Earnings Statement

KBC Group, 3Q2012 and 9m 2012

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 8 November 2012, 7 a.m. CET.

Summary: Strategy guidelines set, capital strengthened, risks reduced, profit sustained.

IFRS-based net profit reported for the quarter under review came to 531 million euros, compared with a net loss of 539 million euros in the previous quarter and a net loss of 1 579 million euros in the year-earlier quarter. This means the group has generated a total net profit of 372 million euros for the first nine months of 2012, as opposed to a net loss of 424 million euros for the corresponding period of 2011.

Excluding all exceptional and non-operating items, KBC ended the third quarter of 2012 with an underlying net profit of 406 million euros, compared with a net profit of 372 million euros in the previous quarter and a net loss of 248 million euros in the corresponding quarter of 2011. The underlying results for the first nine months of 2012 amounted to 1 233 million euros, compared to 937 million euros for the corresponding period in 2011.

Johan Thijs, Group CEO:

'Good business performance, significant derisking and a further strengthening of our capital and liquidity position were the main features of the third quarter for KBC, a period in which we recorded 406 million euros in underlying net profit.

In terms of operating income, our underlying result went up by 10% on a comparable basis this quarter, driven by the good commercial performance of our strategic banking and insurance business model in our home markets in Belgium and Central and Eastern Europe. Net interest income continued to contract, although this was due primarily to the lower income from asset and liability management as well as the deconsolidation of various companies. Loans and deposits, on the other hand, continued to grow at a good rate in our core markets. Fee income was up and commercial insurance results remained good. The quarter also featured an excellent (hence low) combined ratio but slightly higher levels of loan loss impairments. These impairments are mainly the result of loan loss provisioning in Ireland.

We have also finalized the sale of KBL epb, Żagiel and KBC Lease Deutschland. In addition, we lowered our exposure to Southern European government bonds, and the volatility of our profit by further reducing exposure to CDOs. These actions have led to a further reduction in the risk profile of our company.

We have improved our already strong liquidity position, with a loan-to-deposit ratio of 82% at the end of September. We have covered all funding needs for 2012 and are looking forward to issuing covered bonds in the foreseeable future.

At the beginning of the fourth quarter we successfully placed 350 million worth of treasury shares in the market, pushing up our solvency ratios even further.

Our tier-1 capital ratio has risen further, bringing it to 15.3% in the third quarter of 2012. This ratio amounts to 16.8% on a pro forma basis when the sale of Kredyt Bank – which has been signed, but not yet closed – as well as the sale of the treasury shares are included. Our estimated common equity ratio under Basel III at the end of 2013 stands at 10.2% (fully loaded).

We are continuing our efforts to ensure that 4.67 billion euros in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the plan agreed with the European Commission, with the aim of paying back a substantial part before the end of 2012.

At the beginning of October we announced our updated strategy for the group for 2013 and beyond. Our goal is to become more agile and efficient and thus more competitive. In doing so, we will not only adapt to changing client behaviour but will also meet the legitimate expectations from society as a whole, to the benefit of our clients, employees, shareholders and other stakeholders.'

Main exceptional and non-operating items impacting the reported IFRS result for 3Q2012:

A number of exceptional items were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 3Q2012 amounted to 0.1 billion euros. Apart from some smaller items, the main non-operating items in 3Q2012 were a valuation mark-up of 0.3 billion euros on CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads) and a negative 0.1 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

Financial highlights for 3Q2012 compared to 2Q2012:

- Good commercial results.
- Decline in net interest income due to lower reinvestment yield and deconsolidation of Warta.
- Growth in loan and deposit volumes in our core markets.
- Excellent combined ratio at 90% year-to-date.
- Robust sales of unit-linked life products.
- Net fee and commission income up 1% on a comparable basis.
- Strong gains from financial instruments at fair value, mainly driven by positive CVA changes.
- Underlying cost/income ratio at 57% year-to-date.
- Credit cost ratio up slightly, to 0.63% year-to-date. Excluding Ireland, this ratio stands at 0.27%.
- Further reduction in exposure to Southern European government bonds (by almost one-third in this quarter).
- Strong liquidity with an excellent loan-to-deposit ratio of 82%.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of the sale of Kredyt Bank, which has been signed, but not yet closed, and the sale of treasury shares – at approximately 16.8% (with a core tier-1 ratio of 14.7%).

Overview KBC Group (consolidated)	3Q2011	2Q2012	3Q2012	Cumul. 9M2011	Cumul. 9M2012
Net result, IFRS (in millions of EUR)	-1 579	-539	531	-424	372
Basic earnings per share, IFRS (in EUR)[1]	-5.08	-1.99	1.16	-2.56	-0.13
Underlying net result (in millions of EUR)	-248	372	406	937	1 233
Underlying basic earnings per share (in EUR)[1]	-1.17	0.69	0.79	1.45	2.41
Breakdown of underlying net result per business unit (in millions of EUR)					
Belgium	32	226	290	551	782
Central & Eastern Europe	-40	188	169	229	475
Merchant Banking	-196	-65	10	43	-12
Group Centre	-44	23	-64	114	-11
Parent shareholders' equity per share (in EUR, end of period)	28.9	28.5	31.3	28.9	31.3

The IFRS and underlying income statement summary tables are provided below in this earnings statement.
1 Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata). If a penalty has to be paid, it will likewise be deducted.

Underlying results

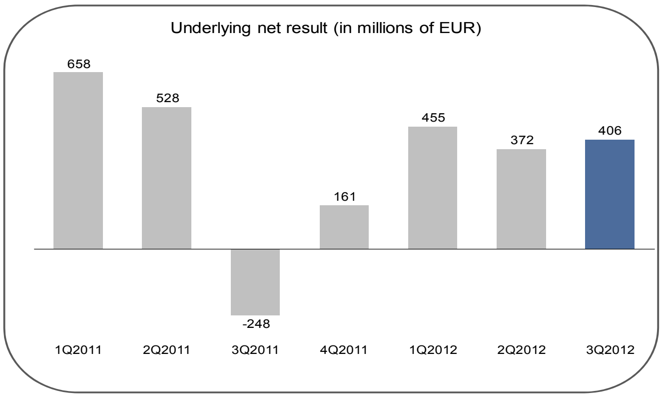
Highlights of 3Q2012 (excluding exceptional and non-operating items)

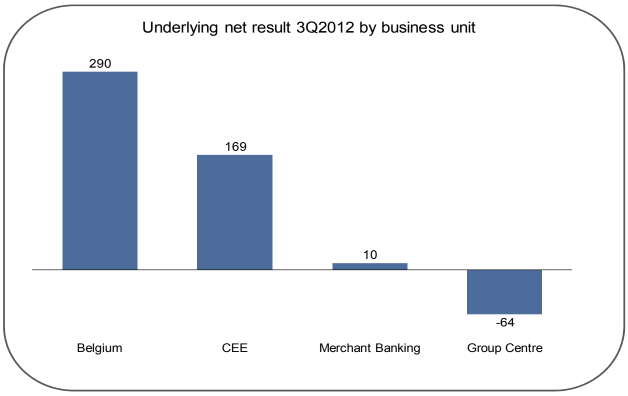
In addition to the figures according to IFRS (next section), KBC provides 'underlying' figures aimed at giving more insight into the business performance. The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment of certain hedging results and capital-market income.

A full explanation of the differences between the 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.

Consolidated income statement, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	1 087	-	4 106	3 448
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	578	-	3 088	2 352
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-499	-	-2 676	-2 009
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	-	-43	-27
Dividend income	8	37	14	15	5	21	10	-	59	36
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	256	-	371	695
Net realised result from available-for-sale assets	53	42	11	85	31	6	57	-	106	95
Net fee and commission income	399	394	367	374	306	310	349	-	1 161	965
Other net income	73	72	-210	12	-8	53	74	-	-64	120
Total income	2 274	2 161	1 673	2 075	1 989	1 786	1 900	-	6 107	5 676
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	- 1 016	-990	-	-3 553	-3 116
Impairment	- 105	-333	-740	-730	-271	-241	-305	-	-1 179	-816
on loans and receivables	-97	-164	-475	-599	-261	-198	-283	-	-736	-742
on available-for-sale assets	-6	-135	-228	-85	-5	-24	-4	-	-369	-33
on goodwill	0	0	0	0	0	0	0	-	0	0
on other	-2	-35	-38	-46	-5	-18	-18	-	-75	-41
Share in results of associated companies	1	0	-23	-35	-9	-9	-13	-	-22	-32
Result before tax	943	673	-262	177	599	520	592	-	1 353	1 711
Income tax expense	- 271	-138	22	-9	-136	-144	-177	-	-388	-457
Result after tax	671	534	-240	167	463	376	415	-	966	1 254
attributable to minority interests	14	6	8	7	7	5	9	-	28	21
attributable to equity holders of the parent	**658**	**528**	**-248**	**161**	**455**	**372**	**406**	**-**	**937**	**1 233**
Belgium	280	238	32	251	266	226	290	-	551	782
Central & Eastern Europe	123	146	-40	98	118	188	169	-	229	475
Merchant Banking	177	63	-196	-153	42	-65	10	-	43	-12
Group Centre	77	81	-44	-35	30	23	-64	-	114	-11
Basic earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-	1.45	2.41
Diluted earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-	1.45	2.41

Reconciliation of underlying and IFRS result KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Result after tax, attributable to equity holders of the parent: UNDERLYING	658	528	-248	161	455	372	406	-	937	1 233
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45	-29	-33	-	-226	-16
+ gains/losses on CDOs	114	-108	-628	154	149	-32	274	-	-621	391
+ impairment on goodwill	0	-17	-57	-41	0	-16	0	-	-74	-16
+ result on legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	6	-	62	-13
+ MTM of own debt issued	-16	-25	185	215	-340	41	-144	-	144	-444
+ results on divestments	-45	-12	-591	8	81	-868	23	-	-647	-764
Result after tax, attributable to equity holders of the parent: IFRS	821	333	-1 579	437	380	-539	531	-	-424	372





The underlying net result for the quarter under review amounted to 406 million euros, compared to 372 million euros in 2Q2012 and -248 million euros in 3Q2011.

Gross income up by 10% quarter-on-quarter on a comparable basis.

- Underlying net interest income stood at 1 087 million euros, down 19% year-on-year and 5% quarter-on-quarter. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Leaving these items out, net interest income was down by 13% year-on-year and 4% quarter-on-quarter. This was due primarily to the lower income from asset and liability management. The net interest margin came to 1.74% for the quarter under review, 8 basis points lower than in the previous quarter and 25 basis points less than the high level of a year earlier. In the Belgium Business Unit, both deposit and credit volumes were up quarter-on-quarter and year-on-year (credit: +6% year-on-year and +1% quarter-on-quarter; deposits: +4% year-on-year and 1% quarter-on-quarter). The loan book in the CEE Business Unit increased by 6% year-on-year (attributable to the Czech Republic and Slovakia), and by 2% quarter-on-quarter, while deposits rose by 3% year-on-year and 1% quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit was down 4% year-on-year and 5% quarter-on-quarter, while the deposit base shrunk by 25% year-on-year (primarily in the last quarter of 2011, caused mainly by reduced short-term deposits in our New York branch and at KBC Bank Ireland), and 4% quarter-on-quarter. The reduction was in line with the building down of our overseas balance sheet in the Merchant Banking business.
- Both the life and non-life insurance businesses performed well during the quarter under review. In total, gross earned premiums less gross technical charges and the ceded reinsurance result came to 67 million euros, down 51% year-on-year and 49% quarter-on-quarter. However, when account is taken of the deconsolidation of Fidea, VITIS and Warta, this result was up 22% quarter-on-quarter and down 3% year-on-year.

  The non-life segment was characterised by a good level of premiums and relatively low claims. The combined ratio for the year to date came to an excellent 90%.

  In the life segment and on a comparable basis, sales of life insurance products fell by 24% quarter on quarter (compared to the very successful second quarter). Year-on-year, these sales rose by as much as 17%.

  It should be noted that the strong insurance results were also driven by good investment income, as well as by strict control of general administrative expenses.
- The net result from financial instruments at fair value amounted to 256 million euros in the quarter under review, well up on the figure for the previous quarter and on the year-earlier figure. This item was impacted by a significant positive CVA adjustment in the third quarter.
- Net realised gains from available-for-sale assets stood at 57 million for the quarter under review, well above the 33-million-euro average for the last four quarters. This item was characterised by significant gains on the sale of shares as well as lower losses on the sale of bonds.
- Net fee and commission income amounted to 349 million euros, up 12% quarter-on-quarter but down 5% year-on-year. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Leaving these items out, income was up by 7% year-on-year and 1% quarter-on-quarter. Assets under management stood at 155 billion euros, up 3% on the year-earlier figure and on the figure for the second quarter of 2012, thanks to a positive investment performance.
- Other net income came to 74 million euros, 44 million euros of which was recovered with respect to the KBC Lease UK fraud case.

Operating expenses well under control.

- Operating expenses came to 990 million euros in the third quarter of 2012, down 3% on their level in the previous quarter and 15% on their year-earlier level. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Excluding deconsolidated companies, underlying costs increased by 1% compared to the previous quarter but decreased by 2% compared to the year-earlier quarter. The amount recovered under the Belgian deposit guarantee scheme (partly offsetting the additional bank tax in Belgium) in the second quarter is the main explanation of the quarterly increase. The year-to-date cost/income ratio came to 57%, a clear indication that costs remain well under control.

Low credit cost ratios overall; loan loss provisions for Ireland still sizeable and increase in corporate credit cost ratio.

- Loan loss impairment stood at 283 million euros in the third quarter, up on the 198 million euros recorded in the previous quarter, but down on the 475 million euros recorded a year earlier. The quarterly increase was accounted for by the fact that loan loss impairment of 129 million euros was recorded at KBC Bank Ireland, as well as 49 million euros at KBC Finance Ireland with a few large files. The credit cost ratios were low in the other business activities, resulting in an annualised credit cost ratio of 0.63% year-to-date. This breaks down into a very low 0.06% for the Belgian retail book (compared to 0.10% for FY2011), 0.40% in Central and Eastern Europe (down from 1.59% for FY2011, which had been adversely affected by Hungary and Bulgaria) and 1.38% for Merchant Banking (marginally up from 1.36% for FY2011). Excluding Ireland, the credit cost ratio for Merchant Banking stood at 0.24% (down from 0.59% for FY2011).
- Impairment charges on available-for-sale assets came to 4 million euros and other impairment charges amounted to 18 million euros in the quarter under review.

Strong solvency capital position under Basel II.

- The group's tier-1 ratio (under Basel II) increased to a strong 15.3% at 30 September 2012 (core tier-1 ratio of 13.4%). Including the effect of the sale of Kredyt Bank, which has been signed, but not yet closed, as well as the sale of treasury shares, the *pro forma* tier-1 ratio was as high as 16.8% (core tier-1 ratio of 14.7%).
- The solvency ratio for KBC Insurance stood at an excellent 365% at 30 September 2012, up from 314% at the end of the previous quarter.

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 290 million euros to profit in 3Q2012, compared to 226 million euros in the previous quarter. The quarter was characterised by lower net interest income due to lower reinvestment yields, good insurance sales and a very good combined ratio, stable fee income, a low level of loan impairment and a high level of realised gains on shares. Operating expenses remained very well under control.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 169 million euros in 3Q2012, compared to 188 million euros in the previous quarter, partly driven by somewhat higher impairment on loans and receivables. Overall, impairment levels in the third quarter remained low.
- The Merchant Banking Business Unit recorded a profit of 10 million euros in 3Q2012, compared to a loss of 65 million euros in 2Q2012. Profit was impacted in part by the high – although decreasing – level of loan impairment in Ireland, as well as by the large positive CVA at KBC Bank Belgium, the satisfactory dealing room results and a recovery of an amount related to the fraud case at KBC Lease UK. Excluding KBC Bank Ireland, net profit for the Merchant Banking Business Unit in 3Q2012 would be 101 million euros.
- It should be noted that all planned divestments in 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 3Q2012, the Group Centre's net result came to a negative 64 million euros, compared to 23 million euros in the previous quarter. This result was driven largely by the impairments in a small number of files in the project finance portfolio of KBC Finance Ireland.

Exceptional and non operating items.

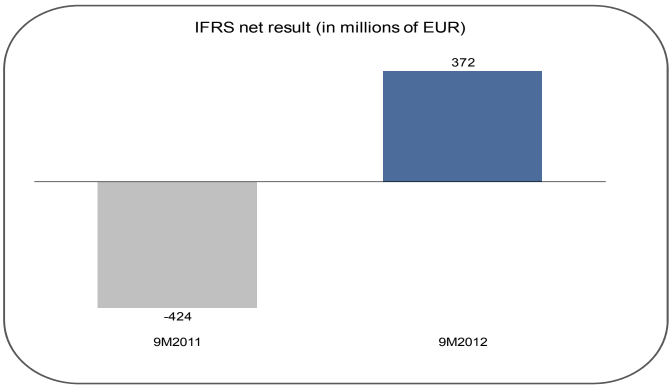
The quarter also featured a number of exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 3Q2012 amounted to 0.1 billion euros. Apart from some smaller items, the main non-operating items in 3Q2012 were:

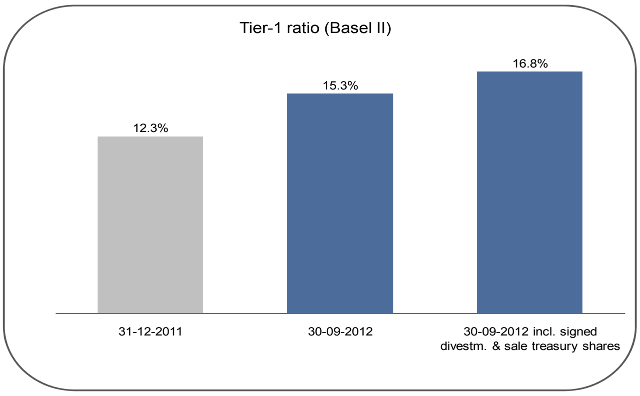
- a valuation mark-up of 0.3 billion euros on CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads);
- a negative 0.1 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

IFRS result
Highlights of 9M2012

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of this 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 performance, KBC also publishes its 'underlying' results (see above).

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Net interest income	1 395	1 406	1 341	1 337	1 261	1 190	1 097	-	4 142	3 548
Interest income	3 047	3 195	2 910	2 732	2 695	2 563	2 493	-	9 151	7 752
Interest expense	-1 651	-1 789	- 1 569	-1 395	-1 434	-1 374	-1 396	-	-5 009	-4 204
Earned premiums, insurance (before reinsurance)	1 141	974	972	1 033	884	890	578	-	3 087	2 352
Technical charges, insurance (before reinsurance)	-1 012	-840	-812	-877	-752	- 757	-499	-	-2 665	-2 009
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	-	-43	-27
Dividend income	12	41	17	15	6	21	13	-	70	39
Net result from financial instruments at fair value through profit or loss	472	-194	-892	436	60	43	275	-	-613	378
Net realised result from available-for-sale assets	34	42	10	83	32	9	56	-	86	97
Net fee and commission income	300	297	281	287	304	309	343	-	877	955
Fee and commission income	518	530	480	514	492	479	494	-	1 529	1 464
Fee and commission expense	-218	-233	-200	-227	-188	-170	-151	-	-651	-509
Other net income	92	110	-149	3	73	368	106	-	53	547
Total income	2 416	1 829	749	2 317	1 853	2 072	1 954	-	4 994	5 879
Operating expenses	-1 143	-1 081	-1 077	-1 043	-1 132	-1 033	-1 003	-	-3 301	-3 167
Impairment	-105	-332	-940	-746	-273	-1 473	-302	-	-1 377	-2 048
on loans and receivables	-97	-164	-473	-599	-261	-198	-283	-	-733	-742
on available-for-sale assets	-6	-118	-223	-71	-5	-75	-4	-	-347	-83
on goodwill	0	-17	-62	-41	0	-414	0	-	-79	-414
on other	-2	-33	-183	-35	-7	-786	-15	-	-218	-809
Share in results of associated companies	1	0	-23	-35	-9	17	-6	-	-22	2
Result before tax	1 170	416	-1 292	492	439	-417	644	-	294	666
Income tax expense	-334	-76	165	-75	-93	-110	-103	-	-245	-306
Net post-tax result from discontinued operations	0	0	-445	26	40	-8	0	-	-445	33
Result after tax	835	340	-1 571	443	387	-535	540	-	-396	392
attributable to minority interests	14	6	8	6	7	5	9	-	28	21
attributable to equity holders of the parent	**821**	**333**	**-1 579**	**437**	**380**	**-539**	**531**	**-**	**-424**	**372**
Belgium	385	158	-348	226	489	204	321	-	196	1 014
Central & Eastern Europe	141	145	-91	94	119	171	182	-	195	472
Merchant Banking	203	69	-255	-225	17	-65	-8	-	17	-56
Group Centre	92	-39	-885	342	-246	-849	37	-	-831	-1 059
Basic earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-	-2.56	-0.13
Diluted earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-	-2.56	-0.13





IFRS net result for 9M2012 at 372 million euros, compared to -424 million euros a year earlier.

- Net interest income amounted to 3 548 million euros, compared to 4 142 million euros a year earlier. The decline was caused primarily by the deconsolidation of KBL epb, Warta, Żagiel and Fidea and lower re-investment yields. Year-on-year, credit volumes grew by 2%. Customer deposits expanded by 4% in Belgium and by 3% in Central Europe, while the deposit base at Merchant Banking contracted by 25% (primarily in 4Q2011). The net interest margin shrunk to 1.83%, year-to-date, 14 basis points lower than the high figure a year ago.
- Gross earned premiums less gross technical charges and the ceded reinsurance result came to 316 million euros, down 17% year-on-year, primarily because of the deconsolidation of VITIS, Warta and Fidea.

  For the non-life activities, the year-to-date combined ratio came to an excellent 90% (87% in Belgium, 97% in CEE), an improvement on the 92% for FY2011. For the life activities and on a comparable basis, there was a 42% year-on-year increase in the sale of life insurance products (thanks to higher sales of unit-linked products). It should be noted that the insurance results are also affected by investment income and charges, as well as by general administrative expenses. Investment income, in particular, was good for both the life and non-life businesses.
- Net fee and commission income amounted to 955 million euros in the first three quarters of 2012, up 9% on its level a year ago, thanks, *inter alia*, to the successful sale of unit-linked products. Assets under management stood at 155 billion euros up 3% on the year-earlier figure, due to a positive investment performance.
- The net result from financial instruments at fair value (trading and fair value income) came to 378 million euros in the first nine months of 2012, compared to a negative 613 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, fair valuing of the group's own debt, results related to the 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 695 million euros on 30 September 2012, almost double the year-earlier figure, due to the very good performance turned in by the dealing room, especially in the first quarter, and the positive CVA in the third quarter.
- The remaining income components were as follows: dividend income from equity investments amounted to 39 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 97 million euros and other net income totalled 547 million euros, accounted for primarily by the capital gain realised on the closure of the Warta divestment in the second quarter.
- Operating expenses amounted to 3 167 million euros in the first three quarters of 2012, 4% lower than the year-earlier figure. This was caused by the divestments, but offset somewhat by such factors as inflation and wage indexation. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 57% at the end of September 2012, an improvement on the 60% recorded for FY2011.
- Total impairment stood at 2 048 million euros for the first nine months of 2012. Impairment on loans and receivables amounted to 742 million euros, comparable to the 733 million euros recorded in the same period in 2011, essentially due to the high level recorded for Ireland. As a result, the annualised credit cost ratio for 2012 came to 0.63%, which is still an improvement on the figure of 0.82% for FY2011. Impairment on available-for-sale assets stood at 83 million euros. Impairment on goodwill totalled 414 million euros and other impairment charges 809 million euros. These impairment charges were accounted for by the planned divestment files (primarily NLB, Absolut Bank, Antwerp Diamond Bank, KBC Banka and KBC Bank Deutschland) and were recorded in the second quarter.
- Income tax amounted to 306 million euros for the first nine months of 2012.
- At the end of September 2012, total equity came to 17.7 billion euros – up 0.9 billion euros on its level at the start of the year – due mainly to the inclusion of the net profit for the first three quarters of 2012 (0.4 billion euros), the substantial change in the available-for-sale revaluation reserve (1.2 billion euros), as well as the deduction of the coupon on non-voting core capital securities subscribed by the Federal and Flemish governments (-0.6 billion euros). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 15.3% at 30 September 2012. Including the effect of divestments for which an agreement has so far been signed (Kredyt Bank) as well as the sale of treasury shares, the *pro forma* tier-1 ratio is as high as approximately 16.8% (core tier-1 ratio of 14.7%).

Selected balance sheet data

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total assets	322 493	312 899	305 109	285 382	290 635	285 848	270 010	-
Loans and advances to customers*	147 625	143 182	143 451	138 284	135 980	133 326	131 048	-
Securities (equity and debt instruments)*	88 839	85 144	74 062	65 036	65 853	64 227	65 171	-
Deposits from customers and debt certificates*	192 412	188 116	184 453	165 226	166 551	163 685	160 945	-
Technical provisions, before reinsurance*	23 870	24 084	21 064	19 914	19 925	19 539	19 637	-
Liabilities under investment contracts, insurance*	6 568	6 638	6 787	7 014	7 871	8 856	9 680	-
Parent shareholders' equity	11 011	11 500	9 834	9 756	10 949	9 687	10 629	-
Non-voting core-capital securities	7 000	7 000	7 000	6 500	6 500	6 500	6 500	-

* Note: in accordance with IFRS 5, the assets and liabilities of a number of divestments were moved to 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2011	9M2012
Profitability and efficiency (based on underlying results)		
Return on equity*	5%	11%
Cost/income ratio, banking	60%	57%
Combined ratio, non-life insurance	92%	90%
Solvency		
Tier-1 ratio	12.3%	15.3%
Core tier-1 ratio	10.6%	13.4%
Credit risk		
Credit cost ratio	0.82%	0.63%
Non-performing ratio	4.9%	5.5%

* Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata). If a penalty has to be paid, it will likewise be deducted.

Strategy highlights and main events

KBC's core strategy remains centred around bancassurance in Belgium and a selection of countries in Central and Eastern Europe (Czech Republic, Slovakia, Hungary and Bulgaria). In line with its strategic plan, the group has made considerable progress in the sale or run-down of a number of (non-core) activities (see below).

In 3Q2012 to date, we advanced substantially in the implementation of our strategic refocusing plan.

- On 2 July 2012, after very careful and thorough consideration and in consultation with all relevant parties, KBC decided not to participate in the capital increase proposed by NLB and the Republic of Slovenia.
- On 31 July 2012, KBC finalised the sale, announced on 10 October 2011, of its private banking subsidiary KBL European Private Bankers to Precision Capital S.A. for a total consideration of approximately 1 billion euros. The sale released a substantial amount of capital (approximately 0.7 billion euros) for KBC, increasing its tier-1 ratio by 0.7% in the third quarter of 2012.
- On 31 July 2012, after having received all the necessary regulatory approvals, KBC Bank finalised the sale of 100% of the shares of Żagiel, its consumer finance business in Poland, to Santander Consumer Finance S.A., the Polish consumer finance subsidiary of Santander Group, for a total purchase price of 10 million Polish zloty. The impact on KBC's earnings and capital is negligible given the size of the activities.
- On 19 September 2012, KBC Lease Holding NV completed the management buy-out deal for its subsidiary KBC Lease Deutschland. The impact of this deal on KBC's earnings and capital is negligible given the size of the activities.
- On 8 October 2012, the group's CEO presented its updated strategy and explained how KBC will address the challenges presented by the changed business environment. He also presented KBC's major financial targets for 2015, setting the course for the group to become the reference in bank-insurance in its core markets.
- On 16 October 2012, KBC Group NV and KBC Bank announced the successful completion of the private placement of 18.2 million treasury shares. The gross proceeds from the transaction amounted to 350 million euros.
- A number of companies are still scheduled for divestment. The divestment processes for KBC Bank Deutschland, KBC Banka, Antwerp Diamond Bank and Absolut Bank are in progress.

Other main events in 9M2012

- On 2 January 2012, KBC repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government. KBC's main objective in this respect is and remains to implement the strategic plan approved by the European Commission within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC aims to repay a substantial part of the aid received from the federal government before the end of this year.
- On 3 October 2012, the European Banking Authority and National Bank of Belgium announced the final assessment of the capital exercise and fulfillment of the EBA December 2011 Recommendation, which showed that KBC Bank meets the 9% core tier-1 ratio including the sovereign buffer as stated in the EBA December 2011 recommendation.
- In Ireland, growth is still driven by exports but signs of emerging stabilisation in parts of the domestic economy have been accompanied by an improvement in financial sentiment towards Ireland. Slightly better than expected tax revenues, broadly flat unemployment and a range of surveys point towards a tentative turning point in domestic activity of late. There are indications that the housing market may have bottomed out in terms of prices and transaction levels. However, the Irish domestic market remains a challenging environment for commercial customers. A loan loss provision of 129 million euros was recorded in 3Q2012. Impairment charges at KBC Bank Ireland for the full year are estimated to end between 500 and 600 million euros.
- As has been the case in previous quarters, KBC has acted to reduce volatility in its results, and further reduced its exposure to Southern European government bonds in the third quarter by almost a third, mainly through cutting back its holdings of Spanish and Italian government bonds.
- KBC reduced the profit and loss sensitivity of its CDO portfolio significantly through de-risking activities.

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.

- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
- Significant progress has been made towards stabilising the euro area over the past few months, both on the political and financial front, with the plan to create a banking union as a possible game changer. The very accommodating monetary policy in the EMU ('OMT') and the US ('QE3') should help to overcome an austerity-induced recession in the EMU and the post-election 'fiscal cliff' in the US, and therefore restore economic confidence and growth in the early months of 2013.

Financial calendar

- The financial calendar, including analyst and investor meetings, is available at www.kbc.com/ir/calendar.

Contact details:

- Wim Allegaert, General Manager, Investor Relations, KBC Group
Tel 32 2 429 40 51 wim.allegaert@kbc.be

- Viviane Huybrecht, General Manager, Group Communication/Spokesperson, KBC Group
Tel 32 2 429 85 45 pressoffice@kbc.be

Note for the editor:

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