Earnings statement

KBC Group, 2Q 2010 and 1H 2010

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Date of release: 5 August 2010, 7 a.m. CEST

Summary

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

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

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

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

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

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

Financial highlights for 2Q 2010:

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

Financial highlights 2Q 2010

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

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

Headlines of underlying performance per business unit:

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

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

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

First six months of 2010: results per heading

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

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

Table of results according to IFRS

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

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

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

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

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

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

Table of underlying results

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

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

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

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

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

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

Other information

Strategy highlights and main events

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

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

Statement of risk

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

Additional information on the financial statements

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

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

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Note for the editor:

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