costs in that quarter were relatively high due to such factors as additional costs for profit bonuses (linked to the higher than expected annual results), higher marketing expenses and significant provisions for restructuring expenses formed at KBL European Private Bankers. Certain categories of expenditure (e.g. on ICT and marketing) also remained low in the first quarter of 2005, but these are expected to increase again in the coming quarters.

Compared with the first quarter of 2004 (once again excluding provisions formed at that time), costs fell by 9%. The most important reason for the fall was the cost-saving measures taken in the course of 2004 and the lower level of professional securities trading (i.e. lower performance-based wage costs).

The cost ratio of the banking and asset management business amounted to 51% (55% after exclusion of the non-recurrent income) compared with pro forma 62% in 2004. In the case of European private banking business the figure was 63%, compared with 69% in 2004 (excluding the provisions formed at the time for restructuring expenses).

Operating expenses (EUR m)	1Q 2005
Staff expenses	-636
General administrative expenses	-380
Depreciation and amortization of fixed assets	-94
Provisions for risks and charges	6
Operating expenses	-1 104

Impairment

The quarter was once again characterized by the very low level of impairments on loans, with even a net reversal of 3 m euros. The Group's loan loss ratio is consequently 0%. The coverage of problem loans by loan provisions amounts to 97%. There were limited net write-backs in Belgium, the Czech Republic and

Poland and in the case of international structured finance transactions. The loan loss ratio amounts to 0% for both Belgium and Central Europe. For the international loan portfolio the ratio is 0.07%.

Similarly the impairment of the securities portfolio and of the goodwill paid in respect of company takeovers was relatively limited (16 and 2 m euros respectively).

Impairment (EUR m)	1Q 2005
Loans and advances	3
Available-for-sale assets	-16
Goodwill	-2
Other	0
Impairment	-15

Gross technical charges insurance and ceded reinsurance result

The quarter once again saw a strong technical result on non-life business. Gross claims amounted to 252 m euros and reinsurance costs to a net 17 m euros. The claims ratio amounted to 65% (compared with 68% pro forma for the first quarter of 2004), primarily as a result of the low level of claims in the Belgian market. The claims reserve ratio for non-life insurance came to 177%, the same level as the year before.

The combined ratio for the Group amounted to 92% (compared with 97% pro forma for the first quarter of 2004). For Belgium the figure is 89% (compared with 98%), for Central Europe 98% (compared with 100%) and for the reinsurance business 90% (stable).

Taxes

The tax burden was 256 m euros. For the full year 2004 the pro forma tax burden was 537 m.

Profit outlook for the full year 2005

The results in the first quarter of 2005 are exceptionally robust from various perspectives. The profit for the quarter cannot be extrapolated for the year as a whole, although KBC remains positive about 2005.

Strict cost control remains in prospect on the banking side and there are at present no indications of any significant deterioration in loan quality. The impact of IFRS on the net result has so far remained relatively limited, partly as a result of successful management of it, the intention being to sustain this policy. On the other hand, interest rate developments remain an uncertain factor.

On the basis of the current appraisal of the relevant economic and financial parameters, KBC once again confirms its previous forecast that the net profit in 2005 will amount to at least 1 825 m euros.

RESULTS PER BUSINESS SEGMENT

IFRS SEGMENTATION

Under IFRS, the primary segment reporting format KBC Group uses is based on the legal structure of the group. KBC Group distinguishes between the following primary segments:

- Banking (including KBC Bank and its subsidiaries)
- Insurance (including KBC Insurance and its subsidiaries)
- Asset Management (including KBC Asset Management and its subsidiaries)
- KBL European Private Bankers (including Kredietbank Luxembourgeoise and its subsidiaries)
- Gevaert (including Gevaert and its subsidiaries)
- Holding Company Activities (including KBC Group on a non-consolidated basis and KBC Exploitatie)
- Intersegment transactions are transactions conducted between the different primary segments at arm's length. As a number of items are reported on a net basis (e.g. net interest income), the balance of the intragroup transactions for these items is immaterial.

The figures for the Holding Company Activities also include the so-called 'cost-sharing structure', which comprises a number of common support services such as marketing, logistics, IT and communication. Costs incurred by this cost-sharing structure are paid by the Holding Company and afterwards charged to the other segments. Hence, these amounts are shown both under expenses and under income (income from costs

that have been passed on) in the Holding Company Activities segment, and under expenses in the other segments.

The IFRS secondary segment reporting format is based on geographic areas, and reflects KBC Group's focus on its two home markets - Belgium and Central Europe (Poland, Czech and Slovak Republics, Hungary and Slovenia) – and its focused presence in other countries ('rest of the World', i.e. mainly Western Europe excluding Belgium, the US and Southeast Asia).

In this section, detailed information is given according to the primary segment reporting format. The 'Consolidated financial statements' section includes an overview of both the primary and secondary segment reporting formats. The 'Results per area of activity' section provides an additional breakdown based on the so-called 'area of activity reporting' (see below).

FIGURES

Below, the net profit has been broken down across the various business segments. Detailed income statements per business segment (excluding the Holding Company Activities and the Intersegment Eliminations) and some comments follow.

Breakdown into primary IFRS segments	Banking	Insurance	Asset Management	KBL European Private Bankers	Gevaert	Holding Company Activities	Intersegment Eliminations	Total
1Q 2004 (pro forma)								
Net profit, group share (EUR m)	332	-55	51	43	17	-12	0	376
(% of total)	88%	-15%	14%	12%	5%	-3%	0%	100%
1Q 2005								
Net profit, group share (EUR m)	470	122	58	53	32	-18	0	717
(% of total)	66%	17%	8%	7%	4%	-3%	0%	100%

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

Banking income statement (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	836	825	787	805	898
Gross earned premiums	-	-	-	-	-
Dividend income	13	41	25	23	19
Net gains from financial instruments at fair value	220	177	85	150	71
Net realized gains from available-for-sale assets	116	60	56	76	56
Net fee and commission income	274	226	237	305	321
Other income	52	71	52	68	149
Gross income	1 511	1 400	1 241	1 428	1 513
Operating expenses	-989	-816	-848	-993	-807
Impairment	-39	-72	-28	-80	2
on loans and receivables	-42	-77	-14	-65	4
on available-for-sale assets	3	5	0	-15	-2
on goodwill	0	0	0	0	0
on other	0	0	-14	0	0
Gross technical charges, insurance	-	-	-	-	-
Ceded reinsurance result	-	-	-	-	-
Share in results of associated companies	10	3	19	3	12
Profit before tax	493	516	383	358	720
Income tax expense	-117	-108	-93	-3	-196
Profit after tax	376	408	290	355	524
Minority interests	-44	-41	-45	-38	-54
Net profit - Group share	332	367	246	318	470

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

Insurance income statement (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	102	115	115	131	131
Gross earned premiums	1 275	1 404	901	1 577	729
Dividend income	5	62	9	9	10
Net gains from financial instruments at fair value	2	2	0	0	-5
Net realized gains from available for sale assets	64	-2	10	49	106
Net fee and commission income	-89	-78	-88	-85	-81
Other income	17	16	32	9	19
Gross income	1 377	1 518	979	1 692	907
Operating expenses	-124	-129	-123	-135	-123
Impairment	-128	-36	-27	29	-16
on loans and receivables	-1	-1	1	-1	-1
on available-for-sale assets	-127	-35	-28	30	-14
on goodwill	0	0	0	0	-1
on other	0	0	0	0	0
Gross technical charges, insurance	-1 169	-1 240	-771	-1 454	-612
Ceded reinsurance result	-5	-22	-12	-29	-17
Share in results of associated companies	3	7	8	2	0
Profit before tax	-45	98	55	105	140
Income tax expense	-11	-35	-23	-16	-18
Profit after tax	-56	62	32	89	122
Minority interests	1	-4	-1	-1	0
Net profit - Group share	-55	58	30	89	122

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

Asset Management income statement (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	0	0	0	2	0
Gross earned premiums	-	-	-	-	-
Dividend income	3	1	0	9	2
Net gains from financial instruments at fair value	0	4	1	5	4
Net realized gains from available-for-sale assets	0	1	1	0	0
Net fee and commission income	76	86	86	85	88
Other income	0	1	1	0	0
Gross income	81	93	88	102	94
Operating expenses	-13	-14	-14	-13	-15
Impairment	2	0	1	0	0
on loans and receivables	0	0	0	0	0
on available-for-sale assets	2	0	1	0	0
on goodwill	0	0	0	0	0
on other	0	0	0	0	0
Gross technical charges, insurance	-	-	-	-	-
Ceded reinsurance result	-	-	-	-	-
Share in results of associated companies	0	0	0	0	0
Profit before tax	70	78	75	89	79
Income tax expense	-19	-21	-21	-23	-21
Profit after tax	51	58	53	66	58
Minority interests	0	0	0	0	0
Net profit - Group share	51	58	53	66	58

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

KBL European Private Banking income statement (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	72	43	30	36	38
Gross earned premiums	-	-	-	-	-
Dividend income	1	4	3	2	2
Net gains from financial instruments at fair value	1	8	36	31	45
Net realized gains from available-for-sale assets	12	0	21	22	2
Net fee and commission income	97	92	85	102	100
Other income	5	10	17	17	24
Gross income	187	158	193	209	211
Operating expenses	-122	-135	-140	-236	-134
Impairment	13	11	11	-20	-1
on loans and receivables	10	5	-2	-10	1
on available-for-sale assets	4	8	12	-15	0
on goodwill	0	-2	0	2	-1
on other	0	0	0	3	0
Gross technical charges, insurance	-	-	-	-	-
Ceded reinsurance result	-	-	-	-	-
Share in results of associated companies	0	0	1	1	1
Profit before tax	78	35	64	-46	77
Income tax expense	-22	-7	-16	7	-21
Profit after tax	56	29	48	-38	56
Minority interests	-13	-6	-10	9	-3
Net profit - Group share	43	23	38	-30	53

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

Gevaert (EUR m)	1Q 2004 pro forma	2Q 2004 pro forma	3Q 2004 pro forma	4Q 2004 pro forma	1Q 2005
Net interest income	-5	-5	-5	-4	-2
Gross earned premiums	-	-	-	-	-
Dividend income	0	3	2	0	1
Net gains from financial instruments at fair value	1	0	0	2	20
Net realized gains from available-for-sale assets	1	1	4	9	4
Net fee and commission income	0	0	0	0	0
Other income	34	18	33	36	23
Gross income	32	17	33	43	46
Operating expenses	-21	-18	-27	-37	-20
Impairment	0	7	0	-5	0
on loans and receivables	0	0	0	0	0
on available-for-sale assets	0	10	-3	1	0
on goodwill	0	0	0	0	0
on other	0	-3	3	-6	0
Gross technical charges, insurance	-	-	-	-	-
Ceded reinsurance result	-	-	-	-	-
Share in results of associated companies	7	-69	6	21	8
Profit before tax	18	-63	13	22	33
Income tax expense	0	-2	-1	2	-2
Profit after tax	17	-65	12	24	32
Minority interests	0	0	0	0	0
Net profit - Group share	17	-65	12	25	32

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

COMMENT

Banking

The profit contribution made by banking rose to a record 470 m euros (402 m euros after exclusion of a non-recurrent receipt in connection with the repayment of an outstanding loan made to the Slovakian government).

This was due in particular to the strict cost control (the cost ratio, including asset management results and excluding one-off income, fell to 55%) and to the fact that no net additional loan losses were recorded in this quarter.

The quality of the income is moreover good: commission earnings rose strongly (+17% on the first quarter of 2004), net interest income remained stable in a difficult climate, and the contribution of capital gains from investments and the securities trading results was relatively limited.

Insurance

The results on insurance rose to 122 m euros, well above that in the preceding quarters thanks to higher capital gains on investments (especially the participation in the Irish insurance group FBD, which had a non-recurrent impact of 68 m euros), the lack of any significant impairments of equity investments (these were particularly high in the first quarter of 2004) and an excellent technical result on non-life business (combined ratio of 92%).

The low interest rate environment meant that the interest income on insurance business remained constant despite the increase in invested reserves. Given the high level of realized capital gains on the equity portfolio in the first quarter, further capital gains are expected to be lower in the next few quarters.

Asset management

The profit contribution from asset management amounted to 58 m euros, 7 m higher than in the corresponding quarter of 2004 as a result of the growing commission income from asset management.

The profit for the quarter was, however, lower than that in the fourth quarter of 2004, which included a non-recurrent high dividend payment (4 m euros).

The assets under management of this segment rose by 8% to 85.2 billion euros (due mainly to the net inflow of new funds).

The total assets under management of the whole KBC Group amounted to 150.7 billion euros, of which 72.3 billion euros in the asset management business (leaving out 12.9 billion euros of Group assets managed for own account), 49.7 billion euros in the European private banking business (46.0 billion euros of which for private banking clients) and 28.7 billion euros in banking (mainly retail and private banking in Belgium and Central Europe).

KBL European Private Bankers

The European Private Banking business contributed 53 m euros to the Group result. In the previous quarter the profit contribution had been negative as a result of provisions formed for restructuring expenses.

Income is at a high level (thanks in part to the marking to market of financial instruments), with commission income continuing their upward trend. The cost ratio amounts to 63% and the impairments on the loan and investment portfolios were negligible.

The assets under management of this segment rose in the first quarter by 6% to 49.7 billion euros (of which 46.0 billion euros for private banking clients).

Gevaert

The contribution to the result by Gevaert amounted to 32 m euros, which was up a little on the previous

quarters (note that in the second quarter in 2004, a divestment loss had to be taken at Agfa Gevaert).

First quarter income was, however, supported by an upward revaluation of the private equity portfolio (by 15 m euros), as required by the IFRS. The profit contribution from Agfa Gevaert (using the equity method) amounted to 8 m euros.

Holding Company activities

The contribution by the holding company amounts to a negative 18 m euros. This was slightly more negative than the quarterly average for 2004 as a result of the increased debt financing required for the buyout of the Kredietbank Luxemburg minority interests in early 2005.

RISK MANAGEMENT INFORMATION

RISK GOVERNANCE

The main risks incurred by a financial services group such as KBC are credit risks, ALM risks, market risks, operational risks and technical insurance risks.

- Credit risk is the risk of non-payment or non-performance by a borrower, guarantor, counterparty to a professional transaction or issuer of a debt instrument, due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter risk is also referred to as country risk.
- Asset/Liability Management (ALM) entails managing the macroeconomic risks¹ attendant on balance-sheet and off-balance-sheet transactions in the banking book (i.e. all activities not belonging to the trading book, including the forex and securities trading activities of the bank and the specialized subsidiaries) and those of the insurance business.
- Market (or trading) risk is the risk of loss due to movements in the relevant markets causing a drop in the value of the interest rate, currency, equity and derivatives positions held by the dealing rooms either at the bank or at the specialized subsidiaries KBC Financial Products, KBC Securities, KBC Peel Hunt

and Patria Finance. The insurer's interest rate, currency and equity risks are covered by ALM risk management.

- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
- The technical insurance risks include tariffication and acceptance risk, the risk that reserves will prove inadequate, the risk of serious accidents and catastrophes, and the risk of insurance fraud.

KBC's 2004 annual report contains an explanation of the governance model used to manage these risks at KBC Bank and Insurance Holding Company (KBC before the merger with Almanij).

It goes without saying that the merger between KBC and Almanij also impacts the value and risk management function of the new KBC Group. KBC policy regarding value and risk management is based on the principle of 'a single group-wide and integrated framework', so value and risk management for the former KBC and KBL will be integrated. A timetable for integration has already been drawn up for each risk type: market risk, credit risk, operational risk and ALM risk and integration is expected to be largely finalized by the end of 2005.

¹ Macroeconomic risks include the equity, interest rate, currency, real estate, credit (confined to the investment portfolios), inflation and liquidity risks arising from:

- mismatches in the banking activities linked to the branch network's acquisition of working funds (demand accounts, savings accounts, savings certificates, etc.) and the use of those funds (via lending, among other things);
- mismatches in the insurance activities between obligations in the non-life and life businesses and the cover for these obligations present in the investment portfolios held for this purpose;
- 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 mismatch between the insurer's obligations and its investments in foreign currency).

SCOPE

Extensive risk management data and figures for KBC Bank and KBC Insurance are provided in the 2004 annual report of KBC, on pages 62 to 87. Information regarding risk management at KBL is provided in the KBC-Almanij merger prospectus, on pages 126 to 128. For a selection of these data, updated figures and information will be provided on a quarterly basis; a full overview will be provided in the next annual report. As KBL's risks are in the process of being integrated into the Group risk reporting systems (see above), some data will, for the time being, only concern KBC Bank and KBC Insurance. The data are based on non-audited management information.

CREDIT RISK MANAGEMENT

Although quite a few transactions involve credit risk, the main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credits), standby credit and credit derivatives (granted by KBC Bank and KBL and all their majority-held subsidiaries) to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds (which are used more for treasury and liquidity management purposes) and trading book exposure are not included.

The table also provides information on impaired and non-performing loans. On the bank's internal Probability of Default (PD) scale, impaired loans coincide with the worst loan classes, i.e. loans to clients with a PD of 10, 11 and 12. For these impaired loans, specific loan impairments are recorded. A portfolio-based impairment is additionally recognized on the 'still good' portfolio (a formula based on PD classes 8 and 9). The related loan loss ratio (for a definition, see the 'Glossary of ratios used'; note: negative figures indicate a net retrieval of loan loss impairments) is also given in the table. The 1Q 2005 loan loss ratio for Central Europe (in total -0.10%) can be broken down as follows: CSOB -0.33%, K&H Bank 0.73% and Kredyt Bank -0.61%.

Loan portfolio snapshot (KBC Bank and KBL)	31-12-2004	
	PRO FORMA	31-03-2005
Total loan portfolio (EUR bln)		
Amount granted	156.1	158.7
Amount outstanding	113.6	115.2
Total loan portfolio, by origin (as a % of the portfolio of credit granted)		
Network in Belgium	45.5%	45.1%
Network in Central Europe	14.6%	14.9%
Network in the rest of the world	39.9%	40.0%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	5.5%	5.5%
Electricity	2.9%	2.7%
Aviation	0.9%	0.8%
Telecom	1.1%	1.3%
Shipping	0.8%	0.8%
Total loan portfolio, by country rating (as a % of the portfolio of credit granted)		
Investment grade countries (AAA - BBB)	99.2%	99.3%
Non-investment-grade countries (BB -D)	0.8%	0.7%
Total	100.0%	100.0%
Impaired loans (PD10+11+12; in EUR m or %)		
Specific loan impairments	2 617	2 706
Portfolio-based loan impairments ¹	169	333
Loan-loss ratio ²		
Network in Belgium	0.09%	-0.03%
Network in Central Europe	0.48%	-0.10%
Network in the rest of the world	0.26%	0.07%
Total	0.20%	-0.01%
Non-performing loans (PD11+12; in EUR m or %)		
Amount outstanding	3 333	3 124
Specific loan impairments for non-performing loans	2 109	2 154
Non-performing ratio		
Network in Belgium	2.5%	2.4%
Network in Central Europe	6.6%	5.7%
Network in the rest of the world	1.7%	1.6%
Total	2.9%	2.7%
Cover ratio		
Network in Belgium	62.5%	66.2%
Network in Central Europe	67.0%	76.3%
Network in the rest of the world	58.0%	61.7%
Total	63.3%	68.9%

Definition of ratios: see 'Glossary of ratios used'.

¹ In 2004: provision for international credits and provision for country risks.

² Negative figures indicate a net retrieval of loan loss impairments. Figures 2004: as published in KBC's annual report (hence excluding KBL and general provisions).

Non-performing loans are impaired loans (and corporate and bank bonds in the investment portfolio) for which principal repayments or interest payments are more than ninety days overdue. This coincides with loans to clients with a PD class 11 and 12. The table provides detailed information on non-performing loans, including the so-called 'non-performing ratio' and the 'cover ratio' (for a definition, see the 'Glossary of ratios used'). The latter ratio only takes into account the specific impairments for non-performing loans. If the specific impairments for still performing loans (PD 10) and the portfolio-based impairments are also taken into account (in the numerator), the cover ratio would amount to 97%.

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the bank. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk:

- short-term commercial exposure: trade-related commitments, whose term does not surpass 2 years and for which the counterparty is a bank (such as confirmed or guaranteed documentary credits and documented pre-export financing and post-import financing). As at the end of March 2005, this exposure (100% weighted, excluding the portion covered by the Belgian Export Credit Agency, NDD) amounted to 0.8 bln euros (the figure still excludes KBL).

- counterparty risk of interprofessional transactions: refers to placements (money market transactions) and the pre-settlement risk of derivatives (forex products, swaps, options etc.). As at the end of March 2005, this exposure (weighted as positive present value, plus add-on) came to 20.4 bln euros (figure still excludes KBL).
- Trading book securities and government bonds in the investment book (more details in the 'Consolidated Financial Statements', in the note on Securities).

Where the insurance business is concerned, credit risk exposure exists primarily in the investment portfolio (towards issuers of debt instruments) and towards reinsurance companies.

KBC's methodology for calculating country risk is explained on page 70 of the 2004 Annual Report. The table shows the result of this calculation for 31 March 2005. This calculation encompasses more than the loan portfolio, as it also includes (the country risk involved in) interprofessional transactions and short-term commercial transactions. On the other hand, transactions in local currency (and the whole euro zone) are excluded from the calculation, as they do not entail any transfer risk. For the time being, KBL is still excluded.

Country risk 31-03-2005 (excluding transactions in local currency, in EUR m, KBC Bank)

	Total	Western Europe (excl. euro zone)	Central and Eastern Europe	Asia	North America	Middle East	Latin America	Africa	Oceania	International Institutions
Breakdown by type										
IFC 'B' loans	50	2	0	8	0	3	20	17	0	0
Performance risk loans	899	15	318	3	0	61	135	354	13	0
Other loans	11 495	2 213	5 174	1 767	1 343	400	346	96	116	38
Bonds and shares	4 025	1 430	801	414	957	29	53	0	121	220
Professional transactions (weighted risk)	5 622	3 478	690	592	496	126	3	8	167	61
Medium and long-term export finance	69	28	8	5	0	14	6	7	0	1
Short-term commercial transactions	562	14	69	212	7	164	38	48	1	11
Total	22 722	7 180	7 060	3 001	2 803	797	602	530	417	331
Breakdown by remaining maturity	0									
Maximum 1 year	10 429	3 896	2 873	2 024	713	291	199	133	246	53
More than 1 year	12 293	3 284	4 186	977	2 090	506	403	397	171	278
Total	22 722	7 180	7 060	3 001	2 803	797	602	530	417	331

ASSET/LIABILITY MANAGEMENT

The table shows, for the banking activities, the extent to which the value of the portfolio would change (BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Deutschland, ČSOB, K&H Bank and Kredyt Bank (hence they exclude KBL for the time being).

Following the decision to scale down the Group's share exposure, KBC Bank no longer has a discretionary equity position.

The second table below provides an overview of the investment portfolio of KBC Insurance. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items (mainly securities and to a less extent investment property, loans and advances to customers, investments in associated companies, etc.). The valuation methodology for these various items is explained in the 'Consolidated financial statements', under 'Accounting principles'.

ALM risk KBC Bank (EUR m)	Transformation position
	BPV
Average 1Q 2004	18
Average 2Q 2004	14
Average 3Q 2004	6
Average 4Q 2004	8
Average 1Q 2005	9
31-03-2005	8
Maximum in 1Q 2005	10
Minimum in 1Q 2005	8

Investment portfolio KBC Insurance (EUR m)	book value		market value	
	31-12-2004	31-03-2005	31-12-2004	31-03-2005
Breakdown into asset type				
Securities	13 397	14 789	14 300	15 020
Bonds and alike	10 409	11 305	11 036	11 536
Held-to-maturity	-	2 544	-	2 774
Available-for-sale	-	7 696	-	7 696
At fair value through profit and loss	-	1 066	-	1 066
Shares and alike	2 988	3 484	3 264	3 484
Available-for-sale	-	3 340	-	3 340
At fair value trough profit and loss	-	144	-	144
Loans and advances to customers	140	137	140	137
Loans and advances to banks	193	323	193	323
Property and equipment and investment property	297	294	419	396
Investments in associated companies	102	14	193	14
Other assets	120	121	125	121
Investments, unit-linked	3 931	4 210	3 931	4 210
Total	18 180	19 888	19 300	20 220

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

MARKET RISK MANAGEMENT

KBC Bank has a number of money and capital market dealing rooms in Western and Central Europe, the United States and the Far East, though the dealing room in Brussels accounts for the lion's share of the limits and risks. The dealing rooms abroad focus primarily on providing customer service in money and capital market products, funding local bank activities and engaging in limited trading for own account in local niches. All of the dealing rooms focus on trading in interest rate instruments, and activity on the forex markets has traditionally been limited.

Through its specialized subsidiaries KBC Securities, KBC Peel Hunt, Patria Finance and KBC Financial Products, the group also engages in trading in equities and their derivatives, such as options and convertible bonds.

Via KBC Financial Products, the bank is also involved in trading in credit derivatives and in managing and providing services relating to hedge funds and launching and managing other instruments, including Collateralized Debt Obligations (CDOs). Neither the bank nor its subsidiaries are active in the commodities markets.

KBL's market risks are not yet included in the figures.

The table shows the Value-at-Risk (99% confidence interval, ten-day holding period) for the bank's dealing rooms on the money and capital markets, based on historical simulation. The results of the scenario analysis are given for KBC Financial Products.

Market risk (EUR m)	Interest rate activities	Forex activities	KBC Financial Products	KBC Securities
	VAR	VAR	scenario analysis	VAR
Average 1Q 2004	17	2	34	0.2
Average 2Q 2004	17	2	42	0.1
Average 3Q 2004	18	1	44	0.1
Average 4Q 2004	18	1	29	0.1
Average 1Q 2005	10	1	24	0.1
31-03-2005	8	1	19	0.2
Maximum in 1Q 2005	26	5	60	0.3
Minimum in 1Q 2005	7	0	19	0.0

CONSOLIDATED FINANCIAL STATEMENTS

KBC GROUP

CONSOLIDATED INCOME STATEMENT

EUR m	1Q 2004 PRO FORMA	1Q 2005
Net interest income	995	1 048
Gross earned premiums (see note 5)	1 275	729
Dividend income	25	34
Net gains from financial instruments at fair value	224	133
Net realised gains from available-for-sale assets	193	168
Net fee and commission income	357	429
Net post-tax income from discontinued operations	0	0
Other income	106	215
GROSS INCOME	3 175	2 756
Operating expenses (see note 6)	- 1 269	- 1 104
Impairment	- 152	- 15
on loans and receivables	- 33	3
on available-for-sale assets	- 119	- 16
on goodwill	0	- 2
on other	0	0
Gross technical charges, insurance	- 1 169	- 612
Ceded reinsurance result	- 5	- 17
Share in results of associated companies	20	21
PROFIT BEFORE TAX	602	1 030
Income tax expense	- 170	- 256
PROFIT AFTER TAX	432	773
Minority interests	- 55	- 57
NET PROFIT - GROUP SHARE	376	717
Earnings per share (in EUR)		
Basic	1.05	2.00
Diluted	1.03	1.96

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

CONSOLIDATED BALANCE SHEET

ASSETS (EUR m)	Note	31-12-2004 PRO FORMA	31-03-2005
Cash and balances with central banks		1 553	1 587
Treasury bills and other bills eligible for rediscounting with central banks		8 078	7 532
Loans and advances to banks		38 463	43 989
Loans and advances to customers	8,9	111 177	108 421
Securities	10	98 862	107 847
Derivative financial instruments	11	15 376	16 209
Investment property		169	232
Reinsurers' share in technical provisions, insurance		258	272
Accrued income		3 504	2 812
Other assets		2 435	1 835
Tax assets		671	689
Non-current assets held for sale		0	0
Investments in associated companies		1 228	1 156
Goodwill and other intangible fixed assets		1 086	1 379
Property and equipment		2 300	2 247
TOTAL ASSETS		285 163	296 208

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

LIABILITIES (EUR m)	Note	31-12-2004 PRO FORMA	31-03-2005
Deposits from banks		55 083	54 132
Deposits from customers and debt securities	12	157 712	166 474
Derivative financial instruments	11	17 728	20 366
Gross technical provisions	13	13 259	13 383
Liabilities under investment contracts	14	3 931	4 195
Accrued expense		2 743	3 288
Other liabilities		12 588	11 387
Tax liabilities		672	1 196
Non-current liabilities held for sale		0	0
Provisions for risks and charges		580	536
Subordinated liabilities		6 768	6 306
TOTAL LIABILITIES		271 064	281 263
Total Equity		14 099	14 946
Parent shareholders' equity	15	12 328	13 316
Minority interest		1 771	1 630
TOTAL LIABILITIES AND EQUITY		285 163	296 208

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR m	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Hedging reserve (cash flow hedges)	Reserves	Translation differences	Parent shareholders' equity	Minority interest	Total Equity
31-03-2004 PRO FORMA										
Balance at the beginning of the year	1 233	4 124	0	0	0	5 902	0	11 259	1 839	13 098
Capital increase	0	0	0	0	0	0	0	0	0	0
Net profit for the period	0	0	0	0	0	376	0	376	0	376
Dividends	0	0	0	0	0	- 458	0	- 458	0	- 458
Other	0	0	0	0	0	- 11	- 26	- 37	- 12	- 49
Total change	0	0	0	0	0	- 93	- 26	- 119	- 12	- 131
Balance at the end of the period	1 233	4 124	0	0	0	5 809	- 26	11 139	1 827	12 967
31-03-2005										
Balance at the beginning of the year	1 234	4 130	0	0	0	7 002	- 38	12 328	1 771	14 099
First-time application IAS32/39 and IFRS4 on 01-01-2005	0	185	- 340	1 131	9	- 177	0	808	0	808
Capital increase	0	0	0	0	0	0	0	0	0	0
(Derivatives on) treasury shares	0	0	- 198	0	0	0	0	- 198	0	- 198
Net profit for the period	0	0	0	0	0	717	0	717	0	717
Dividends	0	0	0	0	0	- 674	0	- 674	0	- 674
Other	0	0	0	216	12	- 3	109	334	- 141	193
Total change	0	185	- 538	1 347	21	- 137	109	987	- 141	846
Balance at the end of the period	1 234	4 315	- 538	1 347	21	6 865	71	13 316	1 630	14 946
of which revaluation reserve for shares				765						
of which revaluation reserve for bonds				581						
of which revaluation reserve for other assets than bonds and shares				1						

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

As is the case under under Belgian GAAP, cash flows from operating activities are reported using the indirect method under IFRS too. The main reclassifications between the different types of cash flow (operating, financing and investing activities), compared to the methodology used under Belgian GAAP, are:

- purchase of and the proceeds from repayment of held-to-maturity securities: investing activities under IFRS (operating activities under Belgian GAAP)
- purchase and sale of treasury shares: financing activities under IFRS (operating activities under Belgian GAAP).

EUR m	1Q 2004 PRO FORMA	1Q 2005
Net cash from (used in) operating activities	- 2 194	- 3 039
Net cash from (used in) investing activities	- 30	- 812
Net cash flows from (used in) financing activities	495	1 600
Net increase/(decrease) in cash and cash equivalents	- 1 729	- 2 251
Cash and cash equivalents at the beginning of the year	5 218	10 874
Effects of exchange rate changes on opening cash and cash equivalents	- 224	63
Cash and cash equivalents at the end of the period	3 264	8 686

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

NOTES

Provided here is a limited selection of the notes to the accounts that will appear in the 2005 Annual Report.

1 Statement of compliance

The interim financial statements were authorized for issue on 9 June 2005 by the Board of Directors of KBC Group.

KBC Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') approved by the EU, and with the Royal Decree of 13 February 1996 on the consolidated annual accounts of insurance and reinsurance companies (for insurance activities not subject to IFRS4 – phase 1). They are presented in accordance with IAS34 'Interim Financial Reporting'.

The consolidated financial statements of KBC Group present one year of comparative information. As allowed under the IFRS1 exemption, this comparative information does not however comply with IAS32, IAS39 and IFRS4. Belgian GAAP rules apply to the comparative figures for financial instruments and insurance contracts.

The Group qualifies as a first-time adoptor of IFRS in 2005. The adjustments stemming from the first-time adoption of IFRS are reflected in the opening balance sheet at 1 January 2004, except for items related to IAS32/39 and IFRS4 (in the opening balance sheet at 1 January 2005).

In conformity with IFRS1, the following exceptions were made to the general principle that the opening balance sheet needs to comply with each IFRS:

- Business combinations before 1 January 2004 are not restated;
- All cumulative actuarial gains and losses on all defined benefit plans are recognized in equity at 1 January 2004, although the corridor approach is used afterwards;
- Cumulative translation differences per 1 January 2004 are deemed to be zero;
- Share-based payment transactions before 7 November 2002 are not restated .

Reference figures are shown *pro forma*, meaning that they were drawn up to reflect the merger between KBC Bank and Insurance Holding Company and Almanij. Profit and loss are calculated as if the merger had taken place on 1 January 2004. Pro forma figures for

the KBC Group are based on the balance sheet and profit and loss account of Almanij for 2004. Minority interests in KBC have been transferred to the group share.

2 Accounting principles

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

All 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.

Companies over which joint control is exercised, directly or indirectly, are consolidated according to the method of proportionate consolidation.

Investments in associates, i.e. companies over which KBC has significant influence, are accounted for using the equity method.

As allowed under IAS28, investments in associates held by venture capital organizations are classified as held for trading (measured at fair value).

- 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 recognized 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 the fair value.

Income and expense items in foreign currency are taken to profit or loss at the exchange rate prevailing when they were recognized.

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.

Exchange rates

Main currencies	Exchange rate as at 31-03-2005		Exchange rate average in 1Q 2005	
	1 EUR = ... CURR	Change versus 31-12-2004 (negative: depreciation versus EUR)	1 EUR = ... CURR	Change versus avg 1Q 2004 (negative: depreciation versus EUR)
USD (USA)	1.296	5%	1.319	-6%
GBP (UK)	0.689	2%	0.693	-2%
CZK (Czech Rep.)	29.96	1%	30.03	9%
SKK (Slovakia)	38.67	0%	38.25	6%
HUF (Hungary)	247.20	-1%	244.68	6%
PLN (Poland)	4.08	0%	4.02	19%

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 recognized in equity, commensurate with KBC's share.

c Financial assets and liabilities (IAS39)

All financial assets and liabilities – including derivatives – must be recognized in the balance sheet according to the IAS39 classification system. Each classification is subject to specific measurement rules. The IAS39 classifications are as follows:

- Loans and receivables: these include all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- Held-to-maturity assets: 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 assets and any other financial asset initially recognized at fair value through profit or loss. 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 recognized at fair value through profit or loss are valued in the same way as held-for-trading assets, even if there is no intention to trade them.
- Available-for-sale assets: these include all non-derivative financial assets that do not come under one of the above categories. These assets are measured at fair value, with all fair value changes being recognized 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 recognized 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.
- Financial liabilities at fair value through profit and loss: IFRS4 'insurance contracts' refers to IAS39 for the accounting treatment of (unbundled) deposit components (i.e. financial liabilities not including a discretionary participation feature). Despite the IAS39 carve outs made by the European Commission, the European Insurance Accounts Directive allows in that case a fair value measurement through profit or loss (see also under f). The fair value option has not been used for any other financial liabilities.
- Other liabilities: these are all other non-derivative financial liabilities.
- Hedging derivatives: these are derivatives used for hedging purposes.

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 amortized cost using the effective interest method, i.e. an interest rate is applied that exactly discounts all estimated future cash flows 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 amortized cost. Impairment losses are recognized 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. Loans and advances with a probability of default (PD) of 12 (problem loans with the highest probability of default) are individually tested for impairment (and written down on an individual basis if necessary). Loans and advances with a PD of 10 or 11 (also considered to be problem loans) are tested either individually (for significant loans) or on a statistical basis (for non-significant loans). Impairment losses are posted on these loans and advances on an individual and a statistical basis, respectively. For loans with a PD lower than 10, lastly, impairment losses are recognized on a portfolio basis. Interest on loans written down as a result of impairment is recognized 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 securities are initially measured at fair value, including transaction costs. They are subsequently measured at amortized cost. The difference between the acquisition cost and the redemption value is recognized as interest and recorded on an accruals basis in the income statement 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 recognized – 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 recognized in profit or loss for the financial year. Securities classified at initial recognition 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 recognized if evidence of impairment exists on the balance sheet date. For listed equity and other variable-yield securities, evidence of impairment is determined on the basis of a set of coherent indicators and the impairment is calculated based on an assessment of the recoverable amount of the acquisition cost of the packages of shares in portfolio. 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, impairments are reversed through a separate equity heading. Reversals of impairments on fixed-income securities occur through profit or loss for the financial year.

- Derivatives: all derivatives are classified as being held-for-trading unless they are designated and effective hedging instruments. Held-for-trading derivatives are measured at fair value, with fair value changes being recognized 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 amortized 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 contained in financial assets that are measured on an accruals basis (held-to-maturity assets, loans and receivables, other liabilities) or at fair value, with fair value changes being recorded in equity (available-for-sale assets), are separated from the financial instrument 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 not closely related to the risk on the host contract. Financial instruments 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: hedge accounting is not applied on a general basis within the KBC Group, because the hedge accounting criteria (except for specific exceptions as set out above) are not at all compatible with the way in which KBC actually protects itself against various risks. Hedge accounting will be applied on a general basis if and when the ongoing negotiations between the IASB (International Accounting Standards Board) and the bank sector lead to an acceptable form of

hedge accounting that is consistent with current hedging practice.

KBC applies hedge accounting when all the requisite conditions (according to the hedge accounting requirements that have not been carved out in the IAS39 version as approved by the EU) are fulfilled. These 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. 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.

For cash flow hedges, derivatives hedging the risks are measured at fair value, with those fair value gains or losses determined to be an effective hedge being recognized separately in equity. The ineffective portion of the hedge is recognized 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. Translation differences (account taken of deferred taxes) on the funding are recorded in equity, along with translation differences on the net investment. For acquisitions after 1 January 2004, goodwill is part of the net investment in a foreign entity, and therefore the amount of goodwill is included in the amount of the foreign currency funding. This form of hedge accounting is used for all investments not denominated in euros.

- Fair value adjustments ('Market Value Adjustments'): fair value adjustments are recognized on all financial instruments measured at fair value, with fair value changes being taken to profit or loss. These fair value adjustments include all close-out costs, adjustments for less liquid instruments or markets, adjustments relating to 'mark-to-model' measurements, counterparty exposures and future administrative expenses. This methodology – already applied by KBC Financial Products for Belgian GAAP reporting purposes – differs from current Belgian GAAP methodology (applied by KBC Bank Belgium), where fair value adjustments are only recognized to cover close-out costs on trading derivatives. The value adjustments resulting from the first-time Group-wide application of the new methodology are included in the opening IFRS balance sheet in equity as at 1 January 2005.

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 as at the date of acquisition. It is recognized as an intangible asset and is carried at cost less impairment losses. Goodwill is not amortized, but is tested at least once a year for impairment. An impairment loss is recognized 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 capitalization criteria are met, software is recognized as an intangible asset. System software is capitalized and amortized at the same rate as hardware, i.e. over three years, from the moment the software is available for use. Standard software and customized software developed by a third party is capitalized and amortized 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 capitalized 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

All property and equipment is recognized 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. Impairments are recognized if the carrying value of the asset exceeds its recoverable value (i.e. the higher of the asset's value in use or net selling price). Amounts written down can be reversed through the income statement. When property or equipment is sold, the realized 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.

f Technical provisions

- Provision for unearned premiums and unexpired risks

For primary business, the provision for unearned premiums is in principle calculated on a daily basis, based on the gross premiums, net of commission.

For reinsurance business ceded and retrocession, the provision for unearned premiums is calculated for each contract separately, supplemented where necessary by the company's own past experience regarding the evolution of the risk over time.

The provision for unearned premiums for the life assurance business is recorded under the provision for the life assurance group of activities.

- Life assurance provision

Except for unit-linked life insurance products, this provision is calculated according to current actuarial principles, whereby account is taken of provisions for unearned premiums, the ageing reserves, provisions for annuities payable but not yet due, etc.

In principle, this provision is calculated separately for every insurance contract.

For accepted business, a provision is constituted for each individual contract, based on the information supplied by the ceding party and supplemented, where necessary, by the company's own past experience.

Besides the rules set out below, an additional provision is set aside as required by law.

The following rules apply:

- Valuation according to the prospective method
This method is used for traditional non-unit-linked life insurance, modern universal life insurance policies offering a guaranteed rate of interest on future premium payments, as well as for the provision for extra-legal benefits for employees regarding annuities in force. Calculations according to prospective actuarial formulas are based on the technical assumptions made in the contracts.
- Valuation according to the retrospective method
This method is used to calculate provisions for the modern (universal life) insurance policies not offering a guaranteed rate of interest on future premiums, as well as for the provision for extra-legal benefits for employees regarding new, supplementary payments. Calculations according to retrospective actuarial formulas are based on the technical assumptions made in the contracts, though no account is taken of future payments.
- Provision for unit-linked life assurance (class 23)
The technical provisions for unit-linked life assurance are computed by multiplying the number of units by the value per unit of the fund in question.
- Provision for claims outstanding
For claims reported, the provision is in principle measured separately in each case, taking into account the known facts in the claims file, on the basis of the amounts still due to the injured parties or beneficiaries, plus external claims-handling expenses. Where benefits have to be paid in the form of an annuity, the amounts to be set aside for that purpose are calculated using recognized actuarial methods.
For 'claims incurred but not yet reported' by the balance sheet date, an IBNR (Incurred But Not Reported) provision is calculated on a fixed basis for each class of insurance and based on past claims experience and the development of the portfolio.
For 'claims incurred but not enough reserved' by the balance sheet date, an IBNER (Incurred But

Not Enough Reserved) provision is calculated based on a fixed amount. If claim files are closed, this may result in a liability for which an additional provision will be set aside (not directly related to an individual claim).

A provision for internal claims-handling costs is calculated at a percentage that is based on past experience.

In addition, additional provisions are constituted as required by law, such as supplementary workmen's compensation provisions.

- Provision for bonuses and rebates
This heading includes the provision for profit bonuses that have been allocated but not yet awarded at the end of the financial year for both the group of life insurance activities and the group of non-life insurance activities.
- Liability adequacy test
A liability adequacy test is performed to evaluate the current liabilities, detect possible deficiencies and recognize them as profit or loss.
- Ceded reinsurance and retrocession
The effect of reinsurance business ceded and retrocession is entered as an asset and calculated for each contract separately, supplemented where necessary by the company's own past experience regarding the evolution of the risk over time.

g Insurance contracts measured in accordance with IFRS4 – phase 1

Deposit accounting rules apply to financial instruments that do not include a discretionary participation feature, and to the deposit component of unit-linked insurance contracts. This means that the deposit component and insurance component are measured separately. Through deposit accounting, the portion of the premiums relating to the deposit component is not taken to the income statement, nor is the resulting increase in the carrying amount of the liability. Management fees and commissions are recognized immediately in the income statement. When the value of unit-linked investments fluctuates subsequently, both the change on the asset side and the resulting change on the liabilities side are taken to the income statement immediately. The settlements relating to the deposit component are not recorded in the income statement, but will result in a decrease in the carrying amount of the liability.

Financial instruments with a discretionary participation feature and the insurance component of unit-linked contracts are treated as non-unit-linked insurance contracts (see f Technical provisions (excluding unit-linked life insurance)), and are not unbundled into a deposit component and an insurance component. On the balance sheet date, the liabilities resulting from these financial instruments or insurance contracts are tested to see if they are adequate, according to the liability adequacy test. If the carrying amount of these liabilities is lower than their estimated future discounted cash flows, the deficiency will be recognized in the income statement against an increase in the liability.

h 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 IAS19, based on the Projected Unit Credit Method, with each period of service granting additional entitlement to pension benefits.

Actuarial gains and losses are recognized according to the so-called '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 recognized as income or expense, spread over a period of five years.

i 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 recognized 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 realization of the assets or settlement of the liabilities to which they relate. Deferred tax assets are recognized 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 utilized.

j Provisions

Provisions are recognized in the balance sheet:

- if an obligation exists on the balance sheet date that stems from a past event, and
- payment is more likely than not, and
- if the amount of the obligation can be estimated reliably.

k 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 IAS32 rules.

- Bonds redeemable in KBC Group shares (MCB 98-08) are classified as equity instruments.
- The acquisition cost of KBC Group treasury shares is deducted from equity. On the sale, issuance or cancellation of treasury shares, gains or losses are directly reported in equity.

- Transactions in derivative financial instruments on KBC treasury shares are likewise reported in equity, save in the event of net cash settlement.
- Written stock options on treasury shares subject to IFRS2 are measured at fair value on the grant date. This fair value is recognized 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 IFRS2.

- 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.

3 Reconciliation of Belgian GAAP - IFRS

EUR m

A: Reconciliation BGAAP - IFRS excluding IAS32/39 and IFRS4

Below, the net profit (1Q 2004 and FY 2004) and equity (opening balance as at 01-01-2004, 31-03-2004 and 31-12-2004) figure under IFRS (excluding IAS32/39 and IFRS4) is reconciled with the comparable figure under Belgian GAAP.

Profit		1Q 2004 PRO FORMA	FY 2004 PRO FORMA
Profit - group share according to Belgian GAAP		420	1 682
Depreciation of goodwill		22	89
Employee benefits		-21	-35
Tangible - Intangible fixed assets		6	3
Provisions for risks and charges		-56	-97
Leasing		0	0
Deferred taxes		19	2
Other		-14	-30
Profit - group share according to IFRS (excl. IAS 32/39 and IFRS4)		376	1 615
Parent shareholders' equity			
	01-01-2004 PRO FORMA	31-03-2004 PRO FORMA	31-12-2004 PRO FORMA
Parent shareholders' equity according to Belgian GAAP	11 005	11 375	11 902
Employee benefits	-414	-435	-450
Tangible - Intangible fixed assets	78	84	81
Provisions for other risks and charges	111	55	14
Deferred taxes	7	26	11
Leasing	8	8	9
Goodwill	-9	13	80
Profit appropriation	458	0	674
Other	15	13	7
Parent shareholders' equity according to IFRS (excl. IAS 32/39 and IFRS4)	11 259	11 139	12 328

B: Reconciliation IFRS excluding IAS32/39 and IFRS4 - IFRS including IAS32/39 and IFRS 4

Below, the equity figure (as at 31-12-2004) under IFRS excluding IAS32/39 and IFRS4 is reconciled with the comparable figure under IFRS including IAS32/39 and IFRS4. Furthermore, for a selection of balance sheet items, figures excluding and including IAS32/39 and IFRS4 adjustments are provided.

Parent shareholders' equity			31-12-2004 PRO FORMA
Parent Shareholders' equity according to IFRS, excl. IAS32/39 and IFRS4			12 328
Treasury shares			-292
Allocation of mandatory convertible bonds to equity			185
Credit provisioning			-311
Effective yield (capitalisation of transaction costs)			-11
Impairment on shares (insurance business)			-139
Other fair valuing of financial instruments			1 508
IFRS 4 (mainly equalization reserve)			186
Deferred tax			-277
Minority interest on items above			-41
Parent shareholders' equity according to IFRS			13 136
Selected balance sheet items			
	31-12-2004 PRO FORMA excluding IAS32/39 and IFRS4	31-12-2004 PRO FORMA including IAS32/39 and IFRS4	explanation of main difference (ref. to text below)
Loans and advances to customers	111 177	110 692	j
Securities	98 862	100 578	h, l
Derivative financial instruments (assets)	15 376	17 324	l
Derivative financial instruments (liabilities)	17 728	20 524	l
Gross technical provisions	13 259	13 068	m
Parent shareholders' equity	12 328	13 136	see above

A summary is provided below of the main differences in accounting and valuation principles between the IFRS and Belgian GAAP.

Main differences between IFRS and Belgian GAAP (excluding IAS32, IAS39 and IFRS4)

- a Amortization of goodwill
Goodwill cannot be amortized under IFRS 3. An impairment test has to be performed annually, even if there is no indication of impairment. Under the Belgian GAAP, goodwill is amortized. An impairment loss is recognized if there is any lasting impairment.
- b Employee Benefits
Obligations under defined benefit plans are calculated using the projected-unit-credit method. The calculation takes into account different assumptions concerning inflation, increases in pay and pensions, etc. Future cash outflows are discounted using the long-term interest rate. Any excess or deficit pension obligations have to be recognized on the balance sheet. Belgian GAAP does not lay down detailed rules about calculating long-term pension commitments. Excess or deficit pension obligations are not recognized on the balance sheet.
- c Tangible – intangible fixed assets
Intangible assets (such as software) developed in-house should be recognized as assets if it is probable that the future economic benefits that are attributable to the assets will flow to the enterprise and if the cost of the assets can be measured reliably. Internal software development costs are capitalized under IFRS, whereas they are recorded as a cost under Belgian GAAP.
- d Provisions for risks and charges
Provisions can only be recognized pursuant to IAS37 when an enterprise has a present obligation as a result of 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.
Belgian GAAP rules do not require a present obligation to recognize provisions: they can be recognized to cover clearly defined future losses or costs that are probable or certain at balance sheet date but the amount of which cannot be determined exactly. Therefore, certain provisions recognized under Belgian GAAP cannot be maintained under IFRS.
- e Leasing
As in the Belgian GAAP, IAS17 makes a distinction between finance leases and operating leases. A lease is considered to be a finance lease for IFRS purposes, if it transfers substantially all the risks and rewards relating to the underlying asset to the lessee. All other leases are considered as operating leases. Given the broader criteria under IAS17 for considering a lease to be a finance lease, many of the leases currently recognized as operating leases will be reclassified as finance leases. Operating leases are presented

as rentals in the financial statements, while finance leases are treated as loans.

f Deferred taxes

IAS12 requires recognition of all deferred tax liabilities due to taxable temporary differences. Deferred tax assets can be recognized for the carryforward of unused tax losses and unused tax credits if it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Under Belgian GAAP, deferred tax assets and liabilities can be booked under specific circumstances.

g Other changes

A significant change relates to the scope of consolidation: all entities controlled by KBC or in which KBC has significant influence should be included in the scope of consolidation pursuant to IAS27, IAS28 and SIC12 (when they exceed the materiality limits). Therefore, special purpose entities, certain venture capital companies and certain investment property companies should be included in the scope of consolidation. Under Belgian GAAP, special purpose entities or entities to be sold in the future are not included in the scope of consolidation.

Another significant change relates to profit appropriation: under IFRS, equity is presented before profit appropriation, whereas under Belgian GAAP, equity is presented after profit appropriation.

Main differences between IFRS and Belgian GAAP, where IAS32, IAS39 and IFRS4 are concerned

h Treasury shares

Treasury shares have to be deducted from equity under IFRS. Treasury share derivatives have to be reported in equity as well. Treasury shares are classified as either trading assets or investments under Belgian GAAP depending on the enterprise's intention at acquisition. Any results from treasury shares are reported directly in equity under IFRS instead of in net profit or loss for the financial year.

i Allocation of mandatorily convertible bonds to equity

IAS32 requires a clear distinction to be made between equity instruments and debt instruments on the basis of several criteria. Certain financial instruments that are considered to be debt instruments under Belgian GAAP (such as mandatorily convertible bonds) are classified as equity instruments under IFRS. Any results from these financial instruments are reported directly in equity instead of net profit or loss for the financial year.

j Credit provisioning

Specific as well as portfolio-based provisions can be recognized under IAS39 if there is any indication of impairment at the balance-sheet date. Any indications of impairment have to be assessed on an individual basis for all significant loans. Loans for which there is no indication of

impairment on an individual level have to be included in a portfolio of loans with similar risk characteristics and impairment then has to be assessed on a portfolio basis.

A specific loan loss provision has to be calculated as the difference between a loan's carrying value and its recoverable amount (i.e. the present value of estimated future cash flows). Under Belgian GAAP, no discount factor is taken into account to calculate specific loan loss provisions. Furthermore, Belgian GAAP does not require portfolio-based provisions to be recognized on the same basis as IAS39.

k Effective yield

When calculating the amortized cost of financial instruments, the effective interest method must be applied under IFRS. The effective interest rate is the rate that exactly discounts the expected stream of future cash payments through maturity or the next market-based repricing date to the current net carrying amount of the financial asset or financial liability. That computation should include all fees, transaction costs and points paid or received between parties to the contract. The main difference with Belgian GAAP is the fact that commissions paid to brokers for the distribution of financial instruments are included in the effective yield under IFRS and taken directly to profit and loss under Belgian GAAP.

l Fair value of financial instruments

Fixed-income securities – investment portfolio

IAS39 makes a distinction between held-to-maturity (HTM) investments and available-for-sale (AFS) investments. Furthermore, under IAS39, any financial asset can be designated as being at 'fair value through profit or loss' (FIFV). HTM investments are measured at amortized cost. AFS and FIFV investments are measured at fair value. Fair value changes in AFS investments are reported in equity until the disposal or impairment of the investments, in which case the cumulative revaluation result will be reported in net profit or loss. Fair value changes in FIFV investments are reported in net profit or loss.

Under Belgian GAAP, no such distinction exists in the investment portfolio. Fixed-income investments in the investment portfolio are measured at amortized cost.

Shares – investment portfolio

Shares in the investment portfolio can be designated as being at fair value through profit or

loss (FIFV) or available-for-sale (AFS) investments and both are measured at fair value. Unrealized gains or losses on AFS shares are reported in equity until the disposal or impairment of the shares, in which case the cumulative revaluation result will be reported in net profit or loss for the financial year. Unrealized gains or losses on FIFV shares are reported in net profit or loss for the financial year.

Under Belgian GAAP, shares in the banking investment portfolio are measured at cost unless their market value at balance sheet date is lower, in which case they are measured at market value (LoCoM principle). Shares in the insurance investment portfolio are reported at cost. Impairment losses are recognized on the basis of specific impairment rules. The impairment rules used for Belgian GAAP reporting differ significantly from the impairment rules under IAS39.

Derivatives not held for trading purposes

IAS39 presumes that all derivatives are trading derivatives unless they are designated and effective hedging instruments. IAS39 requires hedging derivatives to be measured at fair value. Resulting fair value changes have to be reported in net profit or loss for fair value hedges or in equity for cash flow hedges.

Under Belgian GAAP, these derivatives are measured at cost.

m IFRS 4

Equalization reserves: IFRS 4 prohibits provisions for possible claims under contracts that are not in existence at the reporting date (such as the equalization reserve), which are allowed under Belgian GAAP.

IFRS 4 makes a distinction between insurance contracts and investment contracts with DPF (Discretionary Participation Feature) and without DPF, whereas Belgian GAAP does not. Insurance contracts and investment contracts with DPF will continue to be recognized according to Belgian GAAP rules. However, investment contracts without DPF are measured using deposit accounting rules under IFRS32 and IFRS39. See 'Valuation rules'.

Liability adequacy test: in addition to Belgian GAAP, the adequacy of debts regarding insurance contracts or investment contracts with DPF have to be measured using the liability adequacy test. Any deficit needs to be recognized immediately in profit and loss.

4a Segment reporting by business segment

For a definition of each business segment, please see 'Results per business segment'.

EUR m	Banking	Insurance	Asset Mana- gement	KBL European Private Bankers	Gevaert	Holding Company Activities	Inter- segment elimina- tions	KBC Group
INCOME STATEMENT 1Q 2004 (PRO FORMA)								
Net interest income	836	102	0	72	- 5	- 14	2	995
Gross earned premium	0	1 275	0	0	0	0	0	1 275
Dividend income	13	5	3	1	0	2	0	25
Net gains from financial instruments at fair value	220	2	0	1	1	0	0	224
Net realised gains from available-for-sale assets	116	64	0	12	1	0	0	193
Net fee and commission income	274	- 89	76	97	0	0	0	357
Net post-tax income from discontinued operations	0	0	0	0	0	0	0	0
Other income	52	17	0	5	34	117	- 120	106
GROSS INCOME	1 511	1 377	81	187	32	105	- 118	3 175
Operating expenses	- 989	- 124	- 13	- 122	- 21	- 117	118	- 1 269
Impairment	- 39	- 128	2	13	0	0	0	- 152
on loans and receivables	- 42	- 1	0	10	0	0	0	- 33
on available-for-sale assets	3	- 127	2	4	0	0	0	- 119
on goodwill	0	0	0	0	0	0	0	0
on other	0	0	0	0	0	0	0	0
Gross technical charges	0	- 1 169	0	0	0	0	0	- 1 169
Ceded reinsurance result	0	- 5	0	0	0	0	0	- 5
Share in results of associated companies	10	3	0	0	7	0	0	20
PROFIT BEFORE TAX	493	- 45	70	78	18	- 13	0	602
Income tax expense	- 117	- 11	- 19	- 22	0	0	0	- 170
PROFIT AFTER TAX	376	- 56	51	56	17	- 13	0	432
Minority interests	- 44	1	0	- 13	0	0	0	- 55
NET PROFIT - GROUP SHARE	332	- 55	51	43	17	- 12	0	376
INCOME STATEMENT 1Q 2005								
Net interest income	898	131	0	38	- 2	- 16	0	1 048
Gross earned premium	0	729	0	0	0	0	0	729
Dividend income	19	10	2	2	1	0	0	34
Net gains from financial instruments at fair value	71	- 5	4	45	20	0	0	133
Net realised gains from available-for-sale assets	56	106	0	2	4	0	0	168
Net fee and commission income	321	- 81	88	100	0	- 2	3	429
Net post-tax income from discontinued operations	0	0	0	0	0	0	0	0
Other income	149	19	0	24	23	105	- 106	215
GROSS INCOME	1 513	907	94	211	46	88	- 103	2 756
Operating expenses	- 807	- 123	- 15	- 134	- 20	- 108	103	- 1 104
Impairment	2	- 16	0	- 1	0	0	0	- 15
on loans and receivables	4	- 1	0	1	0	0	0	3
on available-for-sale assets	- 2	- 14	0	0	0	0	0	- 16
on goodwill	0	- 1	0	- 1	0	0	0	- 2
on other	0	0	0	0	0	0	0	0
Gross technical charges	0	- 612	0	0	0	0	0	- 612
Ceded reinsurance result	0	- 17	0	0	0	0	0	- 17
Share in results of associated companies	12	0	0	1	8	0	0	21
PROFIT BEFORE TAX	720	140	79	77	33	- 20	0	1 030
Income tax expense	- 196	- 18	- 21	- 21	- 2	2	0	- 256
PROFIT AFTER TAX	524	122	58	56	32	- 18	0	773
Minority interests	- 54	0	0	- 3	0	0	0	- 57
NET PROFIT - GROUP SHARE	470	122	58	53	32	- 18	0	717
BALANCE SHEET 31-12-2004								
Total assets	231 126	19 562	623	31 713	1 551	588		285 163
Total liabilities	220 975	17 887	88	30 607	252	1 255		271 064
BALANCE SHEET 31-03-2005								
Total assets	241 216	21 055	696	31 116	1 423	702		296 208
Total liabilities	230 006	18 560	121	30 081	261	2 234		281 262

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

4b Segment reporting by geographic segment

The geographic segmentation is based on the location where the services are rendered. In other words, for the balance sheet, the location of the branch or subsidiary determines in which segment it is included. Since at least 95% of the customers are local customers, this principle is also observed in the geographical segmentation of the income statement.

More detailed geographic segmentation figures for balance sheet items are provided in the various notes to the balance sheet. These breakdowns are based on the geographic location of the counterparty.

EUR m	Belgium	Central Europe	Rest of the world	Inter-segment eliminations	KBC Group
1Q 2004 (PRO FORMA)					
Gross income	2 002	554	619	0	3 175
31/12/2004 (PRO FORMA)					
Total assets	168 028	30 043	87 092	0	285 163
Total liabilities	153 802	29 199	88 063	0	271 064
1Q 2005					
Gross income	1 497	731	528	0	2 756
31/03/2005					
Total assets	176 255	32 716	87 237	0	296 208
Total liabilities	161 413	31 549	88 300	0	281 262

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

5 Technical accounts, insurance

The technical accounts as presented below differ from the presentation of the consolidated income statement of the KBC Group. The main differences are:

- a breakdown is provided in insurance contracts (Life versus Non-Life), investment contracts (with DPF versus without DPF) and the non-technical account.
- technical charges include the internal cost of handling non-life claims
- the investment income and charges include the internal cost of investment. In the group income

statement, the investment income is broken down into the various P/L lines (net interest income, dividend income, net gains from financial instruments at fair value, net realised gains from available-for-sale assets, net fee and commission income and other income).

Note: IFRS4 is only applied for the current period figures, which explains why no figures regarding 'Investment contracts' are given for the reference period.

EUR m	Insurance contracts			Investment contracts		Non-technical account	TOTAL
	Life	Non-life	Total	with DPF (Life)	without DPF (Life)		
1Q 2004 (PRO FORMA)							
Gross earned premiums	879	396	1 275	-	-	0	1 275
Gross technical charges	- 981	- 287	- 1 268	-	-	0	- 1 268
Gross claims paid	- 367	- 207	- 573	-	-	0	- 573
Gross provision for claims outstanding	- 2	- 64	- 66	-	-	0	- 66
Bonuses and rebates	13	0	13	-	-	0	13
Other technical provisions	- 627	- 6	- 633	-	-	0	- 633
Other technical income and charges	1	- 10	- 10	-	-	0	- 10
Investment income and charges	149	- 8	141	-	-	- 16	126
Investment income	0	0	0	-	-	199	199
Value adjustments	80	0	80	-	-	- 133	- 53
Investment charges	0	0	0	-	-	- 17	- 17
Other income and charges (non-technical)	0	0	0	-	-	- 3	- 3
Allocation to the technical accounts	70	- 8	62	-	-	- 62	0
General administrative expenses	- 46	- 130	- 176	-	-	0	- 176
Net acquisition costs	- 36	- 101	- 137	-	-	0	- 137
Administrative expenses	- 10	- 29	- 39	-	-	0	- 39
Impairment of goodwill	0	0	0	-	-	0	0
Share in results of associated companies	0	0	0	-	-	3	3
Ceded reinsurance result	- 1	- 4	- 5	-	-	0	- 5
Technical charges	0	20	20	-	-	0	20
Fee and commission expense	0	5	5	-	-	0	5
Interest expense deposits from reinsurers	0	0	0	-	-	0	0
Earned premiums	- 1	- 29	- 30	-	-	0	- 30
PROFIT BEFORE TAX	0	- 33	- 33	-	-	- 12	- 45
1Q 2005							
Gross earned premiums	136	415	550	179	0	0	729
Gross technical charges	- 136	- 270	- 406	- 229	- 35	0	- 670
Gross claims paid	- 130	- 200	- 329	- 54	0	0	- 383
Gross provision for claims outstanding	14	- 60	- 46	15	0	0	- 31
Bonuses and rebates	3	0	2	14	0	0	16
Other technical provisions	- 22	- 4	- 26	- 203	- 50	0	- 279
Other technical income and charges	0	- 7	- 7	0	15	0	8
Investment income and charges	57	44	101	42	51	90	284
Investment income	0	0	0	0	0	277	277
Value adjustments	0	0	0	0	51	0	51
Investment charges	0	0	0	0	0	- 48	- 48
Other income and charges (non-technical)	0	0	0	0	0	3	3
Allocation to the technical accounts	57	44	101	42	0	- 143	0
General administrative expenses	- 31	- 133	- 164	- 10	- 11	0	- 185
Net acquisition costs	- 22	- 94	- 116	- 6	- 9	0	- 131
Administrative expenses	- 9	- 39	- 48	- 4	- 2	0	- 54
Impairment of goodwill	0	0	0	0	0	- 1	- 1
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	0	- 16	- 16	0	0	0	- 17
Technical charges	1	6	7	0	0	0	7
Fee and commission expense	0	5	5	0	0	0	5
Interest expense deposits from reinsurers	0	0	0	0	0	- 1	- 1
Earned premiums	- 2	- 27	- 28	0	0	0	- 28
PROFIT BEFORE TAX	25	39	65	- 19	6	89	140

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

6 Operating expenses

Operating expenses include the staff costs, the depreciation and amortization on fixed assets, the changes in the provisions for risks and charges and the general administrative expenses. The latter

include, among other things, repair and maintenance expenses, publicity expenses, rent, professional fees, various (non-income) taxes and utilities.

EUR m	1Q 2004 PRO FORMA	1Q 2005
Total	- 1 269	- 1 104
Staff expenses	- 720	- 636
General administrative expenses	- 400	- 380
Depreciation and amortization of fixed assets	- 95	- 94
Provisions for risks and charges	- 53	6

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

7 Classification of financial instruments

Financial instruments are classified into a number of categories.

Assets are grouped into the following portfolios: loans and receivables (L&R), held-to-maturity (HTM), available-for-sale (AFS), held-for-trading (HFT) and 'other financial instruments at fair value' (FIFV).

Liabilities are classified as follows: held-for-trading (Trading), 'other financial instruments at fair value' (FIFV) and other liabilities (Funding).

As IAS32/39 and IFRS4 have only been applied from 1 January 2005, no reference figures have been provided regarding the breakdown of financial instruments into the various portfolios.

Fair value: when available, published price quotations (from dealers, brokers, industry groups, pricing services or regulatory agencies) in well established active markets are used to determine the fair value of financial assets or financial liabilities. Otherwise, fair value will be obtained :

- by reference to recent 'at arm's length' market transactions between knowledgeable, willing parties.
- by using a valuation technique (discounted cash flow analysis and option pricing techniques). The valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies used for pricing financial instruments.
- by using the European Venture Capital Association (EVCA) rules for private equity.

Note:

- Market value adjustments are recognized on all positions that are measured at fair value, with fair value changes being reported in net profit or loss, to cover close-out costs, adjustments for less liquid positions or markets, mark-to-model linked valuation adjustments, counterparty exposures, liquidity management and operations-related costs.

EUR m

ASSETS	L&R	HTM	AFS	HFT (*)	FIFV	Total
31-12-2004 PRO FORMA						
Cash and balances with central banks	-	-	-	-	-	1 553
Treasury bills and other bills eligible for rediscounting with central banks	-	-	-	-	-	8 078
Loans and advances to banks	-	-	-	-	-	38 463
Loans and advances to customers	-	-	-	-	-	111 177
Fixed-income securities	-	-	-	-	-	79 275
Equity instruments	-	-	-	-	-	19 587
Derivative financial instruments	-	-	-	-	-	15 376
31-03-2005						
Cash and balances with central banks	1 587	0	0	0	0	1 587
Treasury bills and other bills eligible for rediscounting with central banks	71	119	5 454	996	892	7 532
Loans and advances to banks	23 952	18	108	6 239	13 672	43 989
Loans and advances to customers	95 388	0	0	4 301	8 733	108 422
Fixed-income securities	1 436	9 423	32 126	20 040	20 593	83 618
Equity instruments	0	0	5 185	14 627	4 417	24 229
Derivative financial instruments	0	0	0	16 209	0	16 209
LIABILITIES	Funding	Trading (*)	FIFV			Total
31-12-2004 PRO FORMA						
Deposits from banks	-	-	-	-	-	55 083
Deposits from customers and debt securities	-	-	-	-	-	157 712
Derivative financial instruments	-	-	-	-	-	17 728
Liabilities under Investment contracts	-	-	-	-	-	3 931
31-03-2005						
Deposits from banks	50 471	3 660	0	0	0	54 132
Deposits from customers and debt securities	154 959	11 515	0	0	0	166 474
Derivative financial instruments	0	20 366	0	0	0	20 366
Liabilities under Investment contracts	0	0	0	0	4 195	4 195

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

(*) Trading as well as hedging derivatives are classified as trading.

8 Loans and advances to customers

EUR m	31-12-2004 PRO FORMA	31-03-2005
Total	111 177	108 421
Geographic breakdown	111 177	108 421
Belgium	50 999	51 862
Central Europe	14 253	14 233
Rest of the World	45 925	42 327
Breakdown by type of credit	111 177	108 421
Discount and acceptance credit	359	344
Consumer credit	1 642	1 487
Mortgage loans	27 839	29 047
Term loans	65 081	59 318
Finance leasing	5 307	5 522
Current account advances	5 924	7 224
Advances on life assurance contracts	9	9
Other (including impairments)	5 015	5 470
of which: securitized	1 057	1 036
of which: repos	17 511	12 002
Quality		
Gross amount outstanding	113 860	111 381
Impairment for losses on loans and advances	- 2 683	- 2 960
Net amount outstanding	111 177	108 421

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

9 Impairment for loan losses

Information on loan loss ratios, non-performing loans (impaired loans for which principal repayments or interest payments are more than 90 days in arrears) and coverage of these non-performing loans by loan

loss impairments is provided in the 'Risk Management' section (this section is not part of the audited financial accounts).

EUR m	31-12-2004 PRO FORMA	31-03-2005
Total	2 786	3 039
Breakdown by type	2 786	3 039
Specific impairment, on-balance-sheet lending	2 529	2 645
Specific impairment, off-balance-sheet credit commitments	88	61
Portfolio-based impairments (in 2004: provision for international credits and provision for country risks).	169	333
Breakdown by counterpart	2 786	3 039
Impairment for loans and advances to banks	15	11
Impairment for loans and advances to customers	2 683	2 960
Off-balance-sheet credit commitments	88	68
Geographic breakdown	2 786	3 039
Belgium	937	1 142
Central Europe	1 052	1 085
Rest of the world	797	813

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

10 Securities

Securities can be classified as loans and receivables, held-to-maturity (HTM), available-for-sale (AFS), held-for-trading (HFT) or 'other financial

instruments at fair value' (FIFV). Securities classified as AFS, HFT and FIFV are measured at fair value. HTM securities are measured at amortized cost.

EUR m	31-12-2004 PRO FORMA	31-03-2005
Total	98 862	107 847
Geographic breakdown	98 862	107 847
Belgium	36 323	36 312
Central Europe	10 010	10 299
Rest of the World	52 530	61 236
Breakdown by type and counterpart	98 862	107 847
Fixed-income securities	78 797	83 618
Government bonds	42 421	52 476
Credit institutions	13 394	15 170
Other	22 983	15 972
Equity instruments	20 065	24 229
Shares	16 133	20 019
Investment contracts	3 931	4 210
Breakdown by portfolio	98 862	107 847
Fixed-income securities	78 797	83 618
Loans and receivables	-	1 436
Held-to-maturity	-	9 423
Available-for-sale	-	32 126
Held-for-trading	-	20 040
Other financial instruments at fair value	-	20 593
Equity instruments	20 065	24 229
Available-for-sale	-	5 185
Held-for-trading	-	14 627
Other financial instruments at fair value	-	4 417

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

11 Derivative financial instruments

Nearly all derivatives are designated as trading derivatives, as the Group does not apply hedge accounting on a large scale. Volatility is controlled

mainly by designating certain financial assets as other financial instruments at fair value (FIFV).

EUR m	31-12-2004 Notional amounts PRO FORMA	31-03-2005 Notional amounts
Interest rate contracts	648 543	667 141
Interest rate swaps	510 832	488 481
Forward rate agreements	22 174	30 404
Futures	31 997	49 061
Options	83 541	99 196
Foreign exchange contracts	117 731	134 974
Forward foreign exchange operations/Currency forwards	77 420	87 337
Currency and interest rate swaps	27 646	30 652
Futures	13	0
Options	12 652	16 984
Equity contracts	102 244	127 882
Forwards	0	0
Futures	0	47
Options	102 244	127 835

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

12 Deposits from customers and debt securities

EUR m	31-12-2004 PRO FORMA	31-03-2005
Total	157 712	166 474
Geographic breakdown	157 712	166 474
Belgium	69 404	68 488
Central Europe	22 948	25 346
Rest of the World	65 360	72 640
Breakdown by type	157 712	166 474
Demand deposits	29 700	33 250
Time deposits	47 218	45 562
Savings deposits	29 244	30 174
Special deposits	3 707	3 804
Other deposits	17 350	21 824
Savings certificates	4 700	4 349
Bonds	9 259	9 781
Certificates of deposit	16 535	17 730
of which repos	11 594	14 077

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

13 Gross technical provisions

Technical provisions relate to insurance contracts and investment contracts with DPF (Discretionary Participation Feature). Liabilities under investment

contracts without DPF have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts.

EUR m	31-12-2004 PRO FORMA	31-03-2005
Gross technical provisions	13 259	13 383
Insurance contracts	13 259	7 709
Provisions for unearned premiums and unexpired risk	437	533
Life assurance provision	9 563	4 027
Provision for claims outstanding	2 912	2 981
Provision for bonuses and rebates	44	17
Provision for equalization	191	0
Other technical provisions	112	150
Investment contracts with DPF	-	5 674
Life assurance provision	-	5 663
Provision for claims outstanding	-	10
Provision for bonuses and rebates	-	0
Reinsurers' share	258	272
Insurance contracts	258	272
Provisions for unearned premiums and unexpired risk	23	36
Life assurance provision	7	7
Provision for claims outstanding	227	228
Provision for bonuses and rebates	0	0
Other technical provisions	1	0
Investment contracts with DPF	-	0
Life assurance provision	-	0
Provision for claims outstanding	-	0
Provision for bonuses and rebates	-	0

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

14 Liabilities under investment contracts

For comments, see Note 13.

EUR m	31-12-2004 PRO FORMA	31-03-2005
Total	3 931	4 195
Unit-linked	3 931	3 886
Insurance bond without death rider	0	289
Other	0	20

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

15 Parent shareholders' equity

The share capital of KBC Group consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs – see 'other equity instruments' in the table).

As at 31 March 2005, there were 366 426 420 ordinary shares in circulation.

All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. The shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. The par value per ordinary share (issued and paid up share capital per ordinary share) amounted to approx. 3.37 euros at 31 March 2005. There are no shares issued that have not been fully paid. There are no other restrictions attaching to the shares.

As to the authorized shares, the authorization to increase capital may be exercised until 17 June 2009 for an amount of 199 728 026 euros (which, based on the accounting par value of the shares as at the end of March 2005, may lead to the issue of maximum 59 266 476 new shares).

As at 31 March 2005, KBC Group companies held 12 561 735 KBC Group shares (12 106 093 excluding the shares held in the trading book of KBC Securities and KBC Financial Products), a large number of which (4 787 674) are held to meet

requirements under the various employee stock option plans.

As at 31 March 2005, there were 2 645 149 1998-2008 MCBs in circulation (for a nominal amount of 185 920 126 euros, with a maturity date of 30 November 2008 and with a base rate of 3.5% (as of 2000 related to the evolution of the dividend of the KBC-share)), which had not yet been converted into ordinary shares.

Holder of these MCBs are entitled, until 30 November 2008, to request that their MCBs be converted according to a ratio of one new KBC ordinary share for one MCB. MCBs which have not been contributed by their holders will be converted automatically into ordinary shares at maturity. MCBs only bear voting rights when converted into ordinary shares.

Note that the preferred redeemable trust securities (preference shares) are not included in parent shareholders' equity, but in minority interests. Freely convertible bonds are also not taken into account in parent shareholders' equity: as at 31-03-2005, the maximum number of new KBC-shares to be issued should all freely convertible bonds be converted on or before their maturity date (10 December 2005), is 5 228 700.

in number of shares	31-12-2004 PRO FORMA	31-03-2005
Total number of shares issued and fully paid up	369 071 569	369 071 569
Ordinary shares	366 423 447	366 426 420
Other equity instruments	2 648 122	2 645 149
of which those that entitle the holder to a dividend payment	368 932 807	369 071 569
of which treasury shares	9 744 683	12 561 735

16a Solvency, KBC Bank (consolidated)

The solvency ratio requirements are presented according to Belgian GAAP principles. On a statutory basis, KBC Bank group companies are subject to regulatory guidelines imposed locally by the supervisory authorities in the various countries. On a

consolidated (KBC Bank) level, KBC is subject to the guidelines imposed by the Belgian regulatory authority (Belgian Banking, Finance and Insurance Commission).

EUR m	31-12-2004	31-03-2005
Regulatory capital, KBC Bank (after profit appropriation)	12 523	12 529
Tier-1 capital	9 802	9 887
Capital and reserves (for 1Q05: excluding profit)	8 407	8 443
Revaluation reserve	- 8	- 8
Fund for General Banking Risks	0	0
Formation expenses and intangible assets	- 111	- 108
Own shares	0	0
Goodwill on consolidation	- 445	- 437
Preference shares	1 470	1 483
Minority interests	488	512
Tier-2 capital	3 419	3 442
Revaluation reserve	8	8
Upper-Tier-2 instruments	1 248	1 270
Subordinated liabilities	2 164	2 164
Tier-3 capital	7	352
Items to be deducted	- 706	- 1 151
Total weighted risk volume	96 741	97 859
Credit risk, investment	87 471	88 383
Credit risk, trading	3 469	2 600
Interest rate risk, trading	4 030	5 195
Trading portfolio position in equities	1 280	1 166
Foreign exchange risk	490	515
Solvency ratios		
Tier-1 ratio	10.13%	10.10%
CAD ratio	12.95%	12.80%

16b Solvency, Kredietbank Luxembourgeoise (consolidated)

The solvency ratio requirements are presented according to Luxembourg GAAP principles. On a statutory basis, KBL group companies are subject to regulatory guidelines imposed locally by the supervisory authorities in the various countries. On a

consolidated (KBL) level, KBL is subject to the guidelines imposed by the Luxembourg regulatory authority (Commission de Surveillance du Secteur Financier).

EUR m	31-12-2004	31-03-2005
Regulatory capital, KBL (after profit appropriation)	1 276	1 288
Tier-1 capital	826	828
Capital and reserves (for 1Q05: excluding profit)	836	838
Revaluation reserve	0	0
Fund for General Banking Risks	2	2
Formation expenses and intangible assets	- 12	- 13
Own shares	- 3	0
Goodwill on consolidation	0	0
Preference shares	0	0
Minority interests	4	1
Tier-2 capital	435	436
Revaluation reserve	0	0
Upper-Tier-2 instruments	21	21
Subordinated liabilities	413	414
Tier-3 capital	23	33
Items to be deducted	- 8	- 9
Total weighted risk volume	9 027	9 749
Credit risk, investment	8 269	8 790
Credit risk, trading	250	237
Interest rate risk, trading	307	321
Trading portfolio position in equities	165	355
Foreign exchange risk	36	46
Solvency ratios		
Tier-1 ratio	9.15%	8.50%
CAD ratio	14.13%	13.22%

16c Solvency, KBC Insurance (consolidated)

On a statutory basis, KBC Insurance group companies are subject to various regulatory guidelines imposed by the supervisory authorities in the various countries. On a consolidated (KBC Insurance) level, KBC is subject to the guidelines imposed by the Belgian regulatory authority (Belgian Banking, Finance and Insurance Commission) for the year-end calculation, which is based on Belgian

GAAP principles. For the interim periods (hence starting with this report), however, KBC Insurance makes an own IFRS-based calculation that takes into account equity as defined by the IFRS (inter alia including the revaluation reserve for AFS investments, but excluding unrealized gains on the HTM portfolio and on property).

EUR m	01-01-2005	31-03-2005
Share capital	29	29
Share premium account	122	122
Reserves	2 627	2 755
Translation differences	20	25
Total group equity	2 798	2 930
Dividends payout, KBC insurance	- 156	- 61
Minority interests	64	65
Total capital and reserves	2 706	2 934
Subordinated debts	18	14
Total capital resources	2 723	2 948
Intangible fixed assets	- 204	- 195
Available capital	2 520	2 753
Non Life and industrial accident-legal lines	236	248
Annuities	7	7
Required solvency margin for the Non Life business	244	256
Branch 21	467	481
Branch 23	16	16
Required solvency margin for the Life business	482	497
Required solvency margin	726	752
Solvency ratio (%)	347.0%	365.9%
Solvency surplus (EUR m)	1 793	2 001

17 List of significant subsidiaries and associated companies

Company	Location of registered seat	Ownership percentage at KBC Group level	Activity
BANKING			
Fully consolidated subsidiaries			
Antwerpse Diamantbank NV	Antwerp - BE	100.00	Credit institution
CBC Banque SA	Brussels - BE	100.00	Credit institution
CENTEA NV	Antwerp - BE	99.56	Credit institution
CSOB a.s.	Prague - CZ	89.91	Credit institution
Fin-Force NV	Brussels - BE	95.01	Processing financial transactions
IIB Bank Ltd.	Dublin - IE	100.00	Credit institution
KBC Bank NV	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	Bremen - GE	99.74	Credit institution
KBC Bank Funding LLC & Trust (group)	New York - USA	100.00	Issuance of trust preferred securities
KBC Bank Nederland NV	Rotterdam - NL	100.00	Credit institution
KBC Clearing NV	Amsterdam - NL	100.00	Clearing
KBC Finance Ireland	Dublin - IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Stock exchange broker / corporate finance
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	100.00	Issuance of bonds
KBC Investco NV	Antwerp - BE	100.00	Private equity
KBC Lease NV (group)	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	London - UK	99.99	Stock exchange broker / corporate finance
KBC Securities NV	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Rt.	Budapest - HU	59.46	Credit institution
Kredyt Bank SA	Warsaw - PL	85.53	Credit institution
Patria Finance a.s.	Prague - CZ	100.00	Stock exchange broker / corporate finance
Proportionally consolidated subsidiaries			
International Factors NV	Brussels - BE	50.00	Factoring
Orbay NV	Utrecht - NL	49.00	Administration of securities transactions
Associated companies			
Bank Card Company NV	Budapest - HU	21.55	Credit cards
Banksys NV	Budapest - HU	20.55	Credit cards
Nova Ljubljanska banka d.d.	Ljubljana - SL	34.00	Credit institution
INSURANCE			
Fully consolidated subsidiaries			
ADD NV	Heverlee - BE	100.00	Insurance company
Argosz Insurance Corporation Ltd.	Budapest - HU	98.76	Insurance company
Assurisk SA	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	Pardubice - CZ	97.48	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	Bratislava - SK	87.29	Insurance company
Fidea NV	Antwerp - BE	100.00	Insurance company
K&H Életbiztosító Rt. (K&H Life)	Budapest - HU	79.73	Insurance company
KBC Verzekeringen NV	Heverlee - BE	100.00	Insurance company
Maatschappij voor Brandverzekering CV	Leuven - BE	90.55	Insurance company
Secura NV	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	Luxembourg - LU	100.00	Insurance company
VTB-VAB NV	Antwerp - BE	64.80	Car assistance
TUIR WARTA SA	Warsaw - PL	75.13	Insurance company
Proportionally consolidated subsidiaries			
NLB Vita d.d.	Ljubljana - SL	50.00	Insurance company
ASSET MANAGEMENT			
Fully consolidated subsidiaries			
KBC Asset Management NV	Brussels - BE	100.00	Asset Management
KBC Asset Management Ltd.	Dublin - IE	100.00	Asset Management

List continues on next page.

Continued

KBL EUROPEAN PRIVATE BANKERS			
Fully consolidated subsidiaries			
Banco Urquijo SA	Madrid - SP	96.45	Credit institution
Brown, Shipley & Co Ltd. (group)	London - UK	96.77	Credit institution
KBL Bank Ireland	Dublin - IE	96.77	Credit institution
Kredietbank SA Luxembourgeoise	Luxembourg - LU	96.77	Credit institution
Kredietbank (Suisse) SA, Genève (group)	Geneva - SW	96.77	Credit institution
Merck Finck & Co. (group)	München - GE	96.77	Credit institution
Puilaetco Private Bankers SA	Brussels - BE	96.77	Credit institution
Theodoor Gilissen Bankiers NV	Amsterdam - NL	96.77	Credit institution
GEVAERT			
Fully consolidated subsidiaries			
Almafin NV (group)	Brussels - BE	99.99	Financial services
Bofort NV (group)	Brussels - BE	100.00	Services
City Hotels NV	Brussels - BE	85.51	Hotel business
Gevaert NV (group)	Antwerpen - BE	100.00	Holding company
Associated companies			
Agfa-Gevaert NV	Mortsel - BE	27.02	Industrial company
HOLDING COMPANY ACTIVITIES			
Fully consolidated subsidiaries			
KBC Exploitation NV	Mechelen - BE	100.00	Cost sharing structure
KBC Groep NV	Brussels - BE	100.00	Holding
Kredietcorp SA	Luxembourg - LU	99.99	Issuance of bonds

18 Main changes in the scope of consolidation and equity accounting

Business segment	Company	Ownership percentage at KBC Group level		Comments
		1Q 2004	1Q 2005	
For income statement comparison		1Q 2004	1Q 2005	
ADDITIONS				
Banking	Orbay NV	-	49.00%	Joint venture with Rabobank
KBL European Private Bankers	Puillaetco Private Bankers SA	-	96.77%	consolidated from 1 July 2004 on
EXCLUSIONS				
Insurance	FBD Ltd.	19.30%	-	sold in 4Q 2004
Insurance	FBD Holdings PLC.	22.75%	-	sold in 1Q 2005
CHANGES IN OWNERSHIP PERCENTAGE				
Banking	Kredyt Bank SA	81.40%	85.53%	capital increase
Banking	Fin-Force NV	90.00%	95.01%	
Banking	KBC Clearing	94.90%	100.00%	
Insurance	CSOB Poist'ovna (Slovak Republic)	75.14%	87.29%	Purchase of CSOB Bank of 13,67% of shares of CSOB Pojist'ovna
For balance sheet comparison		31-12-2004	31-03-2005	
ADDITIONS				
No material additions				
EXCLUSIONS				
Insurance	FBD Holdings PLC.	22.75%	-	sold in 1Q 2005
CHANGES IN OWNERSHIP PERCENTAGE				
No material changes				

In the first quarter of 2005, FBD Holdings was sold, provoking a realized capital gain of 89 m euros. Apart from this, there were no changes in the scope

of consolidation with a material effect on the balance sheet and/or the income statement.

19 Settlement of Slovak Collection Unit litigation

The 'other income' item includes (for eq. 101 m euros), in the first quarter of 2005, a recuperation related to an unpaid loan to the Slovak Collection Unit (wholly controlled by the Ministry of Finance of the Slovak Republic). At the end of December 2004, the International Centre for the Settlement of Investment Disputes in Washington decided that the

Slovakian state had to repay the loan extended to the Slovak Collection Unit by CSOB in 1993. As there has been no appeal against this decision within the foreseen timeframe, the deal is now settled, with a positive effect (after taxes and minorities) of (eq.) 68 m euros on KBC's net profit.

ANNEX: RESULTS PER AREA OF ACTIVITY

AREA OF ACTIVITY REPORTING

In addition to the two IFRS segmentation formats, information is also provided in this report regarding KBC's 'areas of activity' (a reporting format based largely on a breakdown KBC has been using over the past few years). These areas of activity are: Retail and Private Bancassurance, Central Europe, Corporate Services, Market Activities, KBL European Private Bankers and Gevaert. This breakdown, which is not audited, has been added to ensure transparency and to provide a link with past reporting formats. It is not part of the mandatory IFRS segmentation formats.

The allocation of capital to the different areas of activity is based on regulatory requirements. However, since the group sets higher objectives than required by law, more equity (commensurate with a tier-1 ratio of 8% in the banking businesses and a solvency ratio of 200% in the insurance business) is allocated to the different areas of activity, too. As regard the banking businesses, the tier-1 capital consists of pure equity (85%) and preference shares (15%). For the insurance business the allocated capital consists of pure equity alone. In calculating ROAC, only pure equity is taken into account (in the denominator). Since 100% of the risk-weighted assets are consolidated in the banking businesses, the allocated capital also reflects 100% of these assets. Consequently, net profit including minority interests is used to calculate the ROAC for the various areas of activity. The same approach is taken for the insurance business. The Group item includes the yield on surplus equity, capital gains and value adjustments recorded on securities in the banking business (except for securities in the dealing rooms trading portfolios), results that cannot be meaningfully allocated to the various areas of activity, and debt-service charges on leveraging (funding of subsidiaries' equity capital with borrowings) by the holding company. The breakdown by primary IFRS segment within each area of activity is based on the statutory IFRS segmentation principles and does not reflect a breakdown by product (e.g. insurance: a portion of the

results obtained from insurance products is included under the banking business).

Compared to previous reports, a few aspects of the area-of-activity reporting methodology have been changed. The main changes are as follows:

- separate figures for the asset management area of activity will no longer be provided. Asset management is considered a product just like loans, deposits, etc. Most of the asset management products are distributed by the retail and private bancassurance area of activity and are therefore included in that area of activity.
- As a consequence of the merger between KBC and Almanij, two new areas of activity have been added: KBL European Private Bankers and Gevaert. This is a temporary situation that will be reviewed by no later than the first quarter of 2006.
- The basis for capital allocation has been changed from 7% Tier-1 to 8% Tier-1, in order to reflect the 8% Tier-1 target of the Group.
- Goodwill is no longer taken into account in the denominator of the ROAC calculation per area of activity as this better reflects operational performance (whereas the inclusion of goodwill provides a better reflection of the return on investment).

DETAILED TABLES

In the tables below, an overview of the area-of-activity reporting (for 1Q 2004 and 1Q 2005) and some comment is provided.

More detailed information is available on the KBC web site www.kbc.com.

Breakdown into areas of activity, 1Q 2004	Retail and private banc- assurance	Central Europe	Corporate services	Market activities	KBL European Private Bankers	Gevaert	Group item	Total
Banking and Asset Management								
Gross income	585	355	229	288	-	-	135	1 592
Operating expenses	-377	-239	-82	-149	-	-	-155	-1 002
Impairment	-7	3	-6	0	-	-	-28	-37
Share in results of associated companies	0	3	0	0	-	-	8	10
Income tax expense	-55	-33	-38	-51	-	-	41	-137
Minority interests	0	-19	0	0	-	-	-25	-44
Net profit - Group share	145	70	103	88	-	-	-23	383
Insurance								
Gross income	1 123	179	78	-	-	-	-3	1 377
Operating expenses	-78	-41	-7	-	-	-	1	-124
Impairment	-127	0	-1	-	-	-	0	-128
Gross technical charges insurance	-970	-130	-70	-	-	-	2	-1 169
Ceded reinsurance result	0	-17	9	-	-	-	3	-5
Share in results of associated companies	4	0	0	-	-	-	-1	3
Income tax expense	-10	3	-4	-	-	-	0	-11
Minority interests	-1	2	0	-	-	-	0	1
Net profit - Group share	-58	-5	5	-	-	-	3	-55
KBL European Private Banking								
Gross income	-	-	-	-	187	-	-	187
Operating expenses	-	-	-	-	-122	-	-	-122
Impairment	-	-	-	-	13	-	-	13
Share in results of associated companies	-	-	-	-	0	-	-	0
Income tax expense	-	-	-	-	-22	-	-	-22
Minority interests	-	-	-	-	-13	-	-	-13
Net profit - Group share	-	-	-	-	43	-	-	43
Gevaert								
Gross income	-	-	-	-	-	32	-	32
Operating expenses	-	-	-	-	-	-21	-	-21
Impairment	-	-	-	-	-	0	-	0
Share in results of associated companies	-	-	-	-	-	7	-	7
Income tax expense	-	-	-	-	-	0	-	0
Minority interests	-	-	-	-	-	0	-	0
Net profit - Group share	-	-	-	-	-	17	-	17
Holding Company Activities								
Net profit - Group share	-	-	-	-	-	-	-12	-12
Total								
Net profit - Group share	87	66	108	88	43	17	-33	376
Allocated equity	3 241	1 163	2 072	674	991	1 126	1 872	11 139
Share in Group equity	29%	10%	19%	6%	9%	10%	17%	100%
ROAC	11%	28%	21%	52%	23%	6%	-	13% *
Share in Group result	23%	17%	29%	23%	12%	5%	-9%	100%

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

* Adjusted ROE for the KBC Group.

Breakdown into areas of activity, 1Q 2005	Retail and private banc- assurance	Central Europe	Corporate services	Market activities	KBL European Private Bankers	Gevaert	Group item	Total
Banking and Asset Management								
Gross income	659	522	258	207	-	-	-39	1 608
Operating expenses	-371	-253	-94	-93	-	-	-11	-822
Impairment	12	-5	2	0	-	-	-7	2
Share in results of associated companies	0	1	0	0	-	-	10	12
Income tax expense	-87	-59	-44	-40	-	-	13	-218
Minority interests	0	-25	0	0	-	-	-29	-54
Net profit - Group share	213	181	123	75	-	-	-63	528
Insurance								
Gross income	618	203	79	-	-	-	7	907
Operating expenses	-74	-41	-8	-	-	-	0	-123
Impairment	-11	-1	-4	-	-	-	0	-16
Gross technical charges insurance	-431	-133	-48	-	-	-	1	-612
Ceded reinsurance result	-9	-9	-6	-	-	-	7	-17
Share in results of associated companies	0	0	0	-	-	-	0	0
Income tax expense	-11	-6	-1	-	-	-	0	-18
Minority interests	0	-2	0	-	-	-	3	0
Net profit - Group share	82	10	12	-	-	-	18	122
KBL European Private Banking								
Gross income	-	-	-	-	211	-	-	211
Operating expenses	-	-	-	-	-134	-	-	-134
Impairment	-	-	-	-	-1	-	-	-1
Share in results of associated companies	-	-	-	-	1	-	-	1
Income tax expense	-	-	-	-	-21	-	-	-21
Minority interests	-	-	-	-	-3	-	-	-3
Net profit - Group share	-	-	-	-	53	-	-	53
Gevaert								
Gross income	-	-	-	-	-	46	-	46
Operating expenses	-	-	-	-	-	-20	-	-20
Impairment	-	-	-	-	-	0	-	0
Share in results of associated companies	-	-	-	-	-	8	-	8
Income tax expense	-	-	-	-	-	-2	-	-2
Minority interests	-	-	-	-	-	0	-	0
Net profit - Group share	-	-	-	-	-	32	-	32
Holding Company Activities								
Net profit - Group share	-	-	-	-	-	-	-18	-18
Total								
Net profit - Group share	295	191	134	75	53	32	-63	717
Allocated equity	3 620	1 362	2 170	715	1 272	979	3 199	13 316
Share in Group equity	27%	10%	16%	5%	10%	7%	24%	100%
ROAC	33%	66%	25%	41%	18%	13%	-	24% *
Share in Group result	41%	27%	19%	10%	7%	4%	-9%	100%

* Adjusted ROE for the KBC Group.

COMMENT

Retail and private bancassurance

In line with the preceding quarter, a strong quarterly result (295 m euros) was once again recorded in the 'retail and private bancassurance' segment in Belgium. In comparison with the first quarter of 2004, the profit is over three times as high thanks to the increased income (especially from investments), the ongoing cost control, the lack of loan provisions, the strong technical result on non-life insurance and the normalization of the level of value adjustments to the investment portfolio (difference 115 m euros). The 'private banking Belgium' subsegment contributed 17 m euros to the profit. The return on capital allocated amounted to 33%.

Central Europe

The results in the Central European region were as follows:

Central Europe area of activity, breakdown of net profit - Group share (EUR m)	1Q 2004	1Q 2005
Banking	70	181
CSOB (Czech & Slovak Rep.)	42	148
K&H Bank (Hungary)	12	7
Kredyt Bank (Poland)	10	17
NLB (Slovenia)	6	8
Insurance	-5	10
Total	66	191

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

In the Czech Republic and Slovakia the profit contribution from banking (148 m) rose considerably, albeit supported by a one-off receipt in connection with the repayment of a Slovakian loan (net impact 68 m euros), the market valuation of derivatives (net 20 m euros) and the absence of loan losses. The return on allocated equity rose to 120%. In the case of the insurance business a profit contribution of 2 m euros was recorded (a return of 10%).

In Hungary the operating results on banking are continuing to develop favourably, although an increase in the provisions for problem loans has been made. The loan loss ratio (0.73%) is comparable with other institutions in the market. On balance the quarterly

profit amounted to 7 m euros and the return on capital allocated to 17%. The contribution to the result by the insurance business rose to 3 m euros (return of 48%).

After rather a moderate fourth quarter, profit from banking business in Poland was 17 m euros higher, with a sharply improved cost/income ratio, while the loan quality has remained fully under control (with no additional loan provisions). The return on allocated equity amounted to 32%. The contribution by the Polish insurance business amounted to 5 m euros (return of 24%).

The banking profit contribution in Slovenia (minority participation) amounted to 8 m euros, while the results on the bancassurance business set up in autumn 2003 amounted to -0,1 m euros.

A reconciliation of the statutory profit and the group profit contribution of the banking entities in Central Europe is provided in the table below.

Corporate services

The robust profitability of the corporates segment in 2004 has been sustained, partly as a result of the absence of loan losses and the continuing strong technical result from reinsurance. The quarterly profit (134 m euros) was even higher than in the preceding quarters, thanks in particular to the profit on a commercial real estate transaction (12 m euros). The segment return in relation to allocated equity rose to 25%.

Market activities

The profit contribution made by the activities in the capital markets (75 m euros) remained at the high level of the preceding quarter but below the record level of the first quarter of 2005, when particularly strong results were recorded on the activities in equity and credit derivatives. The return on capital allocated amounted to 41%.

KBL European Private Bankers and Gevaert

A comment on KBL European Private Bankers and Gevaert, which, - for practical reasons - will in the course of 2005 be considered as separate areas of activity, is provided in the chapter 'Results per business segment'.

Central European banks - statutory profit and profit contribution, 1Q 2004, EUR m	CSOB	K&H Bank	Kredyt Bank	NLB*
Net interest income	123	51	54	-
Dividend income	1	0	0	-
Net gains from financial instruments at fair value	6	20	3	-
Net realized gains from available-for-sale assets	5	1	3	-
Net fee and commission income	50	16	10	-
Other income	17	4	4	-
Gross income	202	91	74	-
Operating expenses	-114	-63	-60	-
Impairment	-4	9	-2	-
Share in results of associated companies	0	1	2	-
Income tax expense	-28	-7	-1	-
Net profit - Group share (statutory)	56	31	14	-
Allocated head office expenses	-1	0	0	-
Intragroup eliminations	0	0	0	-
Minority interests	-9	-13	-3	-
Capital allocation results	-5	-7	0	-
Profit contribution - Group share (area of activity reporting)	42	12	10	6

N.B.: the reference figures are not fully comparable with the current period figures, since IAS32/39 and IFRS4 are only applied for the current period, without restatement of the reference figures.

* Accounted for using the equity method.

Central European banks - statutory profit and profit contribution, 1Q 2005, EUR m	CSOB	K&H Bank	Kredyt Bank	NLB*
Net interest income	124	53	50	-
Dividend income	4	0	0	-
Net gains from financial instruments at fair value	19	25	12	-
Net realized gains from available-for-sale assets	4	0	1	-
Net fee and commission income	58	25	16	-
Other income	114	3	3	-
Gross income	323	106	83	-
Operating expenses	-122	-68	-59	-
Impairment	5	-10	0	-
Share in results of associated companies	0	1	1	-
Income tax expense	-54	-8	-1	-
Net profit - Group share (statutory)	151	21	23	-
Allocated head office expenses	-1	0	-1	-
Intragroup eliminations	20	0	0	-
Minority interests	-18	-8	-3	-
Capital allocation results	-5	-5	-2	-
Profit contribution - Group share (area of activity reporting)	148	7	17	8

* Accounted for using the equity method.

ANNEX: GLOSSARY OF RATIOS USED

Adjusted return on equity	[net profit (Group share) on an annualized basis] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments]
Basic earnings per share	[net profit, Group share] / [weighted average number of ordinary shares plus mandatorily convertible bonds minus treasury shares].
Combined ratio, non-life insurance	[net claims incurred / net earned premiums] + [net expenses / net written premiums]. The combined ratio only relates to non-life insurance.
Cost/income ratio, banking and AM	[operating expenses of IFRS segments Banking & Asset Management] / [gross income of IFRS-segments Banking & Asset Management]
Cover ratio	[individual loan impairments for non-performing loans] / [outstanding non-performing loan portfolio]. For a definition of non-performing loans, see below, under 'Non-performing ratio'.
Diluted earnings per share	[net profit, Group share, adjusted for after tax interest expense on freely convertible bonds] / [weighted average number of ordinary shares plus mandatorily convertible bonds minus treasury shares plus dilutive potential of options and freely convertible bonds].
Equity market capitalization	[closing price KBC share] x [number of ordinary shares outstanding]
Loan loss ratio	[net transfer to loan impairments, annualized] / [average total outstanding loan portfolio]. Corporate and bank bonds are included in the loan portfolio.
Non-performing ratio	[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears)] / [total outstanding loan portfolio].
Parent shareholders' equity per share	[parent shareholders' equity] / [number of ordinary shares plus mandatorily convertible bonds minus treasury shares]. The calculation for the reference period is excluding IAS32/39 and IFRS4, hence no addition of mandatorily convertible bonds nor subtraction of treasury shares in the denominator.
Solvency ratio, insurance	[consolidated solvency capital of KBC Insurance, based on equity as defined by the IFRS] / [required solvency margin]. The calculation is detailed in note 16c.
Tier-1 ratio, banking / KBL	[consolidated Tier-1 capital of KBC Bank / KBL] / [total risk-weighted volume of KBC Bank / KBL]. The calculation is detailed in note 16a and 16b and is based on Belgian/Luxemburg GAAP principles. At year-end, retained profit is included in capital and reserves in the tier-1 calculation; during the year, this is not the case. The calculation is done for banking (KBC Bank) and for KBL separately, and a weighted average ratio for the banking and KBL segments together is also calculated.

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