Earnings statement

KBC Group, 4Q 2009

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Summary

KBC ended the three months to December 2009 with a net profit of 304 million euros. In the corresponding quarter of 2008, when the then financial crisis was gaining momentum, a significant loss of 2.6 billion euros was posted.

Jan Vanhevel, Group CEO: *'The economic recovery continued to gather pace during the fourth quarter and that has made us cautiously more optimistic for 2010, even though we all know the economic and financial environment remains vulnerable. As anticipated, our quarterly profit was affected by additional loan loss provisioning due to the fact that the improved quality of credit typically lags behind the upturn in the economic cycle. The revenue generated by securities trading was also distinctly light. The core earnings trends, however, remained solid. When excluding the effects of both cyclically higher loan loss provisioning and the low level of revenue from capital market activities, core earnings numbers were similar to previous quarters. On top of that, we are making good progress on our flagship projects to refocus the business portfolio.'*

For the entire 2009 financial year, the net result was -2.5 billion euros, on a par with the year-earlier level and significantly impacted by losses on investments recorded in the first half of the year. On an underlying basis (i.e. excluding exceptional items), the net result was a positive 1.7 billion euros.

In millions of EUR	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	cumul. 12M 2008	cumul. 12M 2009
Net profit (IFRS)	554	493	-906	-2 625	-3 600	302	528	304	-2 484	-2 466
Earnings per share, basic (IFRS, in EUR)	1.62	1.45	-2.66	-7.72	-10.6	0.89	1.56	0.90	-7.31	-7.26
Underlying net profit	737	806	551	176	465	409	631	218	2,270	1 724
Underlying earnings per share, basic (in EUR)	2.16	2.37	1.62	0.52	1.37	1.21	1.86	0.64	6.68	5.08
Breakdown of underlying profit by business unit:										
Belgium Business Unit	455	318	215	158	255	289	289	271	1,145	1 103
Central & Eastern Europe and Russia Business Unit	180	222	201	84	106	71	42	-79	687	140
Merchant Banking Business Unit	89	234	137	-42	91	41	281	-2	418	411
European Private Banking Business Unit	50	64	32	15	34	44	38	24	161	140
Group Centre	-36	-32	-34	-38	-21	-35	-19	3	-140.4	-71
Shareholders' equity per share (EUR, at end of period)	45.7	45.5	42.0	31.5	19.5	23.2	27.7	28.4	31.5	28.4

Financial highlights for 4Q 2009:

- Continued resilient margin environment: net interest margin widens again to 1.94%, up from 1.86% in the third quarter
- Further recovery of fee business and strong life sales: income up 12% and 11%, respectively, quarter-on-quarter
- Solid cost performance: underlying expenses up 1% quarter-on-quarter, but still 25% below 4Q 2008 level
- Weak revenue from capital market activities, in marked contrast with a very strong performance in previous two quarters
- Additional reserves of 0.7 billion euros set aside to cover credit risk enhancing the coverage of non-performing loans by provisions from 68% to 75% (bringing the ratio of loan losses to total loans outstanding to 1.1% for 2009)
- Well on way to deliver on refocused business goals: risk-weighted assets down by almost 5 billion euros compared to the start of the quarter and divestment programme coming up to speed

The income statement summary tables are on pages 4 and 5 of this earnings statement.

Financial highlights – 4Q 2009

Jan Vanhevel, Group CEO summarises the underlying business performance for 4Q 2009 as follows:

- *'Core earnings trends remained solid. When exceptional income and dealing room revenue are excluded, the pre-credit provision result stood at 0.9 billion euros, similar to the previous quarter and almost double the level recorded at the bottom of the crisis in 4Q 2008.'*
- *'On an underlying basis, interest income continued to grow and came in at 11% above the year-earlier level. While volume growth in core markets is sluggish and exposure to non-core markets is intentionally being reduced, the net interest margin has continued to recover. The average net interest margin for the banking operations came to 1.94%, up from 1.86% for the previous quarter.'*
- *'Fee and commission income was up 13% on the previous quarter due to a marked rebound of asset-management-driven fees. Sales of life insurance products also received a boost, especially in Belgium, on the back of improved investment sentiment and seasonally higher marketing efforts.'*
- *'We have been fully benefiting from our efforts to cut costs over the past two years, which explains why they were down 25% compared to the fourth quarter of 2008. Operating costs ended 1% higher than the previous quarter and included some 48 million euros of restructuring expenses. The cost trend has been bottoming out and we expect costs to further increase from this point.'*
- *'The results for sales and trading on money and capital markets were driven by weak activity levels. From a methodological point of view, the value of the trading portfolio was also adjusted to include the market-wide increased counterparty risks and lower liquidity of the past year, notably in the fixed-income segment. The investment bank's underlying total income came in at 28 million euros compared with a quarterly average of around 200 million euros.'*
- *'At year-end, we added 652 million euros to the loan loss provisions, pushing up the ratio of loan loss provisions to non-performing loans outstanding from 68% to 75%. The share of the non-performing part of the loan portfolio increased only marginally from 3.3% to 3.4% during the quarter. The non-performing ratio came down in Belgium, while new non-performing loan formation decreased in both the Central & Eastern Europe and the merchant banking business units. The 2009 loan loss charge came to 1.1% of total loans. In Central & Eastern Europe, the full-year loan loss ratio was 2.1%. A major impact area in this regard in the fourth quarter was the unsecured consumer finance unit in Poland, which will be discontinued. In the Czech Republic, where the largest loan portfolio in the region is held, loan losses were roughly stable again. In Belgium, loan loss provisioning came to 0.2% at year-end, while it was 1.3% for the loan book in the Merchant Banking Business Unit. We are encouraged by signs that the economy is improving and that we are therefore heading towards a turn in the credit cycle. Our 2010 base case scenario sets out that losses will visibly decline compared to financial year 2009.'*
- *'We look to the future with confidence. In line with our objectives, we are successfully shrinking our non-core activities. In the final quarter of the year, 1.5 billion worth of CDO holdings were sold and risk-weighted assets were reduced by almost 5 billion euros on an organic basis. Our divestment projects have aroused considerable interest to date. We hope to close a number of smaller transactions soon and enter negotiations for flagship projects.'*

Headlines of underlying performance per business unit:

- In Belgium, the earnings accruing from the combined solid performance for lending, deposit taking, asset management and insurance activities was offset by somewhat higher loan loss provisions (up from a very low level) and non-life claim charges related to the winter weather. At 271 million euros, the contribution to net profit remained at a high level, bringing the year-to-date return on equity allocated to this business unit to 32%.
- For Central and Eastern Europe, the average net interest margin improved, benefiting from higher average loan spreads. The net result for the region came in at -79 million euros, cyclically impacted by additional loan impairment charges, bringing the year-to-date loan loss ratio to 2.1% (within the anticipated 2.0%-2.3% range). Seasonally higher operating costs were also posted.
- In merchant banking, high year-end additions to corporate loan loss provisions and weak trading income (including portfolio value adjustments) were reported. As a result, the business unit reported a net result just below break-even. With a loan loss ratio of 96 basis points, the Irish business contributed 92 million euros to net profit for FY 2009.
- In the European private banking business, fee and commission income continued to improve. Net results came in somewhat light at 24 million euros, burdened by decreasing treasury income and restructuring charges. Over the entire financial year, a return of 29% was achieved on the equity employed.

The quarter was also characterised by a number of one-off items that were not part of the normal course of business and were excluded from the presented underlying results (combined net impact: +0.1 billion euros). The main items were:

- A valuation mark-up of CDO exposure in the amount of 0.6 billion euros, net, resulting from the further improvement of market prices for corporate credit risk and the release of reserves following further refinement of model parameters;
- Impairment on the value of goodwill outstanding to the tune of 0.3 billion euros, net, largely related to acquisitions made in late 2007 and in early 2008 (mainly in newly entered markets in Eastern Europe);
- A trading loss of -0.2 billion euros, net, related to 'legacy' structured derivatives positions within the *KBC Financial Products* unit (Merchant Banking Business Unit). Similar losses cannot be excluded for the first quarter of 2010, while risk exposure is being unwound.

Financial performance – Full year 2009

Explanations per heading of the income statement for the entire 2009 financial year (see summary tables on next few pages):

- The *net result* for the 2009 financial year amounted to -2.5 billion euros. This figure includes exceptional items totalling -4.2 billion euros, net, such as value losses on CDO investments, the fee paid for the guarantee bought to cover the remaining CDO-linked exposure and position losses in respect of discontinued trading activities. Adjusted for those items, (underlying) profit came to a positive 1.7 billion euros, generating a return on shareholder's equity of 16%.
- *Net interest income* came to 6.1 billion euros, up 21% year-on-year (+12% on an underlying basis). While volume growth slowed down at the start of 2009, margins recovered significantly. On an organic basis, the customer loan book (excluding reverse repos) at 31 December 2009 was 4% below the year-earlier level (up 3% in Belgium, but down 6% in Central & Eastern Europe, notably in Russia and Hungary, and down 7% in Merchant Banking). The underlying net interest margin for the banking activities came to 1.84%, up from 1.68% for the 2008 financial year.
- *Gross earned premiums* in insurance stood at 4.9 billion euros, up 6% on the year-earlier figure. Net of *technical charges* and the *ceded reinsurance result*, income came to 356 million euros. For the non-life insurance activities, the combined ratio came to 98% (95% for 2008); the claims reserve ratio improved from 165% to 181%.
- *Dividend income* from equity investments amounted to 145 million euros, markedly lower than the 259 million euros reported for 2008, as corporate dividend payouts were generally lower and because the equity investment portfolio was reduced in size. At year-end, investments in equity instruments totalled 2.4 billion euros compared with 3.6 billion euros a year-earlier.
- *Net gains from financial instruments at fair value* came to -3.4 billion euros. Although sales and trading activities on the money and debt securities markets were relatively good, this income heading was strongly impacted by net negative value adjustments on structured credit exposure (including the cost of the acquired guarantee) and the marking down of discontinued derivative positions. On an underlying basis, this income heading came to +0.9 billion euros, on a par with the previous year's level.
- *Net realised gains from available-for-sale assets* were 273 million euros, markedly higher than over the previous year when significant losses were posted on the sale of equity holdings. During 2009, low gains on share sales were complemented by gains realised on bonds whose value increased on the back of falling interest rates.
- *Net fee and commission income* amounted to 1.5 billion euros. This is 13% lower than the year-earlier level, due largely to the lower income from asset management activities consequent on the adverse investment climate that prevailed until the first half of 2009.
- *Other net income* ended at 428 million euros, down on the year-earlier figure of 618 million euros, largely because some (divestment) gains were recorded in relation to non-strategic participations in 2008.
- *Operating expenses* came to 5.3 billion euros, down 5% year-on-year (as much as -13% on an underlying basis, i.e. when excluding exceptional items). The cost level benefited from cost containment measures initiated in 2008. The underlying cost/income ratio for banking – a measure for cost efficiency – stood at 55%, compared to 64% for 2008.
- Total *impairment* charges stood at 2.8 billion euros, 1.9 billion euros of which related to loans and receivables. By the end of the year, the ratio of non-performing loans and receivables as a share of total loans and receivables had risen to 3.4%, up from 1.8% in December 2008. During 2009, the total loan portfolio was impaired by 1.1%. *Available-for-sale* investment securities (mainly shares) were impaired to the tune of 350 million euros on the back of falling share prices throughout 2008 and up to the end of the first quarter of 2009. An impairment loss of 509 million euros was recognised on the value of goodwill outstanding, related *inter alia* to acquisitions made in late 2007 and in early 2008 in Bulgaria, Russia and Slovakia.
- As pre-tax results were negative, a deferred *income tax* credit of 234 million euros was recognised.
- The result attributable to minority interests amounted to a negative 82 million euros (including the gain realised on the repurchase of hybrid capital securities in the third quarter of 2009).
- At year-end 2009, *total equity* came to 17.2 billion euros, up 1.8 billion euros on the figure at the start of the year, due to the fact that the negative result (-2.5 billion) and the effect of buying back non-State hybrid equity securities (-0.6 billion) was offset by the positive impact of the issue of non-voting core equity securities to the State (Flemish Region of Belgium, +3.5 billion euros) and the positive market value adjustments on assets (+1.6 billion euros). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 10.8% of risk-weighted assets (9.2%, when excluding non-state hybrid tier-1 instruments).

Table of results according to IFRS

A summary of the income statement of KBC group, based on the *International Financial Reporting Standards* (IFRS) is given below. A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of the quarterly report. A condensed statement of changes in shareholders' equity and several notes to the accounts are also available in the same section. In the period from 3Q 2008 to 1Q 2009, earnings were markedly impacted by adjustments to the value of the investment portfolios. In order to provide a good insight into the underlying business trends, KBC also publishes its 'underlying' results (see the following section).

Consolidated income statement, KBC Group (in millions of EUR) - **IFRS**	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	cumul. 12M 2008	cumul. 12M 2009
Net interest income	1 163	1 311	1 249	1 269	1 477	1 441	1 597	1 551	4 992	6 065
Gross earned premiums, insurance	1 236	1 008	922	1 419	1 308	1 256	1 122	1 169	4 585	4 856
Gross technical charges, insurance	-1 078	-820	- 804	-1 181	-1 164	-1 127	-1 039	-1 106	-3 883	-4 436
Ceded reinsurance result	- 10	-17	- 17	- 27	- 15	-17	-2	-30	-72	-64
Dividend income	36	123	37	63	23	60	26	37	259	145
Net (un)realised gains from fin instruments at fair value	- 26	35	-1 688	-1 801	-3 742	78	-160	374	-3,481	-3,450
Net realised gains from available-for-sale assets	198	63	80	- 246	34	13	117	109	95	273
Net fee and commission income	438	477	422	377	317	372	380	423	1,714	1,492
Other net income	129	97	210	183	152	116	116	44	618	428
Total income	2 084	2 276	411	56	-1 610	2 193	2 157	2 570	4 827	5 310
Operating expenses	-1 278	-1 310	-1 351	-1 660	-1 235	-1 518	-1 307	-1 231	-5 600	-5 292
Impairment	- 98	-332	- 478	-1 325	- 707	-633	-442	-995	-2,234	-2,777
o/w on loans and receivables	- 27	-143	- 130	- 522	- 307	-578	-368	-650	-822	-1,903
o/w on available-for-sale assets	- 71	-180	- 341	- 742	- 311	-19	-5	-16	-1,333	-350
Share in results of associated companies	16	8	9	- 33	0	-2	3	-24	-1	-22
Profit before tax	723	642	-1 410	-2 963	-3 552	40	411	320	-3 007	-2 781
Income tax expense	- 144	-121	533	360	- 28	286	8	-32	629	234
Profit after tax	579	521	- 876	-2 603	-3 580	326	419	288	-2,379	-2,547
attributable to minority interests	26	28	30	22	20	24	-109	-16	105	-82
attributable to the equity holders of the parent	**554**	**493**	**- 906**	**-2 625**	**-3 600**	**302**	**528**	**304**	**-2,484**	**-2,466**
Belgium	357	194	- 227	- 721	- 5	287	330	350	-397	961
Central & Eastern Europe and Russia	159	203	- 32	- 142	44	42	-3	-326	188	-242
Merchant Banking	31	125	- 519	-1 801	-3 738	-153	403	216	-2,164	-3,272
European Private Banking	43	48	- 88	- 155	26	29	37	17	-153	109
Group centre	- 35	-77	- 40	193	73	97	-238	47	41	-21
Earnings per share, basic (IFRS, in EUR)	1.62	1.45	-2.66	-7.72	-10.60	0.89	1.56	0.90	-7.31	-7.26
Earnings per share, diluted (IFRS, in EUR)	1.62	1.45	-2.65	-7.70	-10.60	0.89	1.56	0.90	-7.28	-7.26

Highlights, consolidated balance sheet and ratios (in millions of EUR or %)	31-12-2008	31-12-2009
Total assets	355 317	324 231
of which loans and advances to customers	157 296	153 230
of which securities (equity and debt instruments)	94 897	98 252
Total liabilities	339 941	307 054
of which deposits from customers and debt certificates	196 733	193 464
of which gross technical provisions, insurance	19 523	22 012
of which liabilities under investment contracts, insurance	7 201	7 939
Parent shareholders' equity	10 710	9 662
Non-voting core-capital securities	3 500	7 000
Return on equity (based on underlying results, year-to-date)	16%	16%
Cost/income ratio (based on underlying results, year-to-date)	64%	55%
Combined ratio, non-life (year-to-date)	95%	98%

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

More information on the balance sheet can be found in the Consolidated Financial Statements part of the quarterly report.

Table of underlying results

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

The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment of certain hedging results and capital-market income. In view of their nature and materiality, it is important to adjust the results for these factors to understand the profit trend fully. A reconciliation table for net profit is provided on the next page.

Consolidated income statement, KBC Group (in millions of EUR) - **UNDERLYING FIGURES**	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	cumul. 12M 2008	cumul. 12M 2009
Net interest income	1 202	1 257	1 186	1 265	1 353	1 344	1 391	1 410	4 910	5 497
Gross earned premiums, insurance	1 236	1 008	922	1 419	1 308	1 256	1 122	1 169	4 585	4 856
Gross technical charges, insurance	-1 078	-820	-804	-1 181	-1 164	-1 127	-1 039	-1 086	-3 883	-4 416
Ceded reinsurance result	-10	-17	-17	-27	-15	-17	-2	-30	-72	-64
Dividend income	19	103	20	54	12	47	9	28	196	96
Net (un)realised gains from fin instruments at fair value	114	403	242	175	231	321	335	52	933	938
Net realised gains from available-for-sale assets	198	63	80	2	51	41	95	106	343	293
Net fee and commission income	464	482	430	379	328	391	400	450	1,755	1,569
Other net income	115	72	110	107	119	98	93	34	404	342
Total income	2 260	2 550	2 170	2 192	2 222	2 353	2 405	2 131	9 172	9 111
Operating expenses	-1 284	-1 383	-1 278	-1 646	-1 235	-1 196	-1 224	-1 231	-5 591	-4 888
Impairment	-28	-152	-143	-420	-319	-560	-367	-666	-743	-1,913
o/w on loans and receivables	-27	-143	-130	-341	-307	-567	-356	-652	-641	-1,883
o/w on available-for-sale assets	0	0	-15	-29	-3	-1	0	-11	-44	-16
Share in results of associated companies	16	8	9	-20	0	-2	3	-24	13	-22
Profit before tax	964	1 022	758	106	667	595	816	210	2 850	2 289
Income tax expense	-200	-188	-175	94	-181	-162	-167	3	-470	-507
Profit after tax	763	834	583	200	486	433	649	213	2,381	1,782
attributable to minority interests	26	28	32	24	21	24	18	-5	111	58
attributable to the equity holders of the parent	**737**	**806**	**551**	**176**	**465**	**409**	**631**	**218**	**2,270**	**1,724**
Belgium	455	318	215	158	255	289	289	271	1,145	1,103
Central & Eastern Europe and Russia	180	222	201	84	106	71	42	-79	687	140
Merchant Banking	89	234	137	-42	91	41	281	-2	418	411
European Private Banking	50	64	32	15	34	44	38	24	161	140
Group centre	-36	-32	-34	-38	-21	-35	-19	3	-140	-71
Underlying earnings per share, basic (in EUR)	2.16	2.37	1.62	0.52	1.37	1.21	1.86	0.64	6.68	5.08
Underlying earnings per share, diluted (in EUR)	2.15	2.36	1.62	0.52	1.37	1.21	1.86	0.64	6.66	5.08

Strategy highlights and future developments

- In the course of 2009, KBC reviewed its strategy in order to lower its risk profile while still maintaining its core earnings power and organic growth potential. Jan Vanhevel, Group CEO: '*It was reassuring to observe that our core business model remained largely untouched by the past turbulence in the financial sector. However, the need was made clear to accordingly reduce our risk profile and the scope of activities to which we allocate capital.*'
- The new strategy, announced in December 2009, focuses on growing bancassurance on an organic basis in Belgium and selected Central and Eastern European markets, targeting retail and SME customers, including local mid-caps. Exposure to non-domestic corporate lending and non-core capital market activities will be largely reduced and KBL European private bankers will be divested. This will be complemented by some additional capital optimisation measures. Jan Vanhevel: '*We are ready for the future. We have a clear vision for the mid-term that is supported by a strong business case. Implementation of the strategy is progressing well and this is being tightly monitored*.'
- Fully aware of the demands for accountability placed on it by many elements of society, KBC remains committed to its ongoing process of improving the way its business is conducted. Jan Vanhevel: '*Customer satisfaction, employee professionalism and a deep connectedness with local markets are key objectives for me*'. In order to align remuneration principles with long-term stakeholders' interests, KBC implemented a new group-wide remuneration policy aligned with the most recent international standards. Moreover, KBC Group Executive Committee members have foregone their remuneration bonus for the 2009 financial year, just like they did for the previous year.
- KBC intends to redeem the core capital securities that were issued to the State largely by retaining earnings and releasing capital currently tied up in non-core assets. KBC also has the intention to maintain a regulatory tier-1 capital ratio of 10%, of which 8% core capital (in a first phase, the core capital includes the core capital securities issued to the State).
- At the next Annual General Meeting (AGM) to be held on 29 April 2010, it will be proposed to shareholders not to pay out a dividend over the 2009 financial year. KBC, however, intends to resume cash dividend payment as of 2011, based on 2010 earnings (subject to AGM approval).

Additional information on the financial statements

- Our auditor has confirmed that his audit procedures of the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted in the European Union, are substantially completed and that these procedures have not revealed any material modification that would have to be made to the accounting information derived from the consolidated financial statements and included in this earnings statement.
- During the fourth quarter of 2009, no changes were made to the scope of consolidation or to the valuation rules that had a material net impact on earnings. However, while updating definitions, certain earnings items that had previously been recorded as *operating expenses* were recognised against *total income* as of the fourth quarter of 2009. This had a downwards impact of 30 million euros on both *operating expenses* and *total income*.
- For the fourth quarter, the value of local currencies in Central and Eastern European markets depreciated by an average 6% against the euro, compared to the same period of 2008. This had a negative impact on the earnings components of the Central & Eastern Europe Business Unit. However, when comparing the fourth quarter to the previous quarter, changes in the value of those currencies were not material.
- *Total equity* at 31 December 2009 amounted to 17.2 billion euros. Total equity breaks down into *parent shareholder's equity* (9.7 billion euros), *non-voting core capital securities* issued to both the Belgian Federal State and the Flemish Regional Government of Belgium. (a combined 7.0 billion euros) and *minority interests* (0.5 billion euros, including certain tier-1 hybrid instruments).
- *Parent shareholders' equity per share* at 31 December 2009 (28.4 euros) was calculated on the basis of 339.7 million shares, whereby the number of treasury shares held (18.2 million) was deducted from the number of ordinary shares outstanding (357.9 million).
- *Earnings per share* for 4Q 2009 (0.90 euros) was calculated on the basis of 339.58 million shares (average number during the quarter), while *diluted earnings per share* (0.90 euros) was calculated on the basis of 339.58 million shares (also quarterly average). In both cases, the average number of treasury shares held was deducted from the average ordinary share count. For calculating diluted earnings per share, however, the number of stock options granted to employees with an exercise price below market price (4 527) was added. Under IAS 33, the conversion option held on a portion of the non-voting core capital securities issued to the State and the share underwriting commitment by the State linked to the CDO guarantee scheme do not have any impact.
- As usual, KBC has made additional risk disclosures on the composition of its loan book and its structured credit exposure as at 31 December 2009 (available in the English version of the extended quarterly report at www.kbc.com/ir).

Reconciliation of underlying profit with profit reported according to IFRS

In order to arrive at the underlying net profit, the following factors are eliminated:

- Fair value changes recognised under IFRS on derivatives used for asset hedging purposes that do not qualify for *fair value hedge accounting for a portfolio hedge of interest rate risk* (since most of the hedged assets are not measured at fair value, fair valuing of hedges themselves is, from an economic point of view, an asymmetric treatment generating results without substance).
- Fair value changes recognised under IFRS on *financial liabilities designated at fair value* due to the changes in own credit spreads (as at year-end, the amount of debt securities issued and designated at fair value was 3.5 billion euros).
- Exceptional factors that do not regularly occur during the normal course of business (including exceptional value losses on financial assets due to the financial crisis).

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

Underlying profit analysis, KBC Group (in millions of EUR)	BU*	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	cumul. 12M 2008	cumul. 12M 2009
Underlying profit after tax, attributable to equity holders of the parent		737	806	551	176	465	409	631	218	2 270	1 724
- Amounts before taxes and minority items											
MTM of derivatives for ALM hedging	1,2,3,4,5	-33	41	-151	- 310	-137	206	42	-33	-453	79
MTM of own debt issued	5				371	134	200	-330	41	371	44
Gains/Losses on CDOs	1,2,3,4	-137	-241	-1 732	-1 895	-3 793	996	228	719	-4 004	-1 849
MTM of CDO guarantee and commitment fee	1,3						-1 121	- 146	- 143		-1 409
Value losses on AFS shares	1,2,3,4	-71	-138	-159	- 733	- 311	- 50	4	- 4	-1 101	- 367
Impairment of exposure to US and Icelandic banks	2,3,4			-172	- 268	16	-1	42	8	-439	65
Loss on discontinued structured trading positions	3				- 245		-760	-153	-166	-245	-1 078
Impairment on goodwill	1,2,3				- 10	-79	-28	-58	-328	-10	-493
Gain on buy back of hybrid Tier-1 securities	1,2,3							128			128
Exceptional tax adjustments	1,2,3,5					145	61		9		214
Other	1,2,3,4,5		-42	46	21	-49	2	-33	7	27	-73
- Taxes and minority interests on the items above	1,2,3,4,5	58	67	712	267	7	388	176	-24	1 103	549
Profit after tax, attributable to equity holders of the parent		554	493	-906	-2 625	-3 600	302	528	304	-2 484	-2 466

* 1 = Belgium business unit; 2 = Central & Eastern Europe and Russia business unit; 3 = Merchant Banking business unit; 4 = European Private Banking business unit; 5 = Group Centre

Moreover, in order to arrive at the underlying figures, the following additional adjustments are made (without any impact on net profit):

- Interest results on derivatives used for asset hedging purposes that do not qualify for *fair value hedge accounting for a portfolio hedge of interest rate risk* are presented in the *net interest income* heading in the same way as the interest paid on the underlying assets is treated (under IFRS, the interest results on these derivatives are recognised as *net (un)realised gains from financial instruments at fair value*);
- All income components related to professional trading activities within the investment banking division are presented under the *net (un)realised gains from financial instruments at fair value* heading (while under IFRS, income is split across different headings).

Financial calendar 2010

2009 Annual Report available as of	9 April 2010
2009 Risk Report available as of	9 April 2010
2009 Corporate Social Responsibility Report available as of	15 April 2010
Publication of Embedded Value data as at 31-12-2009, Insurance	31 March 2010
Annual General Meeting	29 April 2010
KBC Group - Publication of 1Q 2010 results	12 May 2010
KBC Group - Publication of 2Q 2010 results	5 August 2010
KBC Group - Publication of 3Q 2010 results	10 November 2010
KBC Group - Publication of 4Q 2010 results	10 February 2011

An extended version of the financial calendar, including analyst and investor meetings, is available at www.kbc.com/ir/calendar.
