



# Earnings statement

## KBC Group, 4Q 2010 and FY 2010

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### Summary:

### 4Q net profit of 724 million euros on the back of a strong core-market position.

KBC ended the last three months of 2010 with a net profit of 724 million euros, compared with a net profit of 545 million euros in the previous quarter and 304 million euros in the corresponding quarter of 2009. As a result, net profit came to 1 860 million euros in full-year 2010, as opposed to a net loss of 2 466 million euros in 2009 (which included a significant CDO-related loss in the first quarter of 2009).

The 'underlying' net result for the quarter under review (after excluding one-off and exceptional items) came to 168 million euros, compared with 445 million euros in 3Q 2010 and 218 million euros in 4Q 2009.

Jan Vanhevel, Group CEO: *'The high level of profit recorded for the last quarter of 2010 was driven by strong revenues generated by our strategic banking and insurance business model in our Belgian and Central and Eastern European home markets, as well as by the divestments we have made. At 724 million euros, the fourth-quarter result was characterised by stronger net interest income and higher fees and commissions. However, it was also affected by additional loan loss provisioning in Ireland and a one-off provision for a case of irregularities at the leasing business in the UK. Nevertheless, our core markets have been the main contributors to our quarterly result, with a good performance being turned in by Belgium and a solid performance recorded by our operations in Central and Eastern Europe. The most noteworthy exceptional items were the capital gains on two of our divestment projects, as well as positive value adjustments on our CDO portfolio.'*

*Over the whole of 2010, KBC generated net profit of 1 860 million euros, a clear break from the results of the previous two years. After two loss-making years, we have again recorded a positive result. Our earnings per share amounted to 3.72 euros, after taking into account the coupon to be paid on the core-capital securities sold to the Belgian State and the Flemish Region. We will duly propose to the Annual General Meeting of Shareholders that a dividend of 0.75 euros be paid.'*

Overview	4Q 2009	3Q 2010	4Q 2010	Cumul. 2009	Cumul. 2010
Net result, IFRS (in millions of EUR)	304	545	724	-2466	1860
Earnings per share, basic, IFRS (EUR) <sup>1</sup>	0.90	1.17	1.69	-7.26	3.72
Earnings per share, basic, IFRS (EUR), before coupon <sup>1</sup>	0.90	1.60	2.13	-7.26	5.48
Underlying net result (in millions of EUR)	218	445	168	1724	1710
Underlying earnings per share, basic (in EUR)	0.64	0.87	0.06	5.08	3.28
Breakdown of underlying net result per business unit (in millions of EUR) <sup>2</sup>					
Belgium	268	220	255	1050	1051
Central & Eastern Europe	-13	53	131	161	406
Merchant Banking	-28	156	-228	300	133
Group Centre	-9	16	11	213	120
Parent shareholders' equity per share (in EUR, end of period)	28.4	33.1	32.8	28.4	32.8

<sup>1</sup> 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').

<sup>2</sup> 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 restated retroactively.

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

Financial highlights for 4Q 2010 compared to 3Q 2010:

- Higher net interest income driven by both volume growth in our core markets and high margins.
- Increased fee and commission income resulting from a highly effective sales campaign in Belgium.
- Improved combined ratio of 98% thanks to substantially lower claims. Successful life insurance campaign in Belgium.
- Weak dealing room income in line with our peers.
- One-off provision for irregularities at KBC Lease UK to cover maximum exposure before any possible recovery.
- Operating expenses remain under control, but with some end-of-year effects.
- Significantly lower loan loss provisions in CEE, stable trend in Belgium and an additional provision in Ireland.
- Continued strong capital base: *pro forma* tier-1 ratio – including the effect of all divestments for which a sale agreement has been signed to date – at approximately 13.5%.

# Financial highlights 4Q 2010

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Jan Vanhevel, Group CEO, summarises the **underlying** business performance for 4Q 2010 as follows:

## **Gross income benefited from higher net interest income and fee and commission income.**

- Underlying net interest income stood at 1 459 million euros, up 4% both year-on-year and quarter-on-quarter. Compared to 3Q 2010, the net interest margin held up in Belgium and continued to grow in CEE. Credit and deposit volumes both expanded nicely in Belgium. Customer deposits in CEE also increased, while the loan book remained unchanged. Merchant Banking intentionally continued to reduce its international loan book.
- Net fee and commission income amounted to 417 million euros, up 14% quarter-on-quarter but down 7% year-on-year. Although still not at the level of one year ago, the satisfying quarterly results have been primarily boosted by good sales of life insurance contracts in October and November, on the back of a successful marketing campaign. Shifts in the portfolio mix also added to the result, thanks to the improving investment climate.
- The net result from financial instruments at fair value, which includes dealing room activities, stood at 124 million euros, more than double the year-earlier figure, but down 53% quarter-on-quarter.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 103 million euros, up 94% year-on-year and 14% quarter-on-quarter. Since claims were lower for the group, the combined ratio improved substantially quarter-on-quarter from 103% to 98%.
- Other income was affected by a one-off provision for a case of irregularities at the leasing business in the UK, leaving this item at a negative 96 million euros for the quarter.

## **Operating expenses remain under control, impairment impacted by provisioning for Ireland**

- Operating expenses came to 1 311 million euros for the fourth quarter, up 6% compared their year-earlier figure and 8% quarter-on-quarter. The cost measures we took in the aftermath of the financial crisis have had their full effect. Compared to Q3 2010, however, there were some end-of-year marketing costs (investment campaign) and additional ICT expenses.
- Loan loss impairment stood at 492 million euros, down 25% year-on-year and up 38% quarter-on-quarter. The full-year credit cost ratio stood at 0.91% and breaks down into an excellent 0.15% for the Belgian retail book (flat compared to 2009), 1.22% in Central and Eastern Europe (down from 1.70% for 2009) and 1.38% for Merchant Banking (up from 1.19% for 2009). As announced on 6 January 2011, an additional loan loss provision was set aside in the fourth quarter, caused by the revised scenario for the Irish economy after the financial aid package had been approved by the EU and the IMF.

## **Excess capital to the tune of 4.5 billion euros**

- At the end of the fourth quarter, the KBC group had generated capital of roughly 4.5 billion euros in excess of the 10% tier-1 target (including the effect of all divestments for which a sale agreement has been signed to date).

## **Headlines of underlying performance per business unit**

- The profit contribution of the Belgium Business Unit amounted to 255 million euros in 4Q 2010, up 35 million euros on the 3Q 2010 figure due primarily to higher net interest income, increased net fee and commission income, as well as higher net realised gains on AFS assets. This positive result was not offset by the rise in operating expenses.
- The profit contribution of the Central and Eastern Europe Business Unit amounted to a solid 131 million euros in 4Q 2010, 78 million euros higher than the figure for 3Q 2010, which had been adversely impacted by the booking of the bank tax for the full year in Hungary. This substantial increase in the quarterly result was thanks to the good performance of the non-life insurance business, a healthy decline in operating expenses, as well as a sharp decrease in impairment on loans and receivables.
- The profit contribution of the Merchant Banking Business Unit amounted to a negative 228 million euros in 4Q 2010, down 384 million euros on the figure for the previous quarter, due mainly to a provision of 125 million euros (after tax) being set aside for a case of irregularities at KBC Lease UK. Moreover, impairment charges for Ireland in 4Q 2010 came to 0.3 billion euros as a result of the additional one-off impairment calculated on the effect of the bail-out in that country. Finally, the dealing room results were weak, in line with our peers
- It should be noted that all planned divestments of the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 4Q 2010, the Group Centre's net result came to 11 million euros, compared to 16 million euros in the previous quarter.

***Divestment gains and value adjustments dominate one-off exceptional items.***

- The quarter was also characterised by a number of one-off or exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 4Q 2010 amounted to a positive 0.6 billion euros.
- Apart from some smaller items, the main non-operating items in 4Q 2010 were the capital gains realised on the divestment of Secura and the Global Convertible Bond and Asian Equity Derivatives businesses of KBC Financial Products. The combined effect of these two transactions generated a capital gain of 0.2 billion euros.
- The other most important impacting factor was the valuation mark-up of the CDO exposure in the amount of 0.3 billion euros, resulting mainly from a tightening of corporate credit spreads between the end of September 2010 and the end of the year.

## Full-year 2010: results per heading

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

- The net result for 2010 amounted to a positive 1 860 million euros, as opposed to a net loss of 2 466 million euros in 2009, which was heavily impacted by losses related to CDOs and shares, among other things. Excluding exceptional items, the *underlying* net result for 2010 totalled 1 710 million euros, almost equal to the figure for 2009.
- Net interest income amounted to 6 245 million euros, up 7% year-on-year. On a comparable basis, credit volumes contracted, in line with our intention to scale down our international loan book. The loan book in Belgium grew by 5%, reflecting the gradual economic recovery. Customer deposits were up by 6%, with Belgium posting 8% growth and CEE 3%. The net interest margin increased from 1.84% in 2009 to 1.92% in 2010.
- Earned insurance premiums, before reinsurance, stood at 4 616 million euros, 5% lower than in 2009. Net of technical charges and the ceded reinsurance result, technical insurance income came to 347 million euros. 2010 was characterised by a relatively high level of claims, due to factors such as flooding in Central and Eastern Europe and adverse weather conditions in Belgium. The combined ratio for the group's insurance companies came to 100.3% for the year, compared to 100.1% for 2009. There was a vast improvement in the after-tax result for the insurance business, turning a loss of 140 million euros in 2009 to a profit of 675 million euros for 2010, primarily because of good financial results.
- Net fee and commission income amounted to 1 224 million euros, up 8% year-on-year. In 2010, sales of commission-based products were higher than in 2009, which was still very much impacted by the adverse effects of the financial crisis. Assets under management grew from 205 billion euros to 209 billion euros over the year on account of positive net entry effects.
- The net result from financial instruments at fair value (trading and fair value income) came to -77 million euros, compared to -3 485 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments on structured credits, losses related to activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 855 million euros, down 9% year-on-year.
- The remaining income components were as follows: dividend income from equity investments amounted to 97 million euros (compared to 139 million euros in 2009), the net realised result from available-for-sale assets (bonds and shares) stood at 90 million euros (224 million euros a year earlier) and other net income totalled 452 million euros (427 million euros a year earlier).
- Operating expenses amounted to -4 436 million euros in 2010, 7% lower than in 2009. The cost decrease is clearly related to the strategic refocus programme where non-core activities are being wound down, as well as to the continued effects of rigorous cost control measures throughout the group. The 2010 figure included negative items such as the Hungarian bank tax and Belgian deposit guarantee scheme. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 56%, in line with last year's number.
- Impairment charges stood at -1 656 million euros, down a substantial 39% year-on-year. This decrease was most pronounced in relation to loans and receivables, where we recorded -1 483 million euros, compared to -1 901 in 2009. As a result, the annualised credit cost ratio for 2010 amounted to 0.91%, down on the figure of 1.11% for 2009. Other impairment charges totalled -173 million euros in 2010 and related mainly to available-for-sale assets (shares and bonds) and goodwill on subsidiaries and associated companies.
- Income tax amounted to 82 million euros, payable in the year under review. This figure includes a positive deferred tax asset of 0.4 billion euros booked in the second quarter of the year.
- The net post-tax result from discontinued operations amounted to a negative 254 million euros. This comprises the results and impairment related to the sale agreement for KBL EPB, which are regrouped in this single line under IFRS accounting rules (reference figures were adjusted accordingly).
- At year-end 2010, total equity came to 18.7 billion euros, an increase of 1.5 billion euros compared to the start of the year, due predominantly to the inclusion of the positive result for 2010 and to a decrease in the revaluation reserve for available-for-sale assets. The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 12.6%. Including the effect of all sale agreements announced to date (such as KBL EPB), the *pro forma* tier-1 ratio amounts to approximately 13.5%.

## 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, as well as several notes to the accounts are also available in the same section. In order to provide a good insight into the underlying business trends, KBC also publishes its 'underlying' results (see the following section).

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

Consolidated income statement according to IFRS, KBC Group (in millions of EUR) <sup>1</sup>	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 2009	Cumul. 2010
Net interest income	1 407	1 375	1 535	1 500	1 519	1 567	1 562	1 598	5 817	6 245
Interest income	3 384	2 915	2 771	2 618	2 621	2 651	2 627	2 642	11 687	10 542
Interest expense	-1 977	-1 539	-1 237	-1 118	-1 103	-1 085	-1 065	-1 045	-5 871	-4 297
Earned premiums, insurance (before reinsurance)	1 307	1 254	1 119	1 168	1 248	1 144	1 074	1 150	4 848	4 616
Technical charges, insurance (before reinsurance)	-1 158	-1 120	-1 033	-1 101	-1 163	-1 123	-957	-1 018	-4 412	-4 261
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-23	-26	-63	-8
Dividend income	22	55	26	35	15	40	21	21	139	97
Net result from financial instruments at fair value through profit or loss	-3 738	63	-170	361	-11	-721	227	429	-3 485	-77
Net realised result from available-for-sale assets	35	-2	95	95	19	30	11	29	224	90
Net fee and commission income	230	286	289	326	322	336	259	307	1 132	1 224
Fee and commission income	471	491	514	582	549	578	480	549	2 059	2 156
Fee and commission expense	-241	-206	-224	-256	-227	-242	-221	-242	-927	-932
Other net income	150	116	117	44	98	182	65	107	427	452
<b>Total income</b>	<b>-1 760</b>	<b>2 010</b>	<b>1 977</b>	<b>2 398</b>	<b>2 038</b>	<b>1 504</b>	<b>2 239</b>	<b>2 597</b>	<b>4 625</b>	<b>8 378</b>
Operating expenses	-1 122	-1 396	-1 171	-1 089	-1 072	-1 044	-1 130	-1 190	-4 779	-4 436
Impairment	-701	-614	-441	-969	-383	-299	-420	-555	-2 725	-1 656
on loans and receivables	-308	-578	-368	-648	-355	-278	-357	-492	-1 901	-1 483
on available-for-sale assets	-306	-11	-4	-6	-1	-16	-5	-9	-326	-31
on goodwill	-79	-33	-58	-313	-27	-1	-13	-47	-483	-88
on other	-9	8	-11	-2	0	-3	-45	-6	-14	-54
Share in results of associated companies	0	-3	2	-24	-2	-9	-5	-46	-25	-63
<b>Result before tax</b>	<b>-3 584</b>	<b>-3</b>	<b>367</b>	<b>315</b>	<b>581</b>	<b>153</b>	<b>683</b>	<b>806</b>	<b>-2 904</b>	<b>2 224</b>
Income tax expense	-20	302	16	-42	-164	304	-124	-97	256	-82
Net post-tax result from discontinued operations	24	27	35	15	31	-302	-7	24	101	-254
<b>Result after tax</b>	<b>-3 580</b>	<b>326</b>	<b>419</b>	<b>288</b>	<b>448</b>	<b>155</b>	<b>553</b>	<b>733</b>	<b>-2 547</b>	<b>1 888</b>
attributable to minority interests	20	24	-109	-16	6	6	8	8	-82	28
<b>attributable to equity holders of the parent</b>	<b>-3 600</b>	<b>302</b>	<b>528</b>	<b>304</b>	<b>442</b>	<b>149</b>	<b>545</b>	<b>724</b>	<b>-2 466</b>	<b>1 860</b>
Belgium	-951	533	343	579	283	131	321	453	504	1 187
Central & Eastern Europe	32	29	2	-149	99	119	76	146	-87	440
Merchant Banking	172	-12	267	-16	64	73	173	-138	411	172
Group Centre	-2 853	-248	-83	-110	-3	-174	-24	264	-3 293	62
Earnings per share, basic (EUR) <sup>2</sup>	-10.60	0.89	1.56	0.90	0.86	0.00	1.17	1.69	-7.26	3.72
Earnings per share, basic (EUR), before coupon <sup>2</sup>	-10.60	0.89	1.56	0.90	1.30	0.44	1.60	2.13	-7.26	5.48
Earnings per share, diluted (EUR) <sup>2</sup>	-10.60	0.89	1.56	0.90	0.86	0.00	1.17	1.69	-7.26	3.72
Earnings per share, diluted (EUR), before coupon <sup>2</sup>	-10.60	0.89	1.56	0.90	1.30	0.44	1.60	2.13	-7.26	5.48

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

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

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03- 2009	30-06- 2009	30-09- 2009	31-12- 2009	31-03- 2010	30-06- 2010	30-09- 2010	31-12- 2010
Total assets	347 400	344 415	334 219	324 231	340 128	350 232	328 590	320 823
Loans and advances to customers*	154 409	158 949	156 974	153 230	153 640	157 024	149 982	150 666
Securities (equity and debt instruments)*	95 834	96 559	97 252	98 252	101 984	95 910	96 876	89 395
Deposits from customers and debt certificates*	205 110	194 141	194 748	193 464	203 367	205 108	198 825	197 870
Technical provisions, before insurance*	20 124	20 860	21 508	22 012	23 222	22 384	22 843	23 255
Liabilities under investment contracts, insurance*	6 877	6 987	7 319	7 939	7 908	6 496	6 488	6 693
Parent shareholders' equity	6 636	7 888	9 416	9 662	10 677	10 259	11 245	11 147
Non-voting core-capital securities	3 500	7 000	7 000	7 000	7 000	7 000	7 000	7 000
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				16%	-	-	-	11%
Cost/income ratio, banking				55%	-	-	-	56%
Combined ratio, non-life insurance				101%	-	-	-	100%
KBC Group solvency								
Tier-1 ratio				10.8%	-	-	-	12.6%
Core tier-1 ratio				9.2%	-	-	-	10.9%

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

## Table of underlying results

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

For reasons of simplification, and contrary to the treatment under IFRS (see previous heading), KBL EPB's results are still reported in every relevant line item of the income statement (i.e. not moved to 'Net post-tax result from discontinued operations') in the underlying results.

Consolidated income statement, KBC Group, underlying (in millions of EUR) <sup>1</sup>	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 2009	Cumul. 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	1 394	1 406	1 459	5 497	5 603
Earned premiums, insurance (before reinsurance)	1 308	1 256	1 122	1 169	1 249	1 146	1 075	1 151	4 856	4 621
Technical charges, insurance (before reinsurance)	-1 164	-1 127	-1 039	-1 086	-1 168	-1 129	-962	-1 022	-4 416	-4 281
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-23	-26	-64	-9
Dividend income	12	47	9	28	8	36	12	18	96	73
Net result from financial instruments at fair value through profit or loss	231	321	335	52	320	147	264	124	938	855
Net realised result from available-for-sale assets	51	41	95	106	24	41	6	28	293	98
Net fee and commission income	328	391	400	450	429	454	367	417	1 596	1 666
Other net income	119	98	93	34	85	68	62	-96	342	118
<b>Total income</b>	<b>2 222</b>	<b>2 353</b>	<b>2 405</b>	<b>2 131</b>	<b>2 282</b>	<b>2 205</b>	<b>2 206</b>	<b>2 051</b>	<b>9 111</b>	<b>8 744</b>
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-1 150	-1 214	-1 311	-4 888	-4 832
Impairment	-319	-560	-367	-666	-356	-298	-361	-510	-1 913	-1 525
on loans and receivables	-307	-567	-356	-652	-355	-278	-356	-492	-1 883	-1 481
on available-for-sale assets	-3	-1	0	-11	-1	-17	-5	-10	-16	-34
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	-9	8	-11	-3	0	-3	0	-7	-15	-10
Share in results of associated companies	0	-2	3	-24	-1	-9	-5	-46	-22	-61
<b>Result before tax</b>	<b>667</b>	<b>595</b>	<b>816</b>	<b>210</b>	<b>767</b>	<b>749</b>	<b>626</b>	<b>184</b>	<b>2 289</b>	<b>2 326</b>
Income tax expense	-181	-162	-167	3	-218	-189	-173	-7	-507	-587
<b>Result after tax</b>	<b>486</b>	<b>433</b>	<b>649</b>	<b>213</b>	<b>549</b>	<b>559</b>	<b>453</b>	<b>177</b>	<b>1 782</b>	<b>1 739</b>
attributable to minority interests	21	24	18	-5	6	6	8	9	58	29
<b>attributable to equity holders of the parent</b>	<b>465</b>	<b>409</b>	<b>631</b>	<b>218</b>	<b>543</b>	<b>554</b>	<b>445</b>	<b>168</b>	<b>1 724</b>	<b>1 710</b>
Belgium	234	276	271	268	279	298	220	255	1 050	1 051
Central & Eastern Europe	77	58	39	-13	110	112	53	131	161	406
Merchant Banking	168	-2	162	-28	85	121	156	-228	300	133
Group Centre	-13	77	158	-9	70	23	16	11	213	120
Earnings per share, basic (EUR) <sup>2</sup>	1.37	1.21	1.86	0.64	1.16	1.19	0.87	0.06	5.08	3.28
Earnings per share, basic (EUR), before coupon <sup>2</sup>	1.37	1.21	1.86	0.64	1.60	1.63	1.31	0.49	5.08	5.03
Earnings per share, diluted (EUR) <sup>2</sup>	1.37	1.21	1.86	0.64	1.16	1.19	0.87	0.06	5.08	3.28
Earnings per share, diluted (EUR), before coupon <sup>2</sup>	1.37	1.21	1.86	0.64	1.60	1.63	1.31	0.49	5.08	5.03

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

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



Reconciliation between underlying result and result according to IFRS <sup>1</sup> KBC Group (in millions of EUR)	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 12M 2009	Cumul. 12M 2010
Result after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	554	445	168	1 724	1710
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-268	23	61	79	-278
+ gains/losses on CDOs	-3 793	996	228	719	182	-160	246	296	-1 849	564
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-27	-35	9	-1 409	-103
+ value losses on AFS shares	-311	-50	4	-4	0	0	0	0	-367	0
+ (reversal of) impairment on troubled US & Icelandic banks	16	-1	42	8	13	0	0	0	65	13
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	0	0	0	128	0
+ impairment on goodwill (and associated companies)	-79	-28	-58	-328	-27	-1	-44	-47	-493	-119
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-41	-17	-1 078	-260
+ MTM of own debt issued	134	200	-330	41	-2	45	-46	56	44	53
+ Results on divestments	0	0	0	0	0	-338	-46	198	0	-186
+ other	96	63	-33	16	-62	-30	2	68	141	-22
+ taxes and minority interests related to the items above	7	388	176	-24	41	474	40	-68	549	487
Result after tax, attributable to equity holders of the parent: IFRS	-3 600	302	528	304	442	149	545	724	-2 466	1860

1 A breakdown of this reconciliation table per business unit is provided in the 'Underlying results per business unit' section of the Extended quarterly report.

## Other information

### Strategy highlights and main events

- KBC posted a strong result in 2010, thus resuming profitability after the results of the previous two years had been negatively impacted by the financial crisis. Pre-impairment underlying income is comparable to the levels recorded in the years before the financial crisis, which reassures us that our underlying business strategy is working.
- In the fourth quarter of 2010, we continued to implement our strategic refocusing plan. The divestment of Secura, which was sold to QBE, and of the Global Convertible Bond and Asian Equity Derivatives businesses of KBC Financial Products, which was sold to Daiwa, have been closed in the last quarter of 2010, generating a capital gain of 0.2 billion euros. Evenly so the divestment of KBC Peel Hunt, KBC Asset Management Ltd in Ireland, the Life Settlement Portfolio of KBC Financial Products and KBC Business Capital have all seen their closing in the last quarter of 2010. Closure of the remaining files is expected to follow in the months to come. The reduction in (risk-weighted) assets continued in the fourth quarter (primarily in the activities at KBC Financial Products) and also went according to plan. A number of companies are still scheduled for divestment as part of the planned reduction in the international loan portfolio. Preparations to float a minority stake in our Czech banking subsidiary are on track and we are on stand-by to launch the IPO programme once optimal conditions have been identified for a successful transaction. The sales process for our Belgian supplementary sales channels (Centea and Fidea) is ongoing, and proceeding according to plan.
- As stated on previous occasions, KBC intends to redeem the core capital securities issued to the State largely by retaining earnings and releasing capital currently tied up in non-core assets that are earmarked for divestment or run-off. KBC also intends to maintain a regulatory tier-1 capital ratio of 10%, of which 8% is core capital, according to the Basel II banking capital adequacy rules.
- On account of the changing economic situation in Ireland after the financial aid package was given the green light by the EU and IMF, KBC has decided to take additional impairment charges for its Irish operations. Taking account of the current economic scenario and the revised model for our loan book, fourth-quarter loan impairment provisions for Ireland amounted to approximately 0.3 billion euros (net), bringing the total to 0.5 billion euros for 2010.
- During the fourth quarter, internal controls at KBC Lease UK identified irregularities in some of the contracts between that KBC entity and third parties. The maximum net (potential) amount of the irregularities has been estimated at 125 million euros. A provision for this upper boundary amount has been set aside. KBC has taken certain preventive legal measures it deems necessary to protect its interests and to recover as much of this amount as possible. It has also filed an insurance claim aimed at recovering the amount at risk.
- Concerns continued during the fourth quarter about financial institutions' exposure to certain government bonds. In this respect, it is worth mentioning that following a further reduction in both the banking and trading book, KBC's exposure to Greek sovereign bonds had dropped to 0.6 billion euros as at 31 December 2010. More information on KBC's sovereign bond exposure to a selection of Southern European countries and Ireland is provided in the 'Consolidated financial statements' section of the quarterly report.
- At the next Annual General Meeting (AGM) to be held on 28 April 2011, it will be proposed to shareholders that a dividend of 0.75 euros per share (before taxes) be paid for financial year 2010 (subject to AGM approval).

### Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but 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 litigation, 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 could generate additional charges beyond anticipated levels.
- Key risk management data are provided in the annual reports, the quarterly reports and the dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).

### 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.

- In 2010, changes in the scope of consolidation had only a limited impact on the income statement or on the balance sheet, apart from some realised gains on divestments (Secura, KBC's Global Convertible Bond and Asian Equity Derivatives businesses). No changes were made to the valuation rules that had a material net impact on earnings.
- In 2010, the value of local currencies in KBC's Central and Eastern European markets appreciated by (a weighted average of) 4% against the euro, compared to 2009. In 4Q 2010, the comparable figure was up 1% on the 3Q 2010 level and up 3% on the 4Q 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 31 December 2010 (32.8 euros) was calculated on the basis of 339.77 million shares (for this calculation, the number of treasury shares held (18.17 million) was deducted from the number of ordinary shares outstanding (357.94 million).
- *Earnings per share* for 2010 (3.72 euros) was calculated on the basis of 339.74 million shares (average number during the period), while *diluted earnings per share* (also 3.72 euros) was calculated on the basis of 339.74 million shares (also period average). In both cases, the average number of treasury shares held was deducted from the average ordinary share count. For calculating diluted earnings per share, however, the number of stock options granted to employees with an exercise price below market price was added (virtually immaterial in 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 will be paid on the core-capital securities sold to the Belgian State and Flemish Region, is deducted from earnings (*pro rata*) in the EPS calculation.
- As usual, KBC has made additional risk disclosures on the composition of its loan book and its structured credit exposure as at the end of the quarter under review (available in the English version of the extended quarterly report at [www.kbc.com/ir](http://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](http://www.kbc.com).

# Financial calendar for 2011

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2010 Annual Report available as of	8 April 2011
2010 Risk Report available as of	8 April 2011
Annual General Meeting	28 April 2011
Ex-dividend date	3 May 2011
Payment date	6 May 2011
KBC Group – Publication of 1Q 2011 results	12 May 2011
KBC Group – Publication of 2Q 2011 results	9 August 2011
KBC Group – Publication of 3Q 2011 results	10 November 2011
KBC Group – Publication of 4Q 2011 results	9 February 2012

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An extended version of the financial calendar, including analyst and investor meetings, is available at [www.kbc.com/ir/calendar](http://www.kbc.com/ir/calendar).

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## **Note for the editor:**

Follow KBC via Twitter on [www.twitter.com/kbc\\_group](http://www.twitter.com/kbc_group)