

# 1Q2013

KBC Group  
Extended  
Quarterly  
Report



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## Management certification of financial statements and quarterly report

'I, Luc Popelier, Chief Financial Officer of the KBC Group, certify on behalf of the Executive Committee of KBC Group NV that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Group NV including its consolidated subsidiaries, and that the quarterly report provides a fair view of the main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the current year.

## Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this report are, of course, based on assumptions and are contingent on a number of factors that will come into play in the future. Consequently, the actual situation may turn out to be (substantially) different.

## Glossary of ratios used

CAD ratio:  $[\text{total regulatory capital}] / [\text{total weighted risks}]$ .

Combined ratio (non-life insurance):  $[\text{technical insurance charges, including the internal cost of settling claims} / \text{earned premiums}] + [\text{operating expenses} / \text{written premiums}]$  (after reinsurance in each case).

(Core) Tier-1 capital ratio (Basel II):  $[\text{tier-1 capital}] / [\text{total weighted risks}]$ . The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian Federal and Flemish Regional governments).

Cost/income ratio (banking):  $[\text{operating expenses of the banking activities of the group}] / [\text{total income of the banking activities of the group}]$ .

Cover ratio:  $[\text{impairment on loans}] / [\text{outstanding non-performing loans}]$ . For a definition of 'non-performing', see 'Non-performing loan ratio'. Where appropriate, the numerator may be limited to individual impairment on non-performing loans.

Credit cost ratio:  $[\text{net changes in individual and portfolio-based impairment for credit risks}] / [\text{average outstanding loan portfolio}]$ . Note that, *inter alia*, government bonds are not included in this formula.

Basic earnings per share:  $[\text{result after tax, attributable to equity holders of the parent}] / [\text{average number of ordinary shares, less treasury shares}]$ . If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

Diluted earnings per share:  $[\text{result after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds}] / [\text{average number of ordinary shares, less treasury shares, plus the dilutive effect of options (number of stock options allocated to staff with an exercise price less than the market price) and non-mandatorily convertible bonds}]$ . If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

Liquidity Coverage Ratio (LCR):  $[\text{stock of high quality liquid assets}] / [\text{total net cash outflow over the next 30 calendar days}]$ .

Net interest margin of the group:  $[\text{net interest income of the banking activities}] / [\text{average interest-bearing assets of the banking activities}]$ .

Net stable funding ratio (NSFR):  $[\text{available amount of stable funding}] / [\text{required amount of stable funding}]$ .

Non-performing loan ratio:  $[\text{amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than 90 days in arrears or overdrawn)}] / [\text{total outstanding loan portfolio}]$

Parent shareholders' equity per share:  $[\text{parent shareholders' equity}] / [\text{number of ordinary shares, less treasury shares (at period-end)}]$ .

Return on allocated capital (ROAC) for a particular business unit:  $[\text{result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital}] / [\text{average capital allocated to the business unit}]$ . The result of a business unit is the sum of the result of all the companies in that business unit, adjusted for allocated central overheads. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance.

Return on equity:  $[\text{result after tax, attributable to equity holders of the parent}] / [\text{average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets}]$ .

Solvency ratio, insurance:  $[\text{consolidated available capital of KBC Insurance}] / [\text{minimum required solvency margin of KBC Insurance}]$ .



### Investor Relations contact details

Investor.relations@kbc.com – [www.kbc.com/ir](http://www.kbc.com/ir) – [m.kbc.com](mailto:m.kbc.com)

KBC Group NV, Investor Relations Office, Havenlaan 2, BE 1080 Brussels, Belgium  
Visit [www.kbc.com](http://www.kbc.com)

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# KBC Group Report on 1Q2013



This press release contains  
information that is subject to  
transparency regulations  
for listed companies.  
Date of release: 16 May 2013

## Summary: 520 million euros profit, 15 billion euros capital, 9 million clients.

KBC ended the first three months of 2013 with a net profit of 520 million euros, compared with a net profit of 240 million euros in the previous quarter and 380 million euros a year earlier.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 359 million euros, compared with 279 million euros in the previous quarter and 501 million euros in the corresponding quarter of 2012.



**Johan Thijs, Group CEO:**

*'KBC has started 2013 by posting a high level of profit in the first quarter. We recorded a good 520 million euros in net profit against what was a challenging economic background. At group level and excluding deconsolidated entities, we achieved a higher net interest margin, which had a positive impact on interest income, recorded strong fee and commission income, posted solid gains on financial instruments, as well as on available-for-sale assets, and recorded an excellent combined ratio and cost/income ratio.*

*A new management structure was introduced at the start of 2013, reflecting the group's updated strategy.*

*Based on this, the group also reworked its financial segment reporting presentation.*

*In 1Q2013, the Belgium Business Unit generated a net result of 385 million euros, above the average figure of 340 million euros for the four preceding quarters. We recorded strong fee and commission income, an excellent non-life insurance combined ratio, a very low cost/income ratio and high realised gains on available-for-sale securities. Given the economic circumstances, the quarter under review was also characterised by lower net interest income, and – due to the impact of a limited number of corporate loans – a relatively high level of loan loss provisions in line with the previous quarter.*

*In the quarter under review, the Czech Republic Business Unit generated a net result of 132 million euros, slightly down on the average figure of 145 million euros for the four preceding quarters. The results for this quarter reflected an increase in net fee and commission income, good cost control and roughly stable loan loss impairment. Net interest income was flat, disregarding FX effects, while the net interest margin widened slightly. The combined ratio for non-life insurance went up somewhat.*

*In 1Q2013, the International Markets Business Unit recorded a net result of -87 million euros, down on the average of -65 million euros for the four preceding quarters. The quarter's result was impacted by the Hungarian bank tax being booked for the full year and by the high level of loan loss impairment in Ireland, where impairment charges of 300 to 400 million euros are expected to be recorded for the full year.*

*Yet again, we took further steps in implementing our divestment plan. Continuing on what had been announced at the end of 2012, we successfully placed our participation in Bank Zachodni WBK through a secondary offering. The proceeds from the sale of the 15 million shares offered came to 0.9 billion euros, further strengthening our already solid solvency position. We also finalised the sale of our remaining 22% stake in NLB to the Republic of Slovenia in March. KBC is now no longer a shareholder of NLB, complying with the request of the European Commission to divest from NLB. Furthermore, we reached an agreement with Société Générale and Telenor regarding the acquisition of KBC Banka in Serbia, a move which marks our exit from the Serbian banking market. These sales are among the last major milestones in implementing the strategic plan agreed with the European Commission in 2009. Consequently, we are now in a position to focus on our core activities.*

*We also managed to reduce the remaining CDO exposure from 15.5 billion euros at the end of 2012 to 13.9 billion euros at the end of this quarter. Even when account is taken of both the cost of reducing this CDO exposure and the fee for the guarantee scheme, the market valuation of the CDO exposure increased by some 0.2 billion euros.*

*The liquidity position of our group remained strong, with the LCR and NSFR being well above 100%.*

*Our capital position has strengthened further to a tier-1 ratio of 15.4%, or 15.7% on a pro-forma basis, when the effects of the sale of Absolut Bank and KBC Banka are included. Our common equity ratio under Basel III at the end of the quarter stood at 12.0% (fully loaded), well above our goal to maintain a target common equity ratio under Basel III (fully loaded) of 10% as of 1 January 2013. We intend to accelerate repayment of 1.17 billion euros of state aid to the Flemish Regional Government and to pay the accompanying premium of 583 million euros in the first half of 2013, subject to the customary approval of the National Bank of Belgium.*

*These results strengthen our belief in our business. It works to the benefit of our 9 million clients, our 37 000 employees, our shareholders and other stakeholders. We truly appreciate and are grateful for all the trust that has been placed in us.'*

## Impact of the legacy business and valuation of own credit risk:

In order to give a good insight in the ongoing business performance, KBC also provides adjusted figures that exclude a) the impact of the legacy business, i.e. the valuation of the remaining CDOs in portfolio (including fees for the related guarantee agreement with the Belgian State) and the impact of divestments and b) the impact of the valuation of own credit risk. For the quarter under review, these items had the following impact:

- CDOs: During the first quarter, corporate and ABS credit spreads tightened further, as had been the case during the fourth quarter of 2012. When the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government and the cost of reducing the CDO exposure are taken into account, there was a positive post-tax impact of some 165 million euros.
- Remaining divestments: The successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain. In contrast, the sale of KBC Banka, as well as closing the sale of NLB, led to a capital loss. The combined effect amounted to a positive 22 million euros (post tax).
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between year-end 2012 and the end of the first quarter resulted in a negative marked-to-market adjustment of 26 million euros (post tax).

## Financial highlights for 1Q2013 compared to 4Q2012:

- High level of group profit thanks to strong commercial franchise and positive CDO valuation.
- Return on Equity based on adjusted results of 13%.
- Net interest margin up and net interest income stable.
- Growth in deposit volumes in our core markets, stable loan portfolio.
- Excellent combined ratio at 87% year-to-date, with low claims ratio.
- Strong level of net fee and commission income, up by 14% (on a like-for-like basis).
- Underlying cost/income ratio at 51% year-to-date.
- Credit cost ratio at a rather high 0.80% year-to-date. Ireland's ratio down to 2.47%.
- Consistently strong liquidity position, with LCR at 133% and NSFR at 106%.
- Solvency: strong capital base: *pro forma* tier-1 ratio – including the effect of divestments which have been signed, but are not yet closed – at 15.7% (with a core tier-1 ratio of 13.5%). Basel III common equity ratio (fully loaded) at 12.0%, well above the 10% target.

| Overview<br>KBC Group (consolidated)   | 1Q2012 | 4Q2012 | 1Q2013 |
|--|--------|--------|--------|
| Net result, IFRS (in millions of EUR)  | 380    | 240    | 520    |
| Basic earnings per share, IFRS (in EUR) <sup>1</sup>                         | 0.71   | -0.97  | 1.25   |
| Adjusted net result (in millions of EUR)                                     | 501    | 279    | 359    |
| Basic earnings per share, based on adjusted net result (in EUR) <sup>1</sup> | 1.19   | -0.92  | 0.86   |
| Breakdown per business unit (in millions of EUR) <sup>2</sup>                |        |        |        |
| Belgium  | 486    | 295    | 385    |
| Czech Republic   | 158    | 114    | 132    |
| International Markets  | -163   | -18    | -87    |
| Group Centre   | 19     | -113   | -71    |
| Parent shareholders' equity per share (in EUR, end of period)                | 32.2   | 29.0   | 30.0   |

<sup>1</sup> Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

<sup>2</sup> A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report). The 2012 reference figures have been restated in order to reflect this new breakdown.

## Overview of results according to IFRS

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 ongoing business performance, KBC also publishes an overview of adjusted results, where the impact of legacy activities (divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines at the bottom of the presentation (see next section).

| Consolidated income statement, IFRS<br>KBC Group (in millions of EUR)      | 1Q<br>2012   | 2Q<br>2012   | 3Q<br>2012   | 4Q<br>2012   | 1Q<br>2013   | 2Q<br>2013 | 3Q<br>2013 | 4Q<br>2013 |
|--|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| Net interest income  | 1 261        | 1 190        | 1 097        | 1 121        | 1 068        | -          | -          | -          |
| Interest income  | 2 695        | 2 563        | 2 493        | 2 382        | 2 193        | -          | -          | -          |
| Interest expense   | -1 434       | -1 374       | -1 396       | -1 261       | -1 125       | -          | -          | -          |
| Earned premiums, insurance (before reinsurance)                            | 884          | 890          | 578          | 623          | 577          | -          | -          | -          |
| Technical charges, insurance (before reinsurance)                          | -752         | -757         | -499         | -584         | -487         | -          | -          | -          |
| Ceded reinsurance result   | -14          | -1           | -12          | 13           | -12          | -          | -          | -          |
| Dividend income  | 6            | 21           | 13           | 5            | 5            | -          | -          | -          |
| Net result from financial instruments at fair value through profit or loss | 60           | 43           | 275          | 42           | 314          | -          | -          | -          |
| Net realised result from available-for-sale assets                         | 32           | 9            | 56           | 85           | 142          | -          | -          | -          |
| Net fee and commission income  | 304          | 309          | 343          | 360          | 393          | -          | -          | -          |
| Fee and commission income  | 492          | 479          | 494          | 541          | 641          | -          | -          | -          |
| Fee and commission expense   | -188         | -170         | -151         | -181         | -248         | -          | -          | -          |
| Other net income   | 73           | 368          | 106          | 187          | 76           | -          | -          | -          |
| <b>Total income</b>  | <b>1 853</b> | <b>2 072</b> | <b>1 954</b> | <b>1 854</b> | <b>2 076</b> | <b>-</b>   | <b>-</b>   | <b>-</b>   |
| Operating expenses   | -1 132       | -1 033       | -1 003       | -1 081       | -1 039       | -          | -          | -          |
| Impairment   | -273         | -1 473       | -302         | -463         | -352         | -          | -          | -          |
| on loans and receivables   | -261         | -198         | -283         | -330         | -295         | -          | -          | -          |
| on available-for-sale assets   | -5           | -75          | -4           | -11          | -13          | -          | -          | -          |
| on goodwill  | 0            | -414         | 0            | -8           | -7           | -          | -          | -          |
| on other   | -7           | -786         | -15          | -114         | -37          | -          | -          | -          |
| Share in results of associated companies                                   | -9           | 17           | -6           | 1            | 0            | -          | -          | -          |
| <b>Result before tax</b>   | <b>439</b>   | <b>-417</b>  | <b>644</b>   | <b>310</b>   | <b>684</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   |
| Income tax expense   | -93          | -110         | -103         | -56          | -160         | -          | -          | -          |
| Net post-tax result from discontinued operations                           | 40           | -8           | 0            | -6           | 0            | -          | -          | -          |
| <b>Result after tax</b>  | <b>387</b>   | <b>-535</b>  | <b>540</b>   | <b>249</b>   | <b>524</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   |
| attributable to minority interests   | 7            | 5            | 9            | 9            | 4            | -          | -          | -          |
| <b>attributable to equity holders of the parent</b>                        | <b>380</b>   | <b>-539</b>  | <b>531</b>   | <b>240</b>   | <b>520</b>   | <b>-</b>   | <b>-</b>   | <b>-</b>   |
| Basic earnings per share (EUR)   | 0.71         | -1.99        | 1.16         | -0.97        | 1.25         | -          | -          | -          |
| Diluted earnings per share (EUR)   | 0.71         | -1.99        | 1.16         | -0.97        | 1.25         | -          | -          | -          |

## Overview of adjusted results

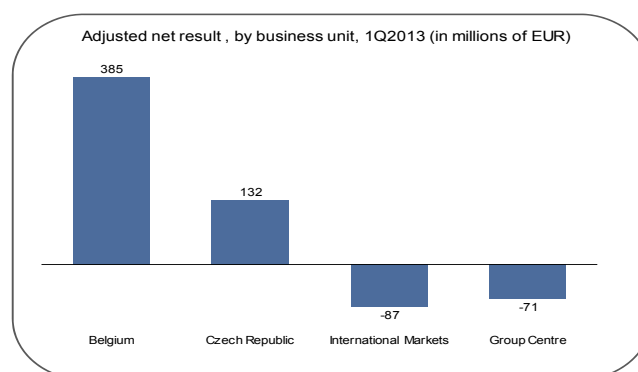
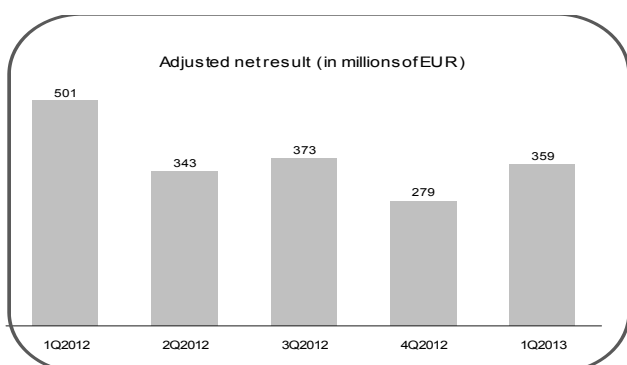
In addition to the figures according to IFRS (previous section), KBC provides figures aimed at giving more insight into the ongoing business performance. Hence, in the overview below, the impact of legacy activities (remaining divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines at the bottom of the presentation (in segment reporting, these items are all included in the Group Centre). Moreover, a different accounting treatment for capital-market income was applied to the Belgium Business Unit (all trading results shifted to 'Net results from financial instruments at fair value').

A full explanation of the differences between the IFRS and adjusted figures is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report.

| Consolidated income statement, KBC Group (in millions of EUR)                      | 1Q<br>2012   | 2Q<br>2012   | 3Q<br>2012   | 4Q<br>2012   | 1Q<br>2013   | 2Q<br>2013 | 3Q<br>2013 | 4Q<br>2013 |
|--|--------------|--------------|--------------|--------------|--------------|------------|------------|------------|
| <b>Adjusted net result</b><br>(i.e. excluding legacy business and own credit risk) |              |              |              |              |              |            |            |            |
| Net interest income  | 1 217        | 1 153        | 1 078        | 1 084        | 1 032        | -          | -          | -          |
| Earned premiums, insurance (before reinsurance)                                    | 884          | 890          | 578          | 623          | 577          | -          | -          | -          |
| Technical charges, insurance (before reinsurance)                                  | -752         | -757         | -499         | -584         | -487         | -          | -          | -          |
| Ceded reinsurance result   | -14          | -1           | -12          | 13           | -12          | -          | -          | -          |
| Dividend income  | 5            | 22           | 10           | 5            | 4            | -          | -          | -          |
| Net result from financial instruments at fair value through profit or loss         | 353          | 58           | 223          | 156          | 218          | -          | -          | -          |
| Net realised result from available-for-sale assets                                 | 31           | 9            | 55           | 85           | 96           | -          | -          | -          |
| Net fee and commission income  | 312          | 309          | 345          | 359          | 385          | -          | -          | -          |
| Other net income   | 22           | 60           | 80           | 89           | 76           | -          | -          | -          |
| <b>Total income</b>  | <b>2 057</b> | <b>1 743</b> | <b>1 857</b> | <b>1 831</b> | <b>1 890</b> | -          | -          | -          |
| Operating expenses   | -1 110       | -1 016       | -990         | -1 068       | -1 029       | -          | -          | -          |
| Impairment   | -271         | -241         | -305         | -378         | -335         | -          | -          | -          |
| on loans and receivables   | -261         | -198         | -283         | -329         | -295         | -          | -          | -          |
| on available-for-sale assets   | -5           | -24          | -4           | -4           | -13          | -          | -          | -          |
| on goodwill  | 0            | 0            | 0            | 0            | -7           | -          | -          | -          |
| on other   | -5           | -18          | -18          | -45          | -20          | -          | -          | -          |
| Share in results of associated companies   | -9           | -9           | -13          | 1            | 0            | -          | -          | -          |
| <b>Result before tax</b>   | <b>667</b>   | <b>477</b>   | <b>549</b>   | <b>385</b>   | <b>526</b>   | -          | -          | -          |
| Income tax expense   | -159         | -129         | -167         | -98          | -163         | -          | -          | -          |
| <b>Result after tax</b>  | <b>508</b>   | <b>348</b>   | <b>382</b>   | <b>287</b>   | <b>363</b>   | -          | -          | -          |
| attributable to minority interests   | 7            | 5            | 9            | 9            | 4            | -          | -          | -          |
| <b>attributable to equity holders of the parent</b>                                | <b>501</b>   | <b>343</b>   | <b>373</b>   | <b>279</b>   | <b>359</b>   | -          | -          | -          |
| Belgium  | 486          | 244          | 335          | 295          | 385          | -          | -          | -          |
| Czech Republic   | 158          | 159          | 149          | 114          | 132          | -          | -          | -          |
| International Markets  | -163         | -41          | -38          | -18          | -87          | -          | -          | -          |
| Group Centre   | 19           | -19          | -72          | -113         | -71          | -          | -          | -          |
| Basic earnings per share (EUR)   | 1.19         | 0.49         | 0.69         | -0.92        | 0.86         | -          | -          | -          |
| Diluted earnings per share (EUR)   | 1.19         | 0.49         | 0.69         | -0.92        | 0.86         | -          | -          | -          |
| <b>Legacy business and own credit risk impact (after tax)</b>                      |              |              |              |              |              |            |            |            |
| Legacy – gains/losses on CDOs  | 138          | -39          | 280          | 46           | 165          | -          | -          | -          |
| Legacy – divestments   | 81           | -884         | 23           | 3            | 22           | -          | -          | -          |
| MTM of own credit risk   | -340         | 41           | -144         | -87          | -26          | -          | -          | -          |
| <b>Net result (IFRS)</b>   |              |              |              |              |              |            |            |            |
| <b>Result after tax, attributable to equity holders of the parent: IFRS</b>        | <b>380</b>   | <b>-539</b>  | <b>531</b>   | <b>240</b>   | <b>520</b>   | -          | -          | -          |



## Analysis of the quarter under review



The net result for the quarter under review amounted to 520 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result amounted to 359 million euros, compared with 279 million euros in 4Q2012 and 501 million euros in 1Q2012.

### Total income (adjusted net result)

- Net interest income stood at 1 032 million euros, down 5% quarter-on-quarter and 15% year-on-year. The quarter-on-quarter comparison was impacted partly by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was affected in part by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Disregarding these items, net interest income fell by just 1% quarter-on-quarter and 10% year-on-year. This was due primarily to the lower income generated by asset and liability management (lower reinvestment yields), while commercial margins remained healthy. The net interest margin came to 1.72% for the quarter under review, 1 basis point higher than in the previous quarter, but 15 basis points lower than the high level of a year earlier. In the Belgium Business Unit, deposit and loan volumes were up quarter-on-quarter and year-on-year (loans: +1% year-on-year and +0.3% quarter-on-quarter; deposits: +10% year-on-year and 5% quarter-on-quarter). The loan book in the Czech Republic increased by 9% year-on-year and by 0.3% quarter-on-quarter, while deposits rose by 2% year-on-year and declined 1% quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined 6% year-on-year (due to Ireland and Hungary) and 1% quarter-on-quarter, while the deposit base grew by 18% year-on-year (driven by Ireland and Slovakia) and by 4% quarter-on-quarter.
- Both the life and non-life insurance businesses recorded good net results during the quarter under review. In total, gross earned premiums less gross technical charges and the ceded reinsurance result came to 78 million euros, up 50% quarter-on-quarter, but down 34% year-on-year. However, when account is taken of the deconsolidation of Warta, this result was 42% higher than the year-earlier figure.

The non-life segment was characterised by a slightly lower level of premiums and a significantly lower level of technical charges compared with 4Q 2012, resulting in an excellent combined ratio of 87%.

In the life segment, and on a comparable basis, sales of life insurance products (including unit linked products not included in premium income figures) declined by 54% on their level in 4Q2012, which had benefited from a very successful savings campaign. Year-on-year, these sales have fallen by as much as 52%, triggered by a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013.

It should be noted that the insurance results were also impacted by lower investment income, but benefited from strict control of general administrative expenses.

- The net result from financial instruments at fair value amounted to 218 million euros in the quarter under review, higher than the 197-million-euro average for the last four quarters. This figure is usually defined by dealing-room income, but this quarter has been influenced primarily by a positive result of 85 million euros on the marked-to-market valuations in respect of the derivative instruments used in asset and liability management.
- Net realised gains from available-for-sale assets stood at 96 million euros for the quarter under review, well above the 45-million-euro average for the last four quarters. In 1Q2013, this item benefited from gains on the sale of Belgian government bonds.

- Net fee and commission income amounted to 385 million euros, up 7% quarter-on-quarter and 23% year-on-year. The quarter-on-quarter comparison was impacted in part by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was impacted partially by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Disregarding these items, income was up 14% quarter-on-quarter and 18% year-on-year. The main drivers for this increase were entry and management fees on mutual funds, as well as income from unit-linked life insurance products. Assets under management stood at 156 billion euros, up 1% on the quarter-earlier figure because of a positive price effect.
- Other net income came to 76 million euros.

#### **Operating expenses (adjusted net result)**

- Operating expenses came to 1 029 million euros in 1Q2013, down 4% on their level in the previous quarter and down 7% on their year-earlier level. The quarter-on-quarter comparison was impacted in part by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was impacted partly by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Excluding deconsolidated companies, costs increased by 2% compared with the previous quarter, which was chiefly attributable to the bank tax being charged for the full year in Hungary, as well as to the financial transaction levy there. Year-on-year and excluding deconsolidated companies, costs were also 2% higher. The year-to-date cost/income ratio came to 51%, a clear indication that costs remain well under control. However, it was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used in asset and liability management and by net realised gains from available-for-sale assets.

#### **Impairment charges (adjusted net result)**

- Loan loss impairment stood at 295 million euros in 1Q2013, down on the 329 million euros recorded in the previous quarter, but up on the 261 million euros recorded a year earlier. The figure for 1Q2013 included loan loss impairment of 99 million euros recorded at KBC Bank Ireland (as opposed to 87 million euros in the previous quarter and 195 million euros in the year-earlier quarter), as well as a relatively high 138 million euros in the Belgium Business Unit. The annualised credit cost ratio stood at 0.80% year-to-date. This breaks down into a high 0.62% for the Belgian Business Unit (compared to 0.28% for FY2012), 0.42% in Czech Republic Business Unit (up from 0.31% for FY2012) and 1.78% for the International Markets Business Unit (down from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 13 million euros and other impairment charges amounted to 27 million euros in the quarter under review.

#### **Impact of the legacy business and own credit risk on the result:**

- CDOs: During the first quarter, corporate and ABS credit spreads tightened further, as had been the case during the fourth quarter of 2012. When the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government and the cost of reducing the CDO exposure are taken into account, there was a positive post-tax impact of some 165 million euros.
- Remaining divestments: The successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain. In contrast, the sale of KBC Banka, as well as closing the sale of NLB, led to a capital loss. The combined effect amounted to a positive 22 million euros (post tax).
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between year-end 2012 and the end of the first quarter 2013 resulted in a negative marked-to-market adjustment of 26 million euros (post tax).

### Breakdown per business unit

- In 1Q2013, the Belgium Business Unit generated a net result of 385 million, above the average of 340 million for the four preceding quarters. The quarter under review was characterised by lower net interest income, strong fee and commission income, an excellent non-life insurance combined ratio and lower sales of life insurance. Other features included the relatively high level of realised gains on available-for-sale securities, an excellent cost/income ratio and relatively high loan loss provisioning.
- In the quarter under review, the Czech Republic Business Unit posted an underlying net result of 132 million euros, slightly down on the average figure of 145 million euros for the four preceding quarters. The quarter under review was characterised by stable net interest income, good net fee and commission income, higher non-life claims and lower life insurance sales, lower trading results, capital gains from the sale of mortgage bonds, good cost control and a roughly stable level of loan loss impairment.
- In the quarter under review, the International Markets Business Unit generated a net result of -87 million, down on the average of -65 million euros for the four preceding quarters. The net result breaks down as follows: 17 million euros for Slovakia, -19 million euros for Hungary (where the special bank tax for full-year 2013 was booked in this quarter), -9 million euros for Bulgaria (negatively impacted by an impairment on a bond), and -77 million euros for Ireland (still affected by high loan loss provisioning).
- The Group Centre recorded a net result of 90 million euros in 1Q2013. This performance includes the impact of the legacy business and own credit risk (a combined 161 million euros in 1Q2013). Excluding these items, the Group Centre's adjusted net result was -71 million euros.

### Equity and solvency

- The group's tier-1 ratio (under Basel II) stood at a strong 15.4% at 31 March 2013 (core tier-1 ratio of 13.2%). Including the effect of the sale of Absolut Bank and KBC Banka, the *pro forma* tier-1 ratio was as high as 15.7% (core tier-1 ratio of 13.5%).
- The solvency ratio for KBC Insurance stood at an excellent 326% at 31 March 2013, up from an already very high 322% at the end of the previous quarter.
- The common equity ratio under the current Basel III framework came to 12.0% (fully loaded, but including the aid from the Flemish Region) at the end of the first quarter of 2013, well above the targeted common equity ratio of 10% under Basel III (fully loaded).

### Liquidity

- The group's liquidity remains excellent, as reflected in the LCR ratio of 133% at 31 March 2013, as well as in the NSFR ratio of 106% at the end of the quarter.

## Selected balance sheet data

| Highlights of consolidated balance sheet<br>KBC Group (in millions of EUR) | 31-03-<br>2012 | 30-06-<br>2012 | 30-09-<br>2012 | 31-12-<br>2012       | 31-03-<br>2013 | 30-06-<br>2013 | 30-09-<br>2013 | 31-12-<br>2013 |
|--|----------------|----------------|----------------|----------------------|----------------|----------------|----------------|----------------|
| Total assets   | 290 635        | 285 848        | 270 010        | 256 928 <sup>°</sup> | 258 567        | -              | -              | -              |
| Loans and advances to customers*   | 135 980        | 133 326        | 131 048        | 128 492              | 129 753        | -              | -              | -              |
| Securities (equity and debt instruments)*                                  | 65 853         | 64 227         | 65 171         | 67 295               | 65 071         | -              | -              | -              |
| Deposits from customers and debt certificates*                             | 166 551        | 163 685        | 160 945        | 159 632              | 167 994        | -              | -              | -              |
| Technical provisions, before reinsurance*                                  | 19 925         | 19 539         | 19 637         | 19 205               | 18 836         | -              | -              | -              |
| Liabilities under investment contracts, insurance*                         | 7 871          | 8 856          | 9 680          | 10 853               | 11 664         | -              | -              | -              |
| Parent shareholders' equity  | 10 949         | 9 687          | 10 629         | 12 017 <sup>°</sup>  | 12 505         | -              | -              | -              |
| Non-voting core-capital securities   | 6 500          | 6 500          | 6 500          | 3 500                | 3 500          | -              | -              | -              |

\* In accordance with IFRS 5, the assets and liabilities of a number of divestments have been reallocated to 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.

<sup>°</sup> Restated based on IAS19 revision as of 1 January 2013.

## Selected ratios

| Selected ratios<br>KBC Group (consolidated)                                  | FY2012 | 1Q2013 |
|--|--------|--------|
| <b>Profitability and efficiency (based on adjusted net result)</b>           |        |        |
| Return on equity <sup>1</sup>  | 9%     | 13%    |
| Cost/income ratio, banking   | 57%    | 51%    |
| Combined ratio, non-life insurance   | 95%    | 87%    |
| <b>Solvency</b>  |        |        |
| Tier-1 ratio (Basel II)  | 13.8%  | 15.4%  |
| Core tier-1 ratio (Basel II)   | 11.7%  | 13.2%  |
| Common equity ratio (Basel III, fully loaded, including remaining state aid) | 10.8%  | 12.0%  |
| <b>Credit risk</b>   |        |        |
| Credit cost ratio  | 0.71%  | 0.80%  |
| Non-performing ratio   | 5.3%   | 5.4%   |

<sup>1</sup> If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*).

## Strategy highlights and main events

### Strategy and business highlights

- KBC's core strategy remains focused on bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. In line with its strategic plan, the group has almost completed the sale or run-down of a number of (non-core) activities (see below).
- Last steps in the divestment programme:
  - On 11 March 2013, KBC Group finalised the transaction announced on 28 December 2012, whereby KBC sold its remaining 22% stake in NLB to the Republic of Slovenia for a total consideration of 3 million euros. KBC is now no longer a shareholder of NLB, complying with the request of the European Commission to divest from NLB.
  - On 22 March 2013, KBC Bank NV successfully placed its 16.2% participation in Bank Zachodni WBK through a secondary offering. The bookbuilding process started on 18 March and was reserved for eligible institutional investors. The sale of the 15 125 964 shares offered (constituting 16.17% of BZ WBK current shares outstanding) at the final offer price of 245 zlotys per one offer share generated 3.71 billion zlotys (0.9 billion euros) for KBC and strengthened its already solid solvency position by 0.6%.
  - On 26 April 2013, KBC reached an agreement with Société Générale Srbija and Telenor Serbia regarding the acquisition of KBC Banka, KBC's banking entity in Serbia. Under the agreement, Telenor will purchase 100% of KBC Banka's shares, while Société Générale Srbija will acquire KBC Banka's key assets and deposits. All the parties involved agreed not to disclose any financial details of the transaction. For KBC, however, the transaction will have an impact on earnings of an estimated -47 million euros (-17m euros of which recorded in 1Q2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. This deal is still subject to regulatory approval. When finalised, the agreement will mark KBC's exit from the Serbian banking market.
  - On 26 April 2013, KBC Securities Poland announced that it would be refocusing its local business lines and decided to concentrate on its Securities Services offering.
  - KBC signed an agreement at the end of 2012 to sell its Russian banking subsidiary, Absolut Bank, to a group of Russian companies that manage the assets of Blagosostoyanie. This transaction is still subject to regulatory approval, which is expected to be received in the second quarter of 2013.
  - KBC is still in discussions with a number of interested parties as regards two of its remaining divestment files, i.e. Antwerp Diamond Bank (Belgium) and KBC Bank Deutschland (Germany). It is also maintaining an open and constructive dialogue with the European Commission about these files.
- Other business developments:
  - At the beginning of October, KBC announced its updated strategy for the group for 2013 and beyond. With effect on 1 January 2013, it restructured its organisation to better reflect this updated strategy.
  - In the first quarter of 2013, KBC Group NV repaid its three-year Long Term Refinancing Operation to the European Central Bank for an amount totalling 8.3 billion euros. KBC boasts a strong retail and corporate deposit base in its core markets and its wholesale funding needs for 2013 are well advanced.
  - On 18 January 2013, KBC successfully placed 1 billion US dollars' worth of tier-2 contingent capital notes. The issue met with strong demand and was more than eight times oversubscribed.
  - On 7 February, Euromoney named KBC Private Banking as 'the best private banker in Belgium' in its 2013 awards. KBC Private Banking was also named 'a highly commended private banker' for 2012 by the Financial Times/The Banker.
- Developments on the Corporate Social Responsibility front:
  - On 2 April 2013, KBC published its ninth CSR Report.
  - On 16 April 2013, the second Report to Society was published. To mark its publication, KBC invited several Belgian stakeholders, including NGOs, politicians and academics, to a stakeholder meeting.
  - On 31 January 2013, KBC Belgium became the first financial institution in Belgium to gain EMAS certification for its support services. EMAS is the European Commission's voluntary eco-management and audit scheme to help companies continually improve their environmental performance.
  - For the second year running, KBC Bank Ireland was again recognised as having the best reputation of any bank in Ireland according to the annual RepTrak study.
  - For the tenth time, K&H has organised a new tender round from 27 March until 31 May 2013 for its MediMagic programme. The institutions involved may apply for a share of the competition fund for paediatric and rescue equipment.

- In March 2013, ČSOB Czech Republic launched an internal campaign supporting the employment of people with a physical handicap. The aim was to follow up its long-term co-operation with and support for non-profit organisations that work with people with different handicaps.
  - For the sixth time, ČSOB Slovakia was the proud general partner of the Bratislava Marathon and made a donation to a number of children's hospitals via the ČSOB Foundation.
  - CIBANK, together with DZI, traditionally support projects in the Sofia Municipality for the improvement of the urban environment and the renewal of green areas.
- **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](http://www.kbc.com).
    - The EMU economy remains in recession. After increasing for four consecutive months, German business confidence fell in March and April. In the meantime, confidence indicators in peripheral EMU countries have been bottoming out at a low level. Against this background, the ECB cut its key rate further to 0.5% and is exploring ways to facilitate the provision of credit to the real economy. The current economic weakness has also been felt in the US. The underlying positive dynamics of US job creation, however, is continuing. Moreover, real GDP growth in the first quarter of 2013 was driven by strong growth of final domestic demand, in particular private consumption. Meanwhile, the financial environment remains favourable. In the EMU, this has largely been due to the presence of the OMT programme of the ECB, which eliminated the risk of an EMU break-up. As a consequence, political events such as the Cyprus crisis had virtually no effect on intra-EMU sovereign spreads. On the contrary, recent data suggest that the fragmentation of EMU financial markets is being reversed. This has been reflected in more convergence of the credit rates charged in different EMU economies.

The financial calendar, including analyst and investor meetings, is available at [www.kbc.com/ir/calendar](http://www.kbc.com/ir/calendar).

# KBC Group Analysis of 1Q2013 results by business unit



Unless otherwise specified,  
all amounts are given in euros

## New breakdown by business unit as of 2013

### New business unit structure since 1 January 2013

A new management structure was introduced at the start of 2013, reflecting the group's updated strategy. More information on this is available in the press release ('KBC 2013 and beyond') and presentation of 8 October 2012, and in the 2012 annual report, which are all available on [www.kbc.com](http://www.kbc.com).

Based on this new management structure, the group also reworked its financial segment reporting presentation.

Up until the end of 2012, the segments consisted of the Belgium Business Unit (retail bancassurance), the Central & Eastern Europe Business Unit (Czech Republic, Hungary, Slovakia, Bulgaria), the Merchant Banking Business Unit (corporate banking and market activities in Belgium and abroad, plus KBC Bank Ireland) and the Group Centre (results of the holding company, certain items that were not allocated to the business units, and the results of companies to be divested).

In the new reporting presentation, the segments<sup>1</sup> are essentially:

- the Belgium Business Unit (all activities in Belgium)
- the Czech Republic Business Unit (all activities in the Czech Republic)
- the International Markets Business Unit (activities in Ireland, Hungary, Slovakia, Bulgaria)
- the Group Centre (results of the holding company, certain items that are not allocated to the business units, results of companies to be divested, and the *legacy and own credit risk* impact (see below)).

A more detailed definition is provided in the sections per business unit below.

The main differences between the former and new business units are:

- The former Belgium Business Unit has been extended to include the Belgian merchant banking activities (corporate banking and market activities), including KBC Bank's foreign branches (previously part of the Merchant Banking Business Unit).
- The former Central & Eastern Europe Business Unit has been split up into a separate Czech Republic Business Unit, reflecting the importance of that country within the group's operations, while the operations in the other core countries – Hungary, Slovakia and Bulgaria – have been grouped under the International Markets Business Unit.
- KBC Bank Ireland, which belonged to the former Merchant Banking Business Unit, has now been incorporated into the International Markets Business Unit.

### Introduction of the 'adjusted' net result (i.e. net result excluding the impact of legacy CDO and divestment activities and of own credit risk)

In the previous reporting framework, the IFRS profit and loss account was supplemented by a so-called underlying profit and loss account (excluding non-operational and exceptional items). This is not the case anymore. However, in addition to the figures according to IFRS, KBC will still provide figures aimed at giving more insight into the ongoing business performance.

This means that, over and above the IFRS profit and loss account, an *adjusted* profit and loss account will be provided in which a limited number of non-operational items is excluded from P/L and summarised in three lines at the bottom of the reporting presentation<sup>2</sup>. Segment reporting is based on this reworked presentation.

The items in question are:

- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to own credit risk.

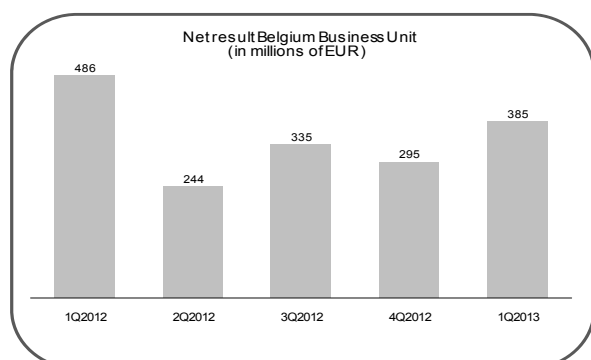
In the segment reporting presentation, these items are all assigned to the Group Centre (hence, for the other business units, there is no additional 'adjusted' net result total).

<sup>1</sup> The management structure of the group also includes an International Product Factories Business Unit. The results of the activities of this business unit are included in the results of the other business units based on geography. Consequently, this business unit is not presented separately when the results are reported by segment.

<sup>2</sup> The former 'underlying' figures also excluded changes in the fair value of certain ALM hedging instruments; these are now included in the business units' results. Moreover, trading results, which are included in various line items in the IFRS presentation, are still being moved to 'Net results from financial instruments at fair value'. Whereas this was performed for every business unit in the former reporting presentation, it is now limited to KBC Bank Belgium (Belgium Business Unit), due to materiality.



## Analysis of the results – Belgium Business Unit



The Belgium Business unit includes the activities of KBC Bank NV and KBC Insurance NV, as well as their Belgian subsidiaries (CBC Banque, KBC Asset Management, KBC Lease Group, KBC Securities, KBC Group Re, etc.). Results related to legacy businesses and the valuation of own credit risk have been moved to the Group Centre.

| Income statement, Belgium Business Unit,<br>(in millions of EUR)           | 1Q2012       | 2Q2012     | 3Q2012       | 4Q2012       | 1Q2013       | 2Q2013 | 3Q2013 | 4Q2013 |
|--|--------------|------------|--------------|--------------|--------------|--------|--------|--------|
| Net interest income  | 724          | 671        | 639          | 688          | 658          | -      | -      | -      |
| Earned premiums, insurance (before reinsurance)                            | 490          | 411        | 394          | 469          | 429          | -      | -      | -      |
| Technical charges, insurance (before reinsurance)                          | -468         | -393       | -356         | -477         | -381         | -      | -      | -      |
| Ceded reinsurance result   | -8           | -6         | -12          | 15           | -10          | -      | -      | -      |
| Dividend income  | 5            | 21         | 9            | 5            | 4            | -      | -      | -      |
| Net result from financial instruments at fair value through profit or loss | 278          | 1          | 134          | 94           | 135          | -      | -      | -      |
| Net realised result from available-for-sale assets                         | 40           | -8         | 44           | 42           | 85           | -      | -      | -      |
| Net fee and commission income  | 222          | 238        | 234          | 253          | 291          | -      | -      | -      |
| Other net income   | -14          | 42         | 39           | 39           | 66           | -      | -      | -      |
| <b>Total income</b>  | <b>1 269</b> | <b>976</b> | <b>1 126</b> | <b>1 128</b> | <b>1 278</b> | -      | -      | -      |
| Operating expenses   | -568         | -536       | -535         | -557         | -575         | -      | -      | -      |
| Impairment   | -6           | -79        | -84          | -159         | -140         | -      | -      | -      |
| on loans and receivables   | -1           | -41        | -66          | -139         | -138         | -      | -      | -      |
| on available-for-sale assets   | -4           | -24        | -4           | -4           | -2           | -      | -      | -      |
| on goodwill  | 0            | 0          | 0            | 0            | 0            | -      | -      | -      |
| other  | -1           | -14        | -14          | -16          | 1            | -      | -      | -      |
| Share in results of associated companies                                   | 0            | 0          | 0            | 0            | 0            | -      | -      | -      |
| <b>Result before tax</b>   | <b>695</b>   | <b>361</b> | <b>508</b>   | <b>413</b>   | <b>562</b>   | -      | -      | -      |
| Income tax expense   | -209         | -118       | -174         | -119         | -176         | -      | -      | -      |
| <b>Result after tax</b>  | <b>486</b>   | <b>243</b> | <b>334</b>   | <b>294</b>   | <b>386</b>   | -      | -      | -      |
| attributable to minority interests   | 0            | -1         | -1           | -1           | 1            | -      | -      | -      |
| <b>attributable to equity holders of the parent</b>                        | <b>486</b>   | <b>244</b> | <b>335</b>   | <b>295</b>   | <b>385</b>   | -      | -      | -      |
| Banking  | 360          | 171        | 219          | 239          | 300          | -      | -      | -      |
| Insurance  | 126          | 73         | 116          | 57           | 85           | -      | -      | -      |
| Risk-weighted assets, group (end of period, Basel II)                      | 60 087       | 56 501     | 53 757       | 52 884       | 51 486       | -      | -      | -      |
| of which banking   | 49 166       | 45 747     | 43 056       | 42 175       | 41 002       | -      | -      | -      |
| Allocated capital (end of period)  | 6 446        | 6 080      | 5 804        | 5 717        | 5 568        | -      | -      | -      |
| Return on allocated capital (ROAC)   | 31%          | 16%        | 23%          | 20%          | 28%          | -      | -      | -      |
| Cost/income ratio, banking   | 48%          | 59%        | 51%          | 50%          | 46%          | -      | -      | -      |
| Combined ratio, non-life insurance   | 81%          | 91%        | 88%          | 122%         | 85%          | -      | -      | -      |
| Net interest margin, banking   | 1.43%        | 1.28%      | 1.15%        | 1.16%        | 1.17%        | -      | -      | -      |

Note that in the IFRS accounts, income related to trading activities is split across different components. In the figures for the Belgium Business Unit, all trading income components related to KBC Bank Belgium have been recognised under 'Net result from financial instruments at fair value'. Note that this shift does not apply to the other business units for reasons of materiality.

In 1Q2013, the Belgium Business Unit generated a net result of 385 million, above the average figure of 340 million for the four preceding quarters. The quarter under review was characterised by lower net interest income but a stable net interest margin, strong fee and commission income, an excellent non-life insurance combined ratio, lower sales of life insurance, a relatively high level of realised gains on available-for-sale securities, a favourable cost/income ratio and above-average loan loss provisioning. The banking activities accounted for 78% of the net result in the quarter under review, and insurance activities for 22%.

We are delighted to have received the 2013 award for 'the best private banker in Belgium' from Euromoney. KBC Private Banking was also named 'a highly commended private banker' for 2012 by the Financial Times/The Banker.

#### **Net interest margin flat quarter-on-quarter, deposit volumes continue to increase**

Net interest income stood at 658 million in the quarter under review, down 4% on the previous quarter and 9% year-on-year. Generally speaking, the decline in net interest income has been caused by lower reinvestment yields (reduced GIIPS exposure, declining interest rates in general, among other factors) and fewer days in the first quarter, though it has been offset to a certain extent by the rate cuts on savings accounts and sound commercial margins on the new production of loans. On the whole, the net interest margin of KBC Bank in Belgium remained more or less flat quarter-on-quarter (even a slight increase) but fell by some 25 basis points year-on-year to 117 basis points in 1Q2013. The loan book ('loans and advances to customers, excluding reverse repos') of the Belgium Business unit amounted to 84 billion at the end of March 2013, a slight increase of 0.3% quarter-on-quarter and 0.6% year-on-year. Deposits ('deposits from customers and debt certificates, excluding repos') stood at 100 billion at the end of March 2013, up a good 5% quarter-on-quarter and 10% year-on-year.

#### **Excellent non-life combined ratio; decrease in life insurance sales compared to strong reference quarters**

Earned insurance premiums in the quarter under review amounted to 429 million (195 million for life insurance and 234 million for non-life insurance).

Non-life premium income fell by 1% quarter-on-quarter and rose by 4% year-on-year, with increases in, *inter alia*, the Fire and Other Damage to Property classes. Technical charges were significantly lower than in the previous quarter, which had been negatively impacted by relatively high claims and some technical elements (new indicative tables for bodily injury claims, among other things). As a result, the non-life combined ratio in the quarter under review stood at an excellent 85%, a significant improvement on the 95% registered for FY2012.

Life sales (gross written premiums, including unit-linked products (which are not included in the premium figures under IFRS)), amounted to 485 million in 1Q2013, down on the strong 1 143 million and 915 million recorded in the previous and year-earlier quarters. Both reference quarters had benefited from successful saving campaigns, and 4Q2012 had additionally benefited from the anticipated increase in the insurance tax as of 1 January 2013 and the traditionally high contributions to pension savings in the last quarter of the year. Although the drop in life sales was primarily related to unit-linked products, these products still accounted for almost 60% of life insurance sales in 1Q2013, the remainder being accounted for by guaranteed-rate products. At the end of March 2013, the life reserves of this business unit (including the liabilities under unit-linked contracts) amounted to 25.2 billion.

#### **Strong increase in fee and commission income in the quarter under review**

Total net fee and commission income amounted to a very satisfactory 291 million in the quarter under review, significantly up on the previous quarter (+15%) and on the year-earlier quarter (+31%). The increase was due to higher fee income from mutual funds (entry and management fees), as well as to increased fees related to switches between unit-linked life insurance products (the margin on those products is included in net fee and commission income). Assets under management in this business unit stood at 148.5 billion at the end of March 2013, slightly up (1%) on the level recorded three months ago and up 3% on their year-earlier level (both on a comparable basis).

#### **Other income components**

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 135 million in the quarter under review, somewhat above the 127 million average for the four preceding quarters. The figure for 1Q2013 includes a positive 55 million related to the MTM of ALM derivatives, and a lower dealing room result compared with the strong performance in 2012. Dividend income stood at 4 million (traditionally low in the first quarter, as the bulk of dividends is received in the second quarter of the year). The realised result from available-for-sale assets amounted to a relatively high 85 million, well above the average figure of 30 million for the last four quarters, thanks mainly to gains realised on the sale of Belgian government bonds and to a lesser extent to gains on the sale of shares. Other net income came to 66 million in 1Q2013, up on the 27 million average for the four preceding quarters. Whereas the current quarter included a gain on the sale

of a building, the reference quarters had been impacted by a number of negative items, such as charges for the 5-5-5 product and in relation to litigations.

### **Costs under control**

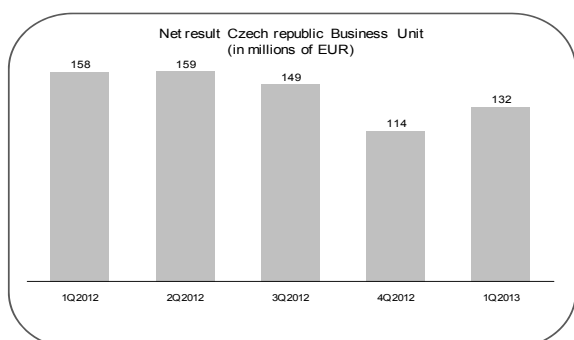
The operating expenses of the Belgium Business Unit totalled 575 million in the quarter under review, up 3% on the previous quarter and 1% on the year-earlier quarter, due to a number of factors including higher ICT expenses, higher post-employment benefits in 1Q2013, and – quarter-on-quarter – somewhat offset by lower marketing expenses. The cost/income ratio in the quarter under review amounted to 46%, an improvement of 5 percentage points on the 51% recorded for FY2012.

### **Impairment above average**

Impairment on loans and receivables (loan loss provisions) amounted to 138 million in 1Q2013, well above the 62 million average for the four preceding quarters. The 138 million figure for 1Q2013 related mainly to a few corporate files. Consequently, the overall credit cost ratio for 1Q2013 stood at 62 basis points (note: only 14 basis points for the retail/SME segment), up on the favourable 28 basis points recorded in FY2012. At the end of 1Q2013, some 2.3% of the Belgian loan book was non-performing, in line with the figure recorded three months earlier.

Other impairment charges amounted to a mere 1 million in the quarter under review and related predominantly to shares.

## Analysis of the results – Czech Republic Business Unit



The Czech Republic Business Unit includes all of KBC's activities in the Czech Republic. This encompasses the ČSOB group (operating mainly under the brands ČSOB, Era, Postal Savings Bank, Hypoteční banka and CMSS), the insurance company ČSOB Pojišťovna, ČSOB Asset Management and Patria Finance.

| Income statement, Czech Republic Business Unit, (in millions of EUR)       | 1Q2012     | 2Q2012     | 3Q2012     | 4Q2012     | 1Q2013     | 2Q2013 | 3Q2013 | 4Q2013 |
|--|------------|------------|------------|------------|------------|--------|--------|--------|
| Net interest income  | 261        | 258        | 260        | 249        | 244        | -      | -      | -      |
| Earned premiums, insurance (before reinsurance)                            | 111        | 201        | 129        | 97         | 89         | -      | -      | -      |
| Technical charges, insurance (before reinsurance)                          | -86        | -173       | -105       | -70        | -67        | -      | -      | -      |
| Ceded reinsurance result   | -1         | -2         | 0          | -2         | -1         | -      | -      | -      |
| Dividend income  | 0          | 0          | 1          | 0          | 0          | -      | -      | -      |
| Net result from financial instruments at fair value through profit or loss | 33         | 24         | 22         | 17         | 16         | -      | -      | -      |
| Net realised result from available-for-sale assets                         | -11        | 7          | 5          | 4          | 7          | -      | -      | -      |
| Net fee and commission income  | 49         | 42         | 47         | 41         | 51         | -      | -      | -      |
| Other net income   | 10         | 6          | 0          | 13         | 3          | -      | -      | -      |
| <b>Total income</b>  | <b>365</b> | <b>364</b> | <b>359</b> | <b>349</b> | <b>343</b> | -      | -      | -      |
| Operating expenses   | -164       | -164       | -165       | -196       | -164       | -      | -      | -      |
| Impairment   | -13        | -14        | -19        | -23        | -22        | -      | -      | -      |
| on loans and receivables   | -13        | -12        | -17        | -21        | -22        | -      | -      | -      |
| on available-for-sale assets   | 0          | 0          | 0          | -1         | 0          | -      | -      | -      |
| on goodwill  | 0          | 0          | 0          | 0          | 0          | -      | -      | -      |
| Other  | 0          | -2         | -2         | -2         | 0          | -      | -      | -      |
| Share in results of associated companies                                   | 0          | 0          | 0          | 0          | 0          | -      | -      | -      |
| Result before tax  | 188        | 186        | 175        | 129        | 156        | -      | -      | -      |
| Income tax expense   | -30        | -27        | -25        | -15        | -24        | -      | -      | -      |
| <b>Result after tax</b>  | <b>158</b> | <b>159</b> | <b>149</b> | <b>114</b> | <b>132</b> | -      | -      | -      |
| attributable to minority interests   | 0          | 0          | 0          | 0          | 0          | -      | -      | -      |
| <b>attributable to equity holders of the parent</b>                        | <b>158</b> | <b>159</b> | <b>149</b> | <b>114</b> | <b>132</b> | -      | -      | -      |
| Banking  | 154        | 154        | 144        | 106        | 128        | -      | -      | -      |
| Insurance  | 5          | 6          | 6          | 9          | 5          | -      | -      | -      |
| Risk-weighted assets, group (end of period, Basel II)                      | 15 676     | 16 020     | 15 218     | 14 283     | 13 077     | -      | -      | -      |
| of which banking   | 14 795     | 15 141     | 14 316     | 13 371     | 12 176     | -      | -      | -      |
| Allocated capital (end of period)  | 1 603      | 1 637      | 1 558      | 1 465      | 1 344      | -      | -      | -      |
| Return on allocated capital (ROAC)   | 37%        | 36%        | 34%        | 26%        | 33%        | -      | -      | -      |
| Cost/income ratio, banking   | 44%        | 44%        | 45%        | 57%        | 47%        | -      | -      | -      |
| Combined ratio, non-life insurance   | 91%        | 94%        | 99%        | 95%        | 99%        | -      | -      | -      |
| Net interest margin, banking   | 3.36%      | 3.26%      | 3.19%      | 3.03%      | 3.07%      | -      | -      | -      |

In the quarter under review, the Czech Republic Business Unit generated a net result of 132 million, slightly down on the average figure of 145 million for the four preceding quarters. The quarter under review was characterised by stable net interest income, good net fee and commission income, higher non-life claims and lower life insurance sales, capital gains from the sale of mortgage bonds, lower costs and a roughly stable level of loan loss impairment.

#### **Net interest income flat quarter-on-quarter**

Net interest income generated in this business unit amounted to 244 million in the quarter under review. Excluding the exchange rate impact (the Czech koruna depreciated by 2% both quarter-on-quarter and year-on-year), it remained flat compared to 4Q2012 and was down 5% compared to 1Q2012, which was largely related to lower reinvestment yields in general. The overall net interest margin of the ČSOB group in the Czech Republic amounted to 3.07% in the quarter under review, down 29 basis points year-on-year, but slightly up (4 basis points) on the previous quarter. The latter reflects the cut in interest rates on savings deposits in January and a technical effect. Disregarding the FX effect, the group's Czech loan book ('loans and advances to customers, excluding reverse repos': 18 billion at 31 March 2013) increased by 0.3% quarter-on-quarter and by almost 9% year-on-year, while deposits ('deposits from customers and debt certificates, excluding repos': 25 billion) were down 1% quarter-on-quarter, and up 2% year-on-year.

#### **Combined ratio increases in 1Q2013; life sales down on the level of the previous quarter**

Earned insurance premiums in the quarter under review came to 89 million (48 million for life insurance and 41 million for non-life insurance).

Excluding the impact of exchange rates, non-life premium income was 6% lower than in the previous quarter, but up 7% on the year-earlier quarter. Technical charges were higher in the quarter under review (up 7% quarter-on-quarter and as much as 21% year-on-year), due mainly to one big industrial risk claim and higher claims in motor insurance. This caused the combined ratio for the quarter under review to increase to 99%, compared with 95% for FY2012.

Life sales amounted to 48 million in the quarter under review, 9% and 33% lower than the level for 4Q2012 and 1Q2012, as both reference quarters included higher sales of Maximal Invest life products. Nevertheless, as was the case in previous quarters, unit-linked products continued to account for the bulk (some two-thirds) of life insurance sales, with interest-guaranteed products accounting for the remainder. The life result benefited from a good investment performance in the quarter under review. At the end of March 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1.2 billion.

#### **Other income components**

Net fee and commission income amounted to a relatively strong 51 million in the quarter under review, up 8% on the previous quarter (excluding FX effects and a technical element), and up 5% (excluding FX effects) compared to a solid 1Q2012. The quarter-on-quarter increase was related to a number of factors, including higher fee income from investment funds. Total assets under management of this business unit came to roughly 4.3 billion at quarter-end.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 16 million, down on the average figure of 24 million for the four preceding quarters (which had benefited from the strong dealing room results in the first quarter of 2012). The net realised result from available-for-sale assets came to 7 million (up on the 1 million average for the last four quarters) and related mainly to sales of mortgage bonds. Other net income totalled 3 million in the quarter under review, down on the 7 million average for the last four quarters.

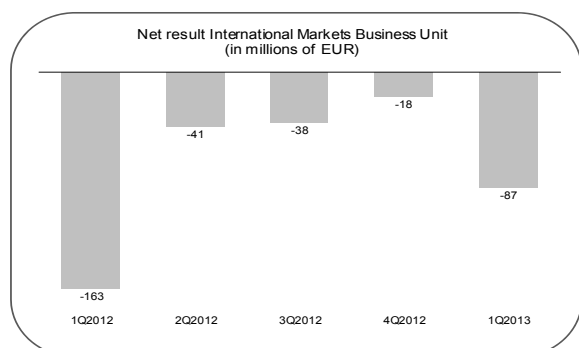
#### **Costs significantly down quarter-on-quarter**

The operating expenses of this business unit came to 164 million, which is more or less stable compared with 1Q2012, but 15% below the previous quarter (excluding FX effects). The quarter-on-quarter decline in costs was due to a number of factors, including lower marketing expenses and the absence of restructuring charges (which had been high in 4Q2012). Consequently, the cost/income ratio of the Czech Republic Business Unit came to 47% in the quarter under review.

#### **Loan loss provisions in line with previous quarter**

Impairment on loans and receivables (loan loss provisions) stood at 22 million in the quarter under review, comparable to the previous quarter, but up 9 million on the year-earlier quarter, which had been positively impacted by a number of releases of loan loss provisions. As a result, the credit cost ratio of this business unit amounted to 42 basis points for 1Q2013, up on the 31 basis points recorded for FY2012. At the end of the quarter under review, non-performing loans accounted for some 3.2% of the Czech loan book, in line with the level recorded three months earlier. There were no impairments on assets other than loans and receivables in the quarter under review.

## Analysis of the results – International Markets Business Unit



The International Markets Business Unit mainly includes the activities in the other (i.e. non-Czech) Central and Eastern European core markets (ČSOB Bank and ČSOB Poist'ovňa in Slovakia, K&H Bank and K&H Insurance in Hungary, CIBank and DZI Insurance in Bulgaria) and KBC Bank Ireland.

| Income statement, International Markets Business Unit,<br>(in millions of EUR) | 1Q2012      | 2Q2012     | 3Q2012     | 4Q2012     | 1Q2013     | 2Q2013 | 3Q2013 | 4Q2013 |
|--|-------------|------------|------------|------------|------------|--------|--------|--------|
| Net interest income  | 164         | 161        | 162        | 157        | 155        | -      | -      | -      |
| Earned premiums, insurance (before reinsurance)                                | 63          | 63         | 58         | 60         | 63         | -      | -      | -      |
| Technical charges, insurance (before reinsurance)                              | -42         | -42        | -37        | -35        | -41        | -      | -      | -      |
| Ceded reinsurance result   | -1          | -1         | -2         | -3         | -2         | -      | -      | -      |
| Dividend income  | 0           | 0          | 0          | 0          | 0          | -      | -      | -      |
| Net result from financial instruments at fair value through profit or loss     | 24          | 26         | 35         | 23         | 21         | -      | -      | -      |
| Net realised result from available-for-sale assets                             | 0           | 0          | 0          | 1          | 2          | -      | -      | -      |
| Net fee and commission income  | 35          | 34         | 36         | 38         | 41         | -      | -      | -      |
| Other net income   | 1           | 4          | 1          | 5          | 2          | -      | -      | -      |
| <b>Total income</b>  | <b>242</b>  | <b>245</b> | <b>253</b> | <b>246</b> | <b>242</b> | -      | -      | -      |
| Operating expenses   | -199        | -143       | -145       | -164       | -210       | -      | -      | -      |
| Impairment   | -229        | -144       | -142       | -108       | -127       | -      | -      | -      |
| on loans and receivables   | -228        | -143       | -141       | -98        | -117       | -      | -      | -      |
| on available-for-sale assets   | 0           | 0          | 0          | 0          | -10        | -      | -      | -      |
| on goodwill  | 0           | 0          | 0          | 0          | 0          | -      | -      | -      |
| other  | -1          | -1         | -1         | -10        | -1         | -      | -      | -      |
| Share in results of associated companies                                       | 0           | 0          | 0          | 1          | 0          | -      | -      | -      |
| <b>Result before tax</b>   | <b>-185</b> | <b>-41</b> | <b>-34</b> | <b>-26</b> | <b>-95</b> | -      | -      | -      |
| Income tax expense   | 22          | 0          | -5         | 8          | 8          | -      | -      | -      |
| <b>Result after tax</b>  | <b>-163</b> | <b>-41</b> | <b>-38</b> | <b>-18</b> | <b>-87</b> | -      | -      | -      |
| attributable to minority interests   | 0           | 0          | 0          | 0          | 0          | -      | -      | -      |
| <b>attributable to equity holders of the parent</b>                            | <b>-163</b> | <b>-41</b> | <b>-38</b> | <b>-18</b> | <b>-87</b> | -      | -      | -      |
| Banking  | -166        | -49        | -43        | -24        | -82        | -      | -      | -      |
| Insurance  | 3           | 8          | 5          | 6          | -6         | -      | -      | -      |
| Risk-weighted assets, group (end of period, Basel II)                          | 17 438      | 17 280     | 17 509     | 18 224     | 17 699     | -      | -      | -      |
| of which banking   | 16 801      | 16 664     | 16 904     | 17 673     | 17 162     | -      | -      | -      |
| Allocated capital (end of period)  | 1 769       | 1 753      | 1 775      | 1 844      | 1 791      | -      | -      | -      |
| Return on allocated capital (ROAC)   | -38%        | -11%       | -11%       | -6%        | -21%       | -      | -      | -      |
| Cost/income ratio, banking   | 82%         | 58%        | 57%        | 67%        | 88%        | -      | -      | -      |
| Combined ratio, non-life insurance   | 98%         | 99%        | 100%       | 94%        | 87%        | -      | -      | -      |
| Net interest margin, banking   | 2.05%       | 2.06%      | 2.08%      | 2.03%      | 2.04%      | -      | -      | -      |

In the quarter under review, the International Markets Business Unit generated a net result of -87 million, down on the -65 million average for the four preceding quarters. The net result breaks down as follows: 17 million for Slovakia, -19 million for Hungary (the Hungarian bank tax was booked for full-year 2013 in this quarter), -9 million for Bulgaria (negatively impacted by a one-off impairment charge on a bond) and -77 million for Ireland (still impacted by high loan loss provisioning).

### **Total income**

Net interest income stood at 155 million in 1Q2013, more or less in line with 4Q2012 (increase in Slovakia offset by relatively small decreases in the other countries). Net interest income was down 6% on the year-earlier figure (increase in Slovakia offset by significant decreases in Hungary and Ireland). On a weighted basis, the net interest margin of this business unit amounted to 2.04% in the quarter under review, which is in line with both reference quarters. The total credit portfolio of the International Markets Business Unit ('loans and advances to customers, excluding reverse repos': 22.7 billion) decreased by 1% in the quarter under review and by 6% year-on-year. The latter decrease was largely attributable to Ireland (matured loans surpassed new production) and Hungary (impacted by the FX relief programme and by a decrease in the corporate loan portfolio, in line with the market decline). Customer deposits for the entire business unit ('deposits from customer and debt certificates, excluding repos': 13.7 billion) went up by 4% in the quarter under review, and by 18% compared to a year ago. A large part of this increase was accounted for by Ireland (more specifically the successful retail deposit campaign in that country), though deposits rose in Slovakia and Hungary too.

Earned insurance premiums in the quarter under review, which relate solely to Hungary, Slovakia and Bulgaria (there are no insurance activities in Ireland), amounted to 63 million (25 million for life insurance and 39 million for non-life insurance).

Non-life insurance premium income was slightly down (-2%) on the figure for the previous quarter, and 10% down on the year-earlier quarter. The year-on-year decrease was situated in Hungary and Bulgaria. Technical insurance charges were slightly up (+3%) on the previous quarter, but down 22% year-on-year. Overall, this caused the combined ratio for the quarter under review to amount to a very good 87%, a significant improvement on the 98% recorded for FY2012. The combined ratio for 1Q2013 breaks down as follows: 82% in Hungary, 65% in Slovakia and 101% in Bulgaria.

Life sales, including insurance products not recognised under earned premiums under IFRS, amounted to 30 million in the quarter under review, up roughly 20% and 15% on the level recorded in 4Q2012 and 1Q2012, respectively. In Slovakia, life sales increased both quarter-on-quarter and year-on-year, thanks to a successful campaign for the new Maximal life product sold through the bank branches. In Hungary and Bulgaria, life sales were roughly flat year-on-year, but increased quarter-on-quarter. For the business unit as a whole, sales of unit-linked products accounted for close to 60% of total life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remainder. At the end of March 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 0.5 billion.

The other income components totalled 66 million in the quarter under review. This included net fee and commission income of 41 million, an increase compared to both reference quarters that was mainly situated in Hungary. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 21 million, somewhat below the average figure of 27 million for the four preceding quarters. The net realised result from available-for-sale assets amounted to 2 million, as did other net income.

### **Costs increase quarter-on-quarter due to special bank tax and financial levy in Hungary**

Operating expenses in the quarter under review amounted to 210 million, up 6% year-on-year, and – at first sight – up 28% quarter-on-quarter. However, the latter increase was caused entirely by the booking in 1Q2013 of the special bank tax for the full year (54 million) and the new financial levy tax (9 million), both in Hungary. As a consequence, the cost/income ratio for the business unit as a whole stood at 88% in 1Q2013, a deterioration compared with the 66% recorded for FY2012. Per country, the 1Q2013 cost/income ratio was 65% in Ireland, 64% in Slovakia, 112% in Hungary (impact of the bank tax) and 57% in Bulgaria.

### **Somewhat higher loan loss provisioning in the quarter under review**

Impairment on loans and receivables (loan loss provisions) amounted to 117 million in the quarter under review, an increase on the 98 million recognised in the previous quarter, but still well down on the 228 million recorded in the year-earlier quarter. The bulk of the loan loss provisions (as well as the variation with the reference quarters) related to Ireland, where loan loss provisions of 99 million were booked in the quarter under review, compared with 87 million in 4Q2012 and 195 million in 1Q2012. The remaining 18 million in loan loss provisions in 1Q2013 break down into 4 million for Slovakia (somewhat up on both reference quarters), 10 million for Hungary (somewhat up on 4Q2012, but significantly down on 1Q2012) and 4 million for Bulgaria (up on both reference quarters). Consequently, the 1Q2013 credit cost ratio for the entire business unit came to a high 178 basis points, which is still an improvement on the 226 basis points recorded for FY2012. Per country, the 1Q2013 credit cost ratio is as follows: 247 basis points for Ireland (down on the 334 basis points in FY2012), 82 basis points for Hungary (roughly in line with FY2012), 33 basis points for Slovakia (slightly up on FY2012) and 217 basis points for Bulgaria (significantly up on 94 basis points for FY2012). At the end of March 2013, approximately 18% of the International Markets Business Unit's loan book was non-performing, in line with the level recorded three months earlier (the figure was clearly impacted by the high non-performing ratio of 24% for Ireland).

Other impairment charges for this business unit amounted to 11 million in the quarter under review, and related mainly to impairment on a bond at DZI in Bulgaria.

## Highlights per country (compared to 4Q2012, unless otherwise indicated)

### Ireland:

- The net result in 1Q2013 was -77 million euros, compared with the average figure of -101 million for the four preceding quarters.
- Total income (32 million) was largely characterised by roughly stable net interest income (as a result of various factors, including wider margins in the retail segment, decreasing credit volumes, and some one-off items).
- Costs (21 million) were slightly down on the previous quarter. The cost/income ratio stood at 65%, compared with 49% for FY2012.
- Loan loss impairment (99 million) was up on the 87 million recorded in 4Q2012, but significantly down on the 195 million recorded in 1Q2012. Compared with 4Q2012, there were lower specific loan loss provisions for mortgages and corporate lending, but increased portfolio-based loan loss provisioning for mortgages. The credit cost ratio amounted to 247 basis points.

### Hungary:

- The net result in 1Q2013 was -19 million euros, down on the 17 million average for the four preceding quarters, due to the Hungarian bank tax (see below).
- Total income (121 million) included lower net interest income (due to decreasing demand for retail and SME loans, among other things), higher net fee and commission income and a lower result from financial instruments at fair value. The combined ratio for non-life insurance stood at a good 82% (96% for FY2012). Life sales were up slightly quarter-on-quarter.
- Costs (130 million) were significantly higher than in 4Q2012, since the first quarter traditionally includes the booking of the bank tax for the full year (54 million). Moreover, costs also included the impact of the new financial transaction levy (9 million). As a consequence, the cost/income ratio went up to 112%, compared with 70% for FY2012.
- Loan loss impairment (10 million) was higher than in the previous quarter and related almost entirely to the retail book. The credit cost ratio amounted to 82 basis points.

### Slovakia:

- The net result in 1Q2013 totalled 17 million euros, slightly above the 15 million average for the four preceding quarters.
- Total income (72 million) included increased net interest income (increased mortgage portfolio, lower interest expense related to deposits, etc.), stable net fee and commission income, and a lower trading result (strong in 4Q2012). The combined ratio for non-life insurance stood at a very favourable 65%, compared with 80% for FY2012, thanks to the release of claims reserves. Life sales increased on the back of a successful campaign in the bank branches for the Maximal product.
- Costs (46 million) were down 14% due to lower marketing expenses and because 4Q2012 had included restructuring provisions and the extra bank levy, among other things. The cost/income ratio stood at 64% (69% for FY2012).
- Loan loss impairments (4 million) went up (4Q2012 had included significant releases). The credit cost ratio amounted to 33 basis points.

### Bulgaria:

- The net result in 1Q2013 came to -9 million euros, down on the 4 million average for the four preceding quarters.
- Total income (16 million) included lower net interest income and other net income, and higher realised gains (on government bonds). The combined ratio for non-life insurance amounted to 101%, compared with 104% for FY2012.
- Costs (13 million) were down 14%, due to various cost reduction measures. The cost/income ratio stood at 57%, an improvement on the 68% for FY2012.
- Total impairment charges (13 million) rose significantly on account of a 10 million impairment charge on an available-for-sale bond and higher loan loss impairment. The credit cost ratio amounted to 217 basis points.



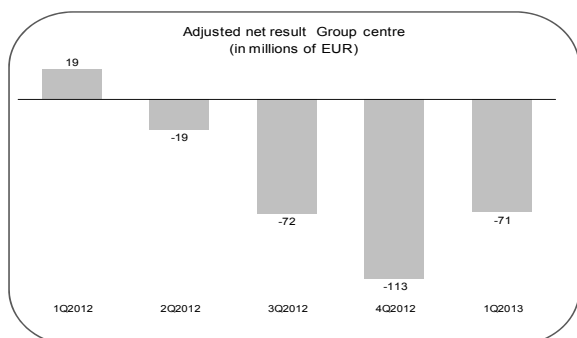
| Income statement, Ireland (in millions of EUR)                             | 1Q2012      | 2Q2012     | 3Q2012     | 4Q2012     | 1Q2013     | 2Q2013   | 3Q2013   | 4Q2013   |
|--|-------------|------------|------------|------------|------------|----------|----------|----------|
| Net interest income  | 41          | 45         | 42         | 36         | 35         | -        | -        | -        |
| Earned premiums, insurance (before reinsurance)                            | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Technical charges, insurance (before reinsurance)                          | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Ceded reinsurance result   | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Dividend income  | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Net result from financial instruments at fair value through profit or loss | 2           | 1          | 3          | -4         | -3         | -        | -        | -        |
| Net realised result from available-for-sale assets                         | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Net fee and commission income  | 1           | 0          | 0          | 0          | -1         | -        | -        | -        |
| Other net income   | 0           | 0          | 0          | 1          | 0          | -        | -        | -        |
| <b>Total income</b>  | <b>43</b>   | <b>46</b>  | <b>46</b>  | <b>32</b>  | <b>32</b>  | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating expenses   | -18         | -19        | -22        | -23        | -21        | -        | -        | -        |
| Impairment   | -195        | -137       | -129       | -87        | -99        | -        | -        | -        |
| on loans and receivables   | -195        | -136       | -129       | -87        | -99        | -        | -        | -        |
| on available-for-sale assets   | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| on goodwill  | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Other  | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Share in results of associated companies                                   | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Result before tax  | -169        | -110       | -105       | -78        | -88        | -        | -        | -        |
| Income tax expense   | 21          | 14         | 12         | 10         | 11         | -        | -        | -        |
| Result after tax   | -148        | -96        | -93        | -67        | -77        | -        | -        | -        |
| attributable to minority interests   | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| <b>attributable to equity holders of the parent</b>                        | <b>-148</b> | <b>-96</b> | <b>-93</b> | <b>-67</b> | <b>-77</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Banking  | -148        | -96        | -93        | -67        | -77        | -        | -        | -        |
| Insurance  | 0           | 0          | 0          | 0          | 0          | -        | -        | -        |
| Risk-weighted assets, group (end of period, Basel II)                      | 6 739       | 6 862      | 7 049      | 7 945      | 7 707      | -        | -        | -        |
| of which banking   | 6 739       | 6 862      | 7 049      | 7 945      | 7 707      | -        | -        | -        |
| Allocated capital (end of period)  | 674         | 686        | 705        | 795        | 771        | -        | -        | -        |
| Return on allocated capital (ROAC)   | -89%        | -58%       | -55%       | -37%       | -40%       | -        | -        | -        |
| Cost/income ratio, banking   | 40%         | 42%        | 48%        | 71%        | 65%        | -        | -        | -        |
| Combined ratio, non-life insurance   | -           | -          | -          | -          | -          | -        | -        | -        |

| Income statement, Hungary (in millions of EUR)                             | 1Q2012     | 2Q2012     | 3Q2012     | 4Q2012     | 1Q2013     | 2Q2013   | 3Q2013   | 4Q2013   |
|--|------------|------------|------------|------------|------------|----------|----------|----------|
| Net interest income  | 70         | 65         | 66         | 66         | 64         | -        | -        | -        |
| Earned premiums, insurance (before reinsurance)                            | 19         | 17         | 19         | 19         | 18         | -        | -        | -        |
| Technical charges, insurance (before reinsurance)                          | -15        | -13        | -12        | -11        | -12        | -        | -        | -        |
| Ceded reinsurance result   | -1         | -1         | -1         | -1         | 0          | -        | -        | -        |
| Dividend income  | 0          | 0          | 0          | 0          | 0          | -        | -        | -        |
| Net result from financial instruments at fair value through profit or loss | 13         | 22         | 26         | 20         | 18         | -        | -        | -        |
| Net realised result from available-for-sale assets                         | 0          | 0          | 0          | 1          | 2          | -        | -        | -        |
| Net fee and commission income  | 22         | 22         | 23         | 26         | 30         | -        | -        | -        |
| Other net income   | -2         | 1          | -1         | 1          | 2          | -        | -        | -        |
| <b>Total income</b>  | <b>106</b> | <b>114</b> | <b>120</b> | <b>120</b> | <b>121</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating expenses   | -122       | -64        | -65        | -73        | -130       | -        | -        | -        |
| Impairment   | -29        | -4         | -7         | -10        | -11        | -        | -        | -        |
| on loans and receivables   | -28        | -3         | -6         | -8         | -10        | -        | -        | -        |
| on available-for-sale assets   | 0          | 0          | 0          | 0          | 0          | -        | -        | -        |
| on goodwill  | 0          | 0          | 0          | 0          | 0          | -        | -        | -        |
| other  | -1         | -1         | -1         | -3         | -1         | -        | -        | -        |
| Share in results of associated companies                                   | 0          | 0          | 0          | 1          | 0          | -        | -        | -        |
| Result before tax  | -44        | 46         | 49         | 38         | -20        | -        | -        | -        |
| Income tax expense   | 6          | -10        | -13        | -5         | 1          | -        | -        | -        |
| Result after tax   | -38        | 36         | 36         | 33         | -19        | -        | -        | -        |
| attributable to minority interests   | 0          | 0          | 0          | 0          | 0          | -        | -        | -        |
| <b>attributable to equity holders of the parent</b>                        | <b>-38</b> | <b>36</b>  | <b>36</b>  | <b>33</b>  | <b>-19</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Banking  | -37        | 34         | 34         | 30         | -22        | -        | -        | -        |
| Insurance  | -1         | 2          | 2          | 3          | 3          | -        | -        | -        |
| Risk-weighted assets, group (end of period, Basel II)                      | 5 759      | 5 537      | 5 595      | 5 374      | 5 158      | -        | -        | -        |
| of which banking   | 5 513      | 5 302      | 5 362      | 5 192      | 4 991      | -        | -        | -        |
| Allocated capital (end of period)  | 586        | 563        | 569        | 545        | 522        | -        | -        | -        |
| Return on allocated capital (ROAC)   | -28%       | 22%        | 22%        | 20%        | -18%       | -        | -        | -        |
| Cost/income ratio, banking   | 115%       | 56%        | 54%        | 61%        | 112%       | -        | -        | -        |
| Combined ratio, non-life insurance   | 98%        | 103%       | 93%        | 89%        | 82%        | -        | -        | -        |

| Income statement, Slovakia (in millions of EUR)                            | 1Q2012    | 2Q2012    | 3Q2012    | 4Q2012    | 1Q2013    | 2Q2013   | 3Q2013   | 4Q2013   |
|--|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
| Net interest income  | 44        | 42        | 43        | 44        | 46        | -        | -        | -        |
| Earned premiums, insurance (before reinsurance)                            | 18        | 21        | 17        | 21        | 23        | -        | -        | -        |
| Technical charges, insurance (before reinsurance)                          | -10       | -14       | -10       | -14       | -15       | -        | -        | -        |
| Ceded reinsurance result   | -1        | 0         | -1        | 0         | 0         | -        | -        | -        |
| Dividend income  | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Net result from financial instruments at fair value through profit or loss | 8         | 3         | 7         | 7         | 6         | -        | -        | -        |
| Net realised result from available-for-sale assets                         | 0         | 0         | 0         | 1         | 0         | -        | -        | -        |
| Net fee and commission income  | 9         | 9         | 10        | 11        | 11        | -        | -        | -        |
| Other net income   | 2         | 2         | 1         | 2         | 2         | -        | -        | -        |
| <b>Total income</b>  | <b>72</b> | <b>64</b> | <b>68</b> | <b>71</b> | <b>72</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating expenses   | -44       | -44       | -45       | -53       | -46       | -        | -        | -        |
| Impairment   | -3        | -2        | -4        | -9        | -4        | -        | -        | -        |
| on loans and receivables   | -3        | -2        | -4        | -2        | -4        | -        | -        | -        |
| on available-for-sale assets   | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| on goodwill  | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| other  | 0         | 0         | 0         | -7        | 0         | -        | -        | -        |
| Share in results of associated companies                                   | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Result before tax  | 25        | 18        | 19        | 10        | 23        | -        | -        | -        |
| Income tax expense   | -5        | -4        | -4        | 3         | -5        | -        | -        | -        |
| Result after tax   | 20        | 13        | 15        | 12        | 17        | -        | -        | -        |
| attributable to minority interests   | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| <b>attributable to equity holders of the parent</b>                        | <b>20</b> | <b>13</b> | <b>15</b> | <b>12</b> | <b>17</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Banking  | 16        | 11        | 13        | 11        | 15        | -        | -        | -        |
| Insurance  | 4         | 3         | 3         | 2         | 3         | -        | -        | -        |
| Risk-weighted assets, group (end of period, Basel II)                      | 4 102     | 4 034     | 4 028     | 4 092     | 4 035     | -        | -        | -        |
| of which banking   | 3 926     | 3 855     | 3 849     | 3 913     | 3 853     | -        | -        | -        |
| Allocated capital (end of period)  | 417       | 411       | 410       | 416       | 411       | -        | -        | -        |
| Return on allocated capital (ROAC)   | 18%       | 12%       | 14%       | 11%       | 16%       | -        | -        | -        |
| Cost/income ratio, banking   | 63%       | 70%       | 67%       | 74%       | 64%       | -        | -        | -        |
| Combined ratio, non-life insurance   | 52%       | 85%       | 84%       | 103%      | 65%       | -        | -        | -        |

| Income statement, Bulgaria (in millions of EUR)                            | 1Q2012    | 2Q2012    | 3Q2012    | 4Q2012    | 1Q2013    | 2Q2013   | 3Q2013   | 4Q2013   |
|--|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|
| Net interest income  | 10        | 9         | 10        | 10        | 10        | -        | -        | -        |
| Earned premiums, insurance (before reinsurance)                            | 25        | 24        | 21        | 20        | 23        | -        | -        | -        |
| Technical charges, insurance (before reinsurance)                          | -18       | -15       | -15       | -10       | -14       | -        | -        | -        |
| Ceded reinsurance result   | 0         | 0         | -1        | -2        | -1        | -        | -        | -        |
| Dividend income  | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Net result from financial instruments at fair value through profit or loss | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Net realised result from available-for-sale assets                         | 0         | 0         | 0         | 0         | 1         | -        | -        | -        |
| Net fee and commission income  | 0         | 1         | 1         | 0         | 0         | -        | -        | -        |
| Other net income   | 1         | 1         | 0         | 1         | -2        | -        | -        | -        |
| <b>Total income</b>  | <b>19</b> | <b>20</b> | <b>17</b> | <b>20</b> | <b>16</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating expenses   | -14       | -14       | -12       | -15       | -13       | -        | -        | -        |
| Impairment   | -2        | -1        | -2        | -2        | -13       | -        | -        | -        |
| on loans and receivables   | -2        | -1        | -2        | -1        | -4        | -        | -        | -        |
| on available-for-sale assets   | 0         | 0         | 0         | 0         | -10       | -        | -        | -        |
| on goodwill  | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Other  | 0         | 0         | 0         | -1        | 0         | -        | -        | -        |
| Share in results of associated companies                                   | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| Result before tax  | 2         | 5         | 3         | 3         | -10       | -        | -        | -        |
| Income tax expense   | 0         | 0         | 0         | 0         | 1         | -        | -        | -        |
| Result after tax   | 2         | 5         | 3         | 4         | -9        | -        | -        | -        |
| attributable to minority interests   | 0         | 0         | 0         | 0         | 0         | -        | -        | -        |
| <b>attributable to equity holders of the parent</b>                        | <b>2</b>  | <b>5</b>  | <b>3</b>  | <b>4</b>  | <b>-9</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Banking  | 2         | 2         | 2         | 2         | 2         | -        | -        | -        |
| Insurance  | 1         | 3         | 0         | 1         | -11       | -        | -        | -        |
| Risk-weighted assets, group (end of period, Basel II)                      | 808       | 817       | 808       | 799       | 784       | -        | -        | -        |
| of which banking   | 593       | 614       | 614       | 610       | 595       | -        | -        | -        |
| Allocated capital (end of period)  | 89        | 90        | 89        | 88        | 86        | -        | -        | -        |
| Return on allocated capital (ROAC)   | 4%        | 18%       | 11%       | 12%       | -42%      | -        | -        | -        |
| Cost/income ratio, banking   | 69%       | 72%       | 61%       | 68%       | 57%       | -        | -        | -        |
| Combined ratio, non-life insurance   | 110%      | 99%       | 111%      | 94%       | 101%      | -        | -        | -        |

## Analysis of the results – Group Centre



The Group Centre incorporates the results of the holding company KBC Group NV, some results that are not attributable to the other business units, the elimination of intersegment transactions and the results of the remaining companies that have still to be divested and activities in run-off. It also includes results related to the legacy businesses (CDOs, divestment results) and the valuation of own credit risk.

| Income statement, Group Centre,<br>(in millions of EUR)                           | 1Q2012      | 2Q2012      | 3Q2012      | 4Q2012      | 1Q2013     | 2Q2013   | 3Q2013   | 4Q2013   |
|---|-------------|-------------|-------------|-------------|------------|----------|----------|----------|
| <b>Adjusted net result<br/>(i.e. excluding legacy and own credit risk impact)</b> |             |             |             |             |            |          |          |          |
| Net interest income   | 68          | 63          | 17          | -9          | -24        | -        | -        | -        |
| Earned premiums, insurance (before reinsurance)                                   | 221         | 215         | -3          | -3          | -5         | -        | -        | -        |
| Technical charges, insurance (before reinsurance)                                 | -157        | -149        | -1          | -2          | 1          | -        | -        | -        |
| Ceded reinsurance result  | -3          | 9           | 2           | 3           | 1          | -        | -        | -        |
| Dividend income   | 0           | 1           | 0           | 0           | 0          | -        | -        | -        |
| Net result from financial instruments at fair value through<br>profit or loss     | 18          | 7           | 31          | 22          | 45         | -        | -        | -        |
| Net realised result from available-for-sale assets                                | 3           | 9           | 5           | 37          | 2          | -        | -        | -        |
| Net fee and commission income   | 5           | -6          | 28          | 26          | 2          | -        | -        | -        |
| Other net income  | 26          | 9           | 39          | 33          | 5          | -        | -        | -        |
| <b>Total income</b>   | <b>181</b>  | <b>158</b>  | <b>119</b>  | <b>108</b>  | <b>28</b>  | <b>-</b> | <b>-</b> | <b>-</b> |
| Operating expenses  | -179        | -174        | -146        | -151        | -79        | -        | -        | -        |
| Impairment  | -23         | -4          | -60         | -88         | -46        | -        | -        | -        |
| on loans and receivables  | -19         | -3          | -59         | -72         | -18        | -        | -        | -        |
| on available-for-sale assets  | 0           | 0           | 0           | 1           | -1         | -        | -        | -        |
| on goodwill   | 0           | 0           | 0           | 0           | -7         | -        | -        | -        |
| Other   | -3          | -1          | -1          | -17         | -20        | -        | -        | -        |
| Share in results of associated companies  | -10         | -10         | -13         | 0           | 0          | -        | -        | -        |
| <b>Result before tax</b>  | <b>-31</b>  | <b>-29</b>  | <b>-100</b> | <b>-131</b> | <b>-97</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Income tax expense  | 57          | 16          | 37          | 28          | 29         | -        | -        | -        |
| <b>Result after tax</b>   | <b>26</b>   | <b>-13</b>  | <b>-63</b>  | <b>-104</b> | <b>-68</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| attributable to minority interests  | 7           | 6           | 10          | 9           | 3          | -        | -        | -        |
| <b>attributable to equity holders of the parent</b>                               | <b>19</b>   | <b>-19</b>  | <b>-72</b>  | <b>-113</b> | <b>-71</b> | <b>-</b> | <b>-</b> | <b>-</b> |
| Banking   | 8           | -25         | -55         | -89         | 17         | -        | -        | -        |
| Insurance   | 10          | 19          | -10         | -4          | -11        | -        | -        | -        |
| Group   | 1           | -13         | -7          | -20         | -78        | -        | -        | -        |
| <b>Legacy and own credit risk (after tax)</b>                                     |             |             |             |             |            |          |          |          |
| Legacy – gains/losses on CDOs   | 138         | -39         | 280         | 46          | 165        | -        | -        | -        |
| Legacy – divestments  | 81          | -884        | 23          | 3           | 22         | -        | -        | -        |
| MTM of own credit risk  | -340        | 41          | -144        | -87         | -26        | -        | -        | -        |
| <b>Net result</b>   | <b>-102</b> | <b>-901</b> | <b>86</b>   | <b>-152</b> | <b>90</b>  | <b>-</b> | <b>-</b> | <b>-</b> |
| Risk-weighted assets, group (end of period, Basel II)                             | 29 907      | 27 928      | 24 630      | 16 758      | 16 295     | -        | -        | -        |
| of which banking  | 28 328      | 27 702      | 24 414      | 16 543      | 16 097     | -        | -        | -        |
| Allocated capital (end of period)   | 3 054       | 2 802       | 2 472       | 1 684       | 1 637      | -        | -        | -        |

The Group Centre's net result amounted to 90 million in 1Q2013. As mentioned earlier, this includes not only a number of group items and results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk (a combined 161 million (after tax)).

**Legacy and own credit risk:**

- **Legacy CDOs:**  
Accounted for a post-tax impact of 165 million in 1Q2013, comprising mainly the positive impact of the increase in the value of CDOs owing to tightening credit spreads, and the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government.
- **Legacy divestments:**  
Accounted for a positive post-tax impact of 22 million in 1Q2013, and included a positive 43 million after-tax gain on the sale of the Banco Zachodni shares (i.e. KBC's minority shareholding in the merged Bank Zachodni – Kredyt Bank entity) and a negative impact of 17 million for an additional impairment related to KBC Banka in Serbia, for which a sale agreement has been signed.
- **Own credit risk:**  
Accounted for a negative post-tax impact of -26 million in 1Q2013, due to narrowing KBC credit spreads.

**Other results**

- Accounted for a total of -71 million in 1Q2013 and included the results for the holding company KBC Group NV (including the former KBC Global Services), the allocation of certain central costs and a limited amount (2 million in total) relating to the results for the remaining companies or activities earmarked for divestment or run-down.

KBC Group  
Consolidated  
financial  
statements  
according to IFRS  
1Q 2013



Reviewed by the auditors

## Consolidated income statement

| In millions of EUR   | Note | 1Q 2012      | 4Q 2012      | 1Q 2013      |
|--|------|--------------|--------------|--------------|
| Net interest income  | 3    | 1 261        | 1 121        | 1 068        |
| Interest income  |      | 2 695        | 2 382        | 2 193        |
| Interest expense   |      | - 1 434      | - 1 261      | - 1 125      |
| Earned premiums, insurance (before reinsurance)                            | 9    | 884          | 623          | 577          |
| Non-life   |      | 438          | 313          | 305          |
| Life   |      | 446          | 310          | 271          |
| Technical charges, insurance (before reinsurance)                          | 9    | - 752        | - 584        | - 487        |
| Non-life   |      | - 234        | - 252        | - 156        |
| Life   |      | - 518        | - 332        | - 331        |
| Ceded reinsurance result   | 9    | - 14         | 13           | - 12         |
| Dividend income  |      | 6            | 5            | 5            |
| Net result from financial instruments at fair value through profit or loss |      | 60           | 42           | 314          |
| Net realised result from available-for-sale assets                         | 6    | 32           | 85           | 142          |
| Net fee and commission income  | 7    | 304          | 360          | 393          |
| Fee and commission income  |      | 492          | 541          | 641          |
| Fee and commission expense   |      | - 188        | - 181        | - 248        |
| Other net income   | 8    | 73           | 187          | 76           |
| <b>TOTAL INCOME</b>  |      | <b>1 853</b> | <b>1 854</b> | <b>2 076</b> |
| Operating expenses   |      | - 1 132      | - 1 081      | - 1 039      |
| Staff expenses   |      | - 635        | - 636        | - 598        |
| General administrative expenses  |      | - 416        | - 371        | - 372        |
| Depreciation and amortisation of fixed assets                              |      | - 81         | - 74         | - 69         |
| Impairment   | 14   | - 273        | - 463        | - 352        |
| on loans and receivables   |      | - 261        | - 330        | - 295        |
| on available-for-sale assets   |      | - 5          | - 11         | - 13         |
| on goodwill  |      | 0            | - 8          | - 7          |
| on other   |      | - 7          | - 114        | - 37         |
| Share in results of associated companies                                   |      | - 9          | 1            | 0            |
| <b>RESULT BEFORE TAX</b>   |      | <b>439</b>   | <b>310</b>   | <b>684</b>   |
| Income tax expense   |      | - 93         | - 56         | - 160        |
| Net post-tax result from discontinued operations                           | 46   | 40           | - 6          | 0            |
| <b>RESULT AFTER TAX</b>  |      | <b>387</b>   | <b>249</b>   | <b>524</b>   |
| Attributable to minority interest  |      | 7            | 9            | 4            |
| <i>of which relating to discontinued operations</i>                        |      | 0            | 0            | 0            |
| <b>Attributable to equity holders of the parent</b>                        |      | <b>380</b>   | <b>240</b>   | <b>520</b>   |
| <i>of which relating to discontinued operations</i>                        |      | 40           | - 6          | 0            |
| Earnings per share (in EUR)  |      |              |              |              |
| Basic  |      | 0.71         | -0.97        | 1.25         |
| Diluted  |      | 0.71         | -0.97        | 1.25         |

Dividend for FY2012: the board of directors has proposed to the general meeting of shareholders, who approved this on 2 May 2013, that a gross dividend of 1.0 euros be paid out per share entitled to dividend. The total dividend to be paid amounts to 417 million euros. The payment of a coupon on the non-voting core capital securities sold to the Belgian and Flemish government is related to the payment of a dividend on the ordinary shares: if a dividend is paid on the ordinary shares, also a payment is due on the non-voting core capital securities. Related to 2012, consequently 543 million euros (8.5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012) will be paid to the concerned governments. The accounting treatment of these coupon payments in IFRS is identical to ordinary dividends (via deduction in shareholders' equity).

## Consolidated statement of comprehensive income (condensed)

| In millions of EUR                                      | 1Q 2012      | 1Q 2013    |
|---|--------------|------------|
| <b>RESULT AFTER TAX</b>                                 | <b>387</b>   | <b>524</b> |
| attributable to minority interest                       | 7            | 4          |
| attributable to equity holders of the parent            | 380          | 520        |
| <b>OTHER COMPREHENSIVE INCOME</b>                       |              |            |
| Net change in revaluation reserve (AFS assets) - Equity | 38           | 28         |
| Net change in revaluation reserve (AFS assets) - Bonds  | 732          | - 120      |
| Net change in revaluation reserve (AFS assets) - Other  | 0            | 0          |
| Net change in hedging reserve (cash flow hedge)         | - 6          | 61         |
| Net change in defined benefit plans                     | - 64         | 8          |
| Net change in translation differences                   | 107          | - 10       |
| Other movements   | - 5          | 0          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                       | <b>1 189</b> | <b>491</b> |
| attributable to minority interest                       | 19           | 5          |
| attributable to equity holders of the parent            | 1 170        | 487        |

## Consolidated balance sheet

| ASSETS (in millions of EUR)   | Note    | 31-12-2012     | 31-03-2013     |
|---|---------|----------------|----------------|
| Cash and cash balances with central banks                                       |         | 4 426          | 5 235          |
| Financial assets  | 18 - 26 | 236 898        | 237 706        |
| Held for trading  |         | 21 159         | 20 376         |
| Designated at fair value through profit or loss                                 |         | 16 295         | 20 763         |
| Available for sale  |         | 30 622         | 27 791         |
| Loans and receivables   |         | 139 225        | 139 305        |
| Held to maturity  |         | 28 510         | 28 870         |
| Hedging derivatives   |         | 1 088          | 601            |
| Reinsurers' share in technical provisions                                       |         | 137            | 135            |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk |         | 204            | 182            |
| Tax assets  |         | 2 188          | 2 144          |
| Current tax assets  |         | 174            | 176            |
| Deferred tax assets   |         | 2 014          | 1 968          |
| Non-current assets held for sale and assets associated with disposal groups     | 46      | 7 138          | 7 115          |
| Investments in associated companies   |         | 8              | 7              |
| Investment property   |         | 638            | 615            |
| Property and equipment  |         | 2 581          | 2 539          |
| Goodwill and other intangible assets  |         | 1 328          | 1 289          |
| Other assets  |         | 1 383          | 1 600          |
| <b>TOTAL ASSETS</b>   |         | <b>256 928</b> | <b>258 567</b> |

| LIABILITIES AND EQUITY (in millions of EUR)                                     | Note    | 31-12-2012     | 31-03-2013     |
|---|---------|----------------|----------------|
| Financial liabilities   | 18 - 26 | 213 265        | 214 311        |
| Held for trading  |         | 19 459         | 18 259         |
| Designated at fair value through profit or loss                                 |         | 20 563         | 26 993         |
| Measured at amortised cost  |         | 170 813        | 167 138        |
| Hedging derivatives   |         | 2 430          | 1 920          |
| Technical provisions, before reinsurance  |         | 19 205         | 18 836         |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk |         | 69             | 71             |
| Tax liabilities   |         | 647            | 598            |
| Current tax liabilities   |         | 192            | 160            |
| Deferred tax liabilities  |         | 455            | 438            |
| Liabilities associated with disposal groups                                     | 46      | 3 739          | 4 401          |
| Provisions for risks and charges  |         | 526            | 530            |
| Other liabilities   |         | 3 598          | 3 448          |
| <b>TOTAL LIABILITIES</b>  |         | <b>241 048</b> | <b>242 194</b> |
| Total equity  | 39      | 15 879         | 16 373         |
| Parent shareholders' equity   | 39      | 12 017         | 12 505         |
| Non-voting core-capital securities  | 39      | 3 500          | 3 500          |
| Minority interests  |         | 362            | 368            |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |         | <b>256 928</b> | <b>258 567</b> |

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments have been moved from various balance sheet lines towards the lines 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups'. More information on divestments can be found in note 46.

For more information on retroactive adjustments with regard to IAS 19 see note 1b.



## Consolidated statement of changes in equity

In millions of EUR

|   | Issued and<br>paid up share<br>capital | Share<br>premium | Treasury<br>shares | Revaluation<br>reserve<br>(AFS assets) | Hedging<br>reserve<br>(cashflow<br>hedges) | Remeasure-<br>ment of<br>defined benefit<br>obligations | Reserves     | Translation<br>differences | Parent<br>shareholders'<br>equity | Non-voting<br>core-capital<br>securities | Minority<br>interests | Total equity  |
|---|--|------------------|--------------------|--|--|---|--------------|----------------------------|-----------------------------------|--|-----------------------|---------------|
| <b>31-03-2012</b>   |  |                  |                    |  |  |   |              |                            |                                   |  |                       |               |
| Balance at the beginning of the period                                    | 1 245                                  | 4 341            | - 1 529            | - 117                                  | - 594                                      | 0   | 6 831        | - 422                      | 9 756                             | 6 500                                    | 516                   | 16 772        |
| First time application IAS19 Revised                                      | 0                                      | 0                | 0                  | 0                                      | 0  | 63  | 0            | 0                          | 63                                | 0  | 0                     | 63            |
| Adjusted balance at the beginning of the period                           | 1 245                                  | 4 341            | - 1 529            | - 117                                  | - 594                                      | 63  | 6 831        | - 422                      | 9 819                             | 6 500                                    | 516                   | 16 835        |
| Net result for the period   | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 380          | 0                          | 380                               | 0  | 7                     | 387           |
| Other comprehensive income for the period                                 | 0                                      | 0                | 0                  | 767                                    | - 5  | - 64  | - 5          | 97                         | 790                               | 0  | 12                    | 802           |
| <b>Total comprehensive income</b>   | <b>0</b>                               | <b>0</b>         | <b>0</b>           | <b>767</b>                             | <b>- 5</b>                                 | <b>- 64</b>   | <b>375</b>   | <b>97</b>                  | <b>1 170</b>                      | <b>0</b>                                 | <b>19</b>             | <b>1 189</b>  |
| Dividends   | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Capital increase  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Repayment of non-voting core-capital securities                           | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Sales of treasury shares  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Results on (derivatives on) treasury shares                               | 0                                      | 0                | - 3                | 0                                      | 0  | 0   | 0            | 0                          | - 3                               | 0  | 0                     | - 3           |
| Impact business combinations  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Change in minorities  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | - 13                  | - 13          |
| Change in scope   | 0                                      | 0                | 0                  | - 41                                   | 0  | 0   | 0            | 0                          | - 41                              | 0  | 0                     | - 41          |
| <b>Total change</b>   | <b>0</b>                               | <b>0</b>         | <b>- 3</b>         | <b>726</b>                             | <b>- 5</b>                                 | <b>- 64</b>   | <b>375</b>   | <b>97</b>                  | <b>1 126</b>                      | <b>0</b>                                 | <b>7</b>              | <b>1 132</b>  |
| <b>Balance at the end of the period</b>                                   | <b>1 245</b>                           | <b>4 341</b>     | <b>- 1 532</b>     | <b>609</b>                             | <b>- 599</b>                               | <b>- 1</b>  | <b>7 206</b> | <b>- 325</b>               | <b>10 945</b>                     | <b>6 500</b>                             | <b>522</b>            | <b>17 967</b> |
| of which revaluation reserve for shares                                   |  |                  |                    | 273                                    |  |   |              |                            |                                   |  |                       |               |
| of which revaluation reserve for bonds                                    |  |                  |                    | 336                                    |  |   |              |                            |                                   |  |                       |               |
| of which revaluation reserve for other assets than bonds and shares       |  |                  |                    | 0                                      |  |   |              |                            |                                   |  |                       |               |
| of which relating to non-current assets held for sale and disposal groups |  |                  |                    | 39                                     |  |   |              | 5                          | 44                                |  |                       | 44            |
| <b>31-03-2013</b>   |  |                  |                    |  |  |   |              |                            |                                   |  |                       |               |
| Balance at the beginning of the period                                    | 1 450                                  | 5 388            | - 1                | 1 263                                  | - 834                                      | 0   | 5 192        | - 360                      | 12 099                            | 3 500                                    | 362                   | 15 961        |
| First time application IAS19 Revised                                      | 0                                      | 0                | 0                  | 0                                      | 0  | - 71  | - 11         | 0                          | - 82                              | 0  | 0                     | - 82          |
| Adjusted balance at the beginning of the period                           | 1 450                                  | 5 388            | - 1                | 1 263                                  | - 834                                      | - 71  | 5 182        | - 360                      | 12 017                            | 3 500                                    | 362                   | 15 879        |
| Net result for the period   | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 520          | 0                          | 520                               | 0  | 4                     | 524           |
| Other comprehensive income for the period                                 | 0                                      | 0                | 0                  | - 92                                   | 61   | 8   | 0            | - 10                       | - 33                              | 0  | 1                     | - 33          |
| <b>Total comprehensive income</b>   | <b>0</b>                               | <b>0</b>         | <b>0</b>           | <b>- 92</b>                            | <b>61</b>                                  | <b>8</b>  | <b>520</b>   | <b>- 10</b>                | <b>487</b>                        | <b>0</b>                                 | <b>5</b>              | <b>491</b>    |
| Dividends   | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Capital increase  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Repayment of non-voting core-capital securities                           | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Sales of treasury shares  | 0                                      | 0                | 1                  | 0                                      | 0  | 0   | 0            | 0                          | 1                                 | 0  | 0                     | 1             |
| Results on (derivatives on) treasury shares                               | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Impact business combinations  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| Change in minorities  | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 1                     | 1             |
| Change in scope   | 0                                      | 0                | 0                  | 0                                      | 0  | 0   | 0            | 0                          | 0                                 | 0  | 0                     | 0             |
| <b>Total change</b>   | <b>0</b>                               | <b>0</b>         | <b>1</b>           | <b>- 92</b>                            | <b>61</b>                                  | <b>8</b>  | <b>520</b>   | <b>- 10</b>                | <b>488</b>                        | <b>0</b>                                 | <b>6</b>              | <b>494</b>    |
| <b>Balance at the end of the period</b>                                   | <b>1 450</b>                           | <b>5 388</b>     | <b>0</b>           | <b>1 171</b>                           | <b>- 773</b>                               | <b>- 63</b>   | <b>5 702</b> | <b>- 370</b>               | <b>12 505</b>                     | <b>3 500</b>                             | <b>368</b>            | <b>16 373</b> |
| of which revaluation reserve for shares                                   |  |                  |                    | 233                                    |  |   |              |                            |                                   |  |                       |               |
| of which revaluation reserve for bonds                                    |  |                  |                    | 938                                    |  |   |              |                            |                                   |  |                       |               |
| of which revaluation reserve for other assets than bonds and shares       |  |                  |                    | 0                                      |  |   |              |                            |                                   |  |                       |               |
| of which relating to non-current assets held for sale and disposal groups |  |                  |                    | 6                                      |  | 1   |              | - 134                      | - 128                             |  |                       | - 128         |

The changes in equity during 1Q 2013 do not yet include the accounting of neither a gross dividend of 1 euros per share (417 million euros in total) nor the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (543 million euros or 8.5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012). In 2Q 2013 this will be accounted for.

For more information on retroactive adjustments with regard to IAS 19 see note 1b.

## Condensed consolidated cash flow statement

| In millions of EUR  | 1Q 2012 | 1Q 2013 |
|---|---------|---------|
| Operating activities  |         |         |
| Net cash from (used in) operating activities                          | 10 868  | 13 064  |
| Investing activities  |         |         |
| Net cash from (used in) investing activities                          | - 7 376 | - 449   |
| Financing activities  |         |         |
| Net cash from (used in) financing activities                          | - 760   | 62      |
| Change in cash and cash equivalents                                   |         |         |
| Net increase or decrease in cash and cash equivalents                 | 2 733   | 12 676  |
| Cash and cash equivalents at the beginning of the period              | 13 997  | 982     |
| Effects of exchange rate changes on opening cash and cash equivalents | 90      | - 84    |
| Cash and cash equivalents at the end of the period                    | 16 820  | 13 574  |

As mentioned in note 45, KBC sold its stake in the merged entity Bank Zachodni WBK. This had a positive impact of approximately +0.8 billion euros on cash flows of operating activities in 1Q 2013.

## Notes on statement of compliance and changes in accounting policies

### Statement of compliance (note 1a in the annual accounts 2012)

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

### Summary of significant accounting policies (note 1b in the annual accounts 2012)

A summary of the main accounting policies is provided in the annual report. In 1Q 2013, following change in content was made in the accounting policies that had a material impact on the results:

Amendment to IAS 19 (Employee Benefits): the main change concerns the elimination of the corridor, which – under the previous standard – permitted actuarial gains and losses to be spread over several years. From the first of January 2013 on, such gains and losses are recognised in other comprehensive income (with no recycling in profit or loss). The required disclosures have been changed and expanded. On 1 January 2013, the one-off negative impact on IFRS equity amounted to 82 million euros (net of deferred taxes). Compliant with IFRS, 2012 figures have been restated.

## Notes on segment reporting

### Segment reporting according to the management structure of the group (note 2a in the annual accounts 2012)

A new management structure was introduced at the start of 2013, reflecting KBC's updated strategy. More information on this is available in the press release ('KBC 2013 and beyond') and presentation of 8 October 2012, and the 2012 annual report, available on [www.kbc.com](http://www.kbc.com).

Based on this new management structure, KBC also reworked its financial segment reporting presentation and therefore also retroactively adjusted its FY 2012 segmented figures. For a description of the changes compared to the previous management structure, and the effect on the financial segment reporting and figures, reference is made to the press release of 25 April 2013 which is available on [www.kbc.com](http://www.kbc.com).

KBC is structured and managed according to a number of segments (called 'business units'). For reporting purposes, the business units are:

- the Belgium Business Unit (all activities in Belgium)
- the Czech Republic Business Unit (all activities in the Czech Republic)
- the International Markets Business Unit (activities in Ireland, Hungary, Slovakia, Bulgaria)
- the Group Centre (results of the holding company, certain items that are not allocated to the business units, results of companies to be divested, and the legacy and own credit risk impact (see below)).

The management structure of the group also includes an International Product Factories Business Unit. The results of the activities of this business unit are included in the results of the other business units based on geography. Consequently, this business unit is not presented separately when the results are reported by segment.

Inter-segment transactions are presented at arm's length.

The figures of the segment reporting have been prepared in accordance with the general KBC accounting policies (see Note 1) and are thus in compliance with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS).

In the previous reporting framework, the IFRS profit and loss account was supplemented by a so-called 'underlying' profit and loss account (excluding non-operational and exceptional items), which was the basis of the segment reporting. This is not the case anymore. However, in addition to the figures according to IFRS, KBC will still provide figures aimed at giving more insight into the ongoing business performance. The resulting figures are called '*adjusted net result*' and are the current basis for the segment reporting.

This means that, over and above the IFRS profit and loss account, a reworked profit and loss account will be provided, in which a limited number of non-operational items is excluded from the P/L and summarised into three lines at the bottom of the reporting presentation. Segment reporting is based on this reworked presentation. One of the main changes compared to the previous reporting framework is that the fair value of certain ALM hedging instruments is now included in the business units' results, which previously was not the case.

These non-operational items are:

- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to Own Credit Risk (OCR).

In the segment reporting presentation, these items are all assigned to the Group Centre.

In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the net adjusted result, all trading income components within investment banking are recognised under 'net result from financial instruments at fair value', without any impact on net profit. Whereas this was performed for every business unit in the former reporting presentation, it is now limited to KBC Bank Belgium (Belgium Business Unit), due to materiality.

| In millions of EUR   | Business unit Belgium | Business unit Czech Republic | Business unit International Markets | of which: Hungary | of which: Slovakia | of which: Bulgaria | of which: Ireland | Group Centre excl inter-segment eliminations | Inter-segment eliminations | KBC Group    |
|--|-----------------------|------------------------------|-------------------------------------|-------------------|--------------------|--------------------|-------------------|--|----------------------------|--------------|
| <b>1Q2012</b>  |                       |                              |                                     |                   |                    |                    |                   |  |                            |              |
| Net interest income  | 724                   | 261                          | 164                                 | 70                | 44                 | 10                 | 41                | 67   | 1                          | 1 217        |
| Earned premiums, insurance (before reinsurance)                            | 490                   | 111                          | 63                                  | 19                | 18                 | 25                 | 0                 | 227  | - 6                        | 884          |
| Non-life   | 225                   | 39                           | 43                                  | 16                | 6                  | 21                 | 0                 | 136  | - 5                        | 438          |
| Life   | 264                   | 72                           | 20                                  | 3                 | 12                 | 4                  | 0                 | 91   | - 1                        | 446          |
| Technical charges, insurance (before reinsurance)                          | - 468                 | - 86                         | - 42                                | - 15              | - 10               | - 18               | 0                 | - 157  | 0                          | - 752        |
| Non-life   | - 111                 | - 21                         | - 23                                | - 8               | 0                  | - 15               | 0                 | - 79   | 0                          | - 234        |
| Life   | - 357                 | - 64                         | - 20                                | - 7               | - 10               | - 3                | 0                 | - 77   | 0                          | - 518        |
| Ceded reinsurance result   | - 8                   | - 1                          | - 1                                 | - 1               | - 1                | 0                  | 0                 | - 3  | 0                          | - 14         |
| Dividend income  | 5                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 5            |
| Net result from financial instruments at fair value through profit or loss | 278                   | 33                           | 24                                  | 13                | 8                  | 0                  | 2                 | 18   | 0                          | 353          |
| Net realised result from available-for-sale assets                         | 40                    | - 11                         | 0                                   | 0                 | 0                  | 0                  | 0                 | 3  | 0                          | 31           |
| Net fee and commission income  | 222                   | 49                           | 35                                  | 22                | 9                  | 0                  | 1                 | 3  | 2                          | 312          |
| Other net income   | - 14                  | 10                           | 1                                   | - 2               | 2                  | 1                  | 0                 | 27   | - 1                        | 22           |
| <b>TOTAL INCOME</b>  | <b>1 269</b>          | <b>365</b>                   | <b>242</b>                          | <b>106</b>        | <b>72</b>          | <b>19</b>          | <b>43</b>         | <b>184</b>                                   | <b>- 3</b>                 | <b>2 057</b> |
| Operating expenses   | - 568                 | - 164                        | - 199                               | - 122             | - 44               | - 14               | - 18              | - 182  | 3                          | - 1 110      |
| Impairment   | - 6                   | - 13                         | - 229                               | - 29              | - 3                | - 2                | - 195             | - 23   | 0                          | - 271        |
| on loans and receivables   | - 1                   | - 13                         | - 228                               | - 28              | - 3                | - 2                | - 195             | - 19   | 0                          | - 261        |
| on available-for-sale assets   | - 4                   | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | - 5          |
| on goodwill  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 0            |
| on other   | - 1                   | 0                            | - 1                                 | - 1               | 0                  | 0                  | 0                 | - 3  | 0                          | - 5          |
| Share in results of associated companies                                   | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | - 10   | 0                          | - 9          |
| <b>RESULT BEFORE TAX</b>   | <b>695</b>            | <b>188</b>                   | <b>- 185</b>                        | <b>- 44</b>       | <b>25</b>          | <b>2</b>           | <b>- 169</b>      | <b>- 31</b>                                  | <b>0</b>                   | <b>667</b>   |
| Income tax expense   | - 209                 | - 30                         | 22                                  | 6                 | - 5                | 0                  | 21                | 57   | 0                          | - 159        |
| Net post-tax result from discontinued operations                           | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 0            |
| <b>RESULT AFTER TAX</b>  | <b>486</b>            | <b>158</b>                   | <b>- 163</b>                        | <b>- 38</b>       | <b>20</b>          | <b>2</b>           | <b>- 148</b>      | <b>26</b>                                    | <b>0</b>                   | <b>508</b>   |
| Attributable to minority interests   | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 7  | 0                          | 7            |
| <b>ADJUSTED NET RESULT</b>   | <b>486</b>            | <b>158</b>                   | <b>- 163</b>                        | <b>- 38</b>       | <b>20</b>          | <b>2</b>           | <b>- 148</b>      | <b>19</b>                                    | <b>0</b>                   | <b>501</b>   |
| Legacy CDOs  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 138  | 0                          | 138          |
| Own credit risk  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | - 340  | 0                          | - 340        |
| Divestments  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 81   | 0                          | 81           |
| <b>NET RESULT</b>  | <b>486</b>            | <b>158</b>                   | <b>- 163</b>                        | <b>- 38</b>       | <b>20</b>          | <b>2</b>           | <b>- 148</b>      | <b>- 102</b>                                 | <b>0</b>                   | <b>380</b>   |
| <b>1Q2013</b>  |                       |                              |                                     |                   |                    |                    |                   |  |                            |              |
| Net interest income  | 658                   | 244                          | 155                                 | 64                | 46                 | 10                 | 35                | - 22   | - 2                        | 1 032        |
| Earned premiums, insurance (before reinsurance)                            | 429                   | 89                           | 63                                  | 18                | 23                 | 23                 | 0                 | 1  | - 6                        | 577          |
| Non-life   | 234                   | 41                           | 39                                  | 14                | 6                  | 18                 | 0                 | - 3  | - 5                        | 305          |
| Life   | 195                   | 48                           | 25                                  | 3                 | 16                 | 5                  | 0                 | 4  | - 1                        | 271          |
| Technical charges, insurance (before reinsurance)                          | - 381                 | - 67                         | - 41                                | - 12              | - 15               | - 14               | 0                 | 1  | 0                          | - 487        |
| Non-life   | - 117                 | - 25                         | - 18                                | - 7               | - 1                | - 10               | 0                 | 4  | 0                          | - 156        |
| Life   | - 263                 | - 41                         | - 23                                | - 5               | - 14               | - 4                | 0                 | - 3  | 0                          | - 331        |
| Ceded reinsurance result   | - 10                  | - 1                          | - 2                                 | 0                 | 0                  | - 1                | 0                 | 1  | 0                          | - 12         |
| Dividend income  | 4                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 4            |
| Net result from financial instruments at fair value through profit or loss | 135                   | 16                           | 21                                  | 18                | 6                  | 0                  | - 3               | 45   | 0                          | 218          |
| Net realised result from available-for-sale assets                         | 85                    | 7                            | 2                                   | 2                 | 0                  | 1                  | 0                 | 2  | 0                          | 96           |
| Net fee and commission income  | 291                   | 51                           | 41                                  | 30                | 11                 | 0                  | - 1               | - 1  | 3                          | 385          |
| Other net income   | 66                    | 3                            | 2                                   | 2                 | 2                  | - 2                | 0                 | 3  | 2                          | 76           |
| <b>TOTAL INCOME</b>  | <b>1 278</b>          | <b>343</b>                   | <b>242</b>                          | <b>121</b>        | <b>72</b>          | <b>16</b>          | <b>32</b>         | <b>31</b>                                    | <b>- 3</b>                 | <b>1 890</b> |
| Operating expenses   | - 575                 | - 164                        | - 210                               | - 130             | - 46               | - 13               | - 21              | - 82   | 3                          | - 1 029      |
| Impairment   | - 140                 | - 22                         | - 127                               | - 11              | - 4                | - 13               | - 99              | - 46   | 0                          | - 335        |
| on loans and receivables   | - 138                 | - 22                         | - 117                               | - 10              | - 4                | - 4                | - 99              | - 18   | 0                          | - 295        |
| on available-for-sale assets   | - 2                   | 0                            | - 10                                | 0                 | 0                  | - 10               | 0                 | - 1  | 0                          | - 13         |
| on goodwill  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | - 7  | 0                          | - 7          |
| on other   | 1                     | 0                            | - 1                                 | - 1               | 0                  | 0                  | 0                 | - 20   | 0                          | - 20         |
| Share in results of associated companies                                   | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 0            |
| <b>RESULT BEFORE TAX</b>   | <b>562</b>            | <b>156</b>                   | <b>- 95</b>                         | <b>- 20</b>       | <b>23</b>          | <b>- 10</b>        | <b>- 88</b>       | <b>- 97</b>                                  | <b>0</b>                   | <b>526</b>   |
| Income tax expense   | - 176                 | - 24                         | 8                                   | 1                 | - 5                | 1                  | 11                | 29   | 0                          | - 163        |
| Net post-tax result from discontinued operations                           | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 0  | 0                          | 0            |
| <b>RESULT AFTER TAX</b>  | <b>386</b>            | <b>132</b>                   | <b>- 87</b>                         | <b>- 19</b>       | <b>17</b>          | <b>- 9</b>         | <b>- 77</b>       | <b>- 68</b>                                  | <b>0</b>                   | <b>363</b>   |
| Attributable to minority interests   | 1                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 3  | 0                          | 4            |
| <b>ADJUSTED NET RESULT</b>   | <b>385</b>            | <b>132</b>                   | <b>- 87</b>                         | <b>- 19</b>       | <b>17</b>          | <b>- 9</b>         | <b>- 77</b>       | <b>- 71</b>                                  | <b>0</b>                   | <b>359</b>   |
| Legacy CDOs  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 165  | 0                          | 165          |
| Own credit risk  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | - 26   | 0                          | - 26         |
| Divestments  | 0                     | 0                            | 0                                   | 0                 | 0                  | 0                  | 0                 | 22   | 0                          | 22           |
| <b>NET RESULT</b>  | <b>385</b>            | <b>132</b>                   | <b>- 87</b>                         | <b>- 19</b>       | <b>17</b>          | <b>- 9</b>         | <b>- 77</b>       | <b>90</b>                                    | <b>0</b>                   | <b>520</b>   |

Gains and losses on CDO's: In the first quarter of 2013, the market price for corporate credit decreased, as reflected in tightened credit default swap spreads, generating a value mark-up of KBC's CDO exposure (including the impact of the government guarantee, the related fee and the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2012, namely 80%).

Changes in own credit risk of own debt instruments: The negative impact on the results of the first quarter of 2013 can be explained by a decrease of the senior and subordinated credit spreads of KBC, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss.

Results on divestments: In the first quarter of 2013, the positive result was mainly driven by positive results related to the sale of the stake in Bank Zachodni WBK offset by a negative result linked to divesting KBC Banka.

In the table below, an overview is provided of a number of balance sheet items divided by segment.

| In millions of EUR                                      | Business              |                              |                                     |                   |                    |                    |                   | Group  |           |
|---|-----------------------|------------------------------|-------------------------------------|-------------------|--------------------|--------------------|-------------------|--------|-----------|
|   | Business unit Belgium | Business unit Czech Republic | Business unit International Markets | of which: Hungary | of which: Slovakia | of which: Bulgaria | of which: Ireland | Centre | KBC Group |
| <b>31-12-2012</b>                                       |                       |                              |                                     |                   |                    |                    |                   |        |           |
| Deposits from customers & debt certificates excl. repos | 95 073                | 26 228                       | 13 426                              | 4 389             | 5 749              | 601                | 2 687             | 18 728 | 153 454   |
| Loans & advances to customers excluding reverse repos   | 83 332                | 18 581                       | 23 103                              | 4 129             | 4 057              | 557                | 14 360            | 1 495  | 126 510   |
| Term loans excl. reverse repos                          | 42 151                | 7 590                        | 6 217                               | 1 615             | 1 719              | 175                | 2 708             | 1 468  | 57 426    |
| Mortgage loans  | 30 847                | 7 919                        | 15 069                              | 1 519             | 1 701              | 255                | 11 594            | 27     | 53 862    |
| Current accounts advances                               | 2 623                 | 15                           | 653                                 | 349               | 291                | 0                  | 12                | 0      | 3 291     |
| Finance leases  | 3 224                 | 373                          | 512                                 | 363               | 104                | 0                  | 46                | 0      | 4 110     |
| Consumer credit   | 1 282                 | 1 561                        | 520                                 | 241               | 152                | 127                | 0                 | 0      | 3 364     |
| Other L&A   | 3 204                 | 1 122                        | 131                                 | 41                | 90                 | 0                  | 0                 | 0      | 4 458     |
| <b>31-03-2013</b>                                       |                       |                              |                                     |                   |                    |                    |                   |        |           |
| Deposits from customers & debt certificates excl. repos | 99 635                | 25 309                       | 13 725                              | 4 457             | 5 663              | 593                | 3 012             | 17 847 | 156 516   |
| Loans & advances to customers excluding reverse repos   | 83 562                | 18 213                       | 22 723                              | 4 144             | 3 964              | 544                | 14 071            | 1 471  | 125 970   |
| Term loans excl. reverse repos                          | 42 225                | 7 291                        | 6 067                               | 1 578             | 1 670              | 170                | 2 648             | 1 443  | 57 025    |
| Mortgage loans  | 30 781                | 7 860                        | 14 868                              | 1 564             | 1 652              | 247                | 11 405            | 27     | 53 536    |
| Current accounts advances                               | 2 855                 | 19                           | 663                                 | 355               | 308                | 0                  | 0                 | 0      | 3 537     |
| Finance leases  | 3 191                 | 358                          | 482                                 | 365               | 99                 | 0                  | 18                | 0      | 4 031     |
| Consumer credit   | 1 201                 | 1 496                        | 504                                 | 238               | 139                | 127                | 0                 | 0      | 3 200     |
| Other L&A   | 3 309                 | 1 190                        | 140                                 | 44                | 96                 | 0                  | 0                 | 0      | 4 639     |

## Other notes

### Net interest income (note 3 in the annual accounts 2012)

| In millions of EUR  | 1Q 2012 | 4Q 2012 | 1Q 2013 |
|---|---------|---------|---------|
| Total   | 1 261   | 1 121   | 1 068   |
| Interest income   | 2 695   | 2 382   | 2 193   |
| Available-for-sale assets   | 350     | 265     | 226     |
| Loans and receivables   | 1 580   | 1 458   | 1 328   |
| Held-to-maturity investments  | 184     | 269     | 255     |
| Other assets not at fair value  | 8       | 6       | 0       |
| <i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>      | 2 122   | 1 998   | 1 809   |
| Financial assets held for trading   | 344     | 228     | 254     |
| Hedging derivatives   | 161     | 129     | 101     |
| Other financial assets at fair value through profit or loss   | 67      | 27      | 29      |
| Interest expense  | - 1 434 | - 1 261 | - 1 125 |
| Financial liabilities measured at amortised cost  | - 761   | - 751   | - 630   |
| Other   | - 1     | - 2     | - 1     |
| <i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i> | - 762   | - 753   | - 632   |
| Financial liabilities held for trading  | - 392   | - 290   | - 286   |
| Hedging derivatives   | - 220   | - 190   | - 170   |
| Other financial liabilities at fair value through profit or loss  | - 60    | - 28    | - 37    |

### Net realised result from available-for-sale assets (note 6 in the annual accounts 2012)

| In millions of EUR      | 1Q 2012 | 4Q 2012 | 1Q 2013 |
|-------------------------|---------|---------|---------|
| Total                   | 32      | 85      | 142     |
| Breakdown by portfolio  |         |         |         |
| Fixed-income securities | - 30    | 77      | 66      |
| Shares                  | 61      | 8       | 77      |

The net realised result from available-for-sale shares in 1Q 2013 includes +50 million euros (+43 million euros after tax) stemming from an extra gain on the sale of the stake in Bank Zachodni WBK. The net realised result from available-for-sale fixed-income securities is for the largest part related to Belgian government bonds.

### Net fee and commission income (note 7 in the annual accounts 2012)

| In millions of EUR  | 1Q 2012 | 4Q 2012 | 1Q 2013 |
|---|---------|---------|---------|
| Total   | 304     | 360     | 393     |
| Fee and commission income   | 492     | 541     | 641     |
| Securities and asset management   | 201     | 230     | 282     |
| Margin on deposit accounting (life insurance investment contracts w ithout DPF) | 24      | 43      | 47      |
| Commitment credit   | 77      | 74      | 66      |
| Payments  | 137     | 149     | 131     |
| Other   | 54      | 45      | 114     |
| Fee and commission expense  | - 188   | - 181   | - 248   |
| Commission paid to intermediaries   | - 101   | - 85    | - 74    |
| Other   | - 87    | - 96    | - 174   |

### Other net income (note 8 in the annual accounts 2012)

| In millions of EUR   | 1Q 2012 | 4Q 2012 | 1Q 2013 |
|--|---------|---------|---------|
| Total  | 73      | 187     | 76      |
| Of which net realised result following                             |         |         |         |
| The sale of loans and receivables                                  | - 49    | - 22    | 4       |
| The sale of held-to-maturity investments                           | - 4     | 0       | 0       |
| The repurchase of financial liabilities measured at amortised cost | 0       | 0       | - 1     |
| <i>Other: of which:</i>  | 126     | 210     | 73      |
| KBC Lease UK   | 41      | 41      | 0       |
| Income concerning leasing at the KBC Lease-group                   | 20      | 23      | 22      |
| Income from consolidated private equity participations             | 4       | 0       | 0       |
| Income from Group VAB  | 18      | 15      | 18      |
| 5/5/5 loans  | - 56    | 0       | 0       |
| Realised gains or losses on divestments                            | 72      | 136     | - 3     |

## Breakdown of the insurance results (note 9 in the annual accounts 2012)

| In millions of EUR                                  | Life      | Non-life  | Non-technical account | TOTAL      |
|---|-----------|-----------|-----------------------|------------|
| <b>1Q 2012</b>                                      |           |           |                       |            |
| Technical result                                    | - 97      | 113       | 16                    | 33         |
| Earned premiums, insurance (before reinsurance)     | 447       | 443       | -                     | 890        |
| Technical charges, insurance (before reinsurance)   | - 517     | - 237     | -                     | - 754      |
| Net fee and commission income                       | - 26      | - 79      | 16                    | - 89       |
| Ceded reinsurance result                            | 0         | - 14      | 0                     | - 13       |
| Financial result                                    | 211       | 51        | 238                   | 501        |
| Net interest income                                 |           |           | 229                   | 229        |
| Dividend income                                     |           |           | 5                     | 5          |
| Net result from financial instruments at fair value |           |           | 215                   | 215        |
| Net realised result from AFS assets                 |           |           | 52                    | 52         |
| Allocation to the technical accounts (*)            | 211       | 51        | - 263                 | 0          |
| Operating expenses                                  | - 35      | - 89      | 0                     | - 124      |
| Internal costs claim paid                           | - 2       | - 20      | -                     | - 22       |
| Administration costs related to acquisitions        | - 10      | - 24      | -                     | - 35       |
| Administration costs                                | - 23      | - 44      | -                     | - 67       |
| Management costs investments                        | 0         |           | 0                     | 0          |
| Other net income                                    |           |           | 45                    | 45         |
| Impairments   |           |           | - 10                  | - 10       |
| Share in results of associated companies            |           |           | 0                     | 0          |
| <b>RESULT BEFORE TAX</b>                            | <b>79</b> | <b>76</b> | <b>289</b>            | <b>444</b> |
| Income tax expense                                  |           |           |                       | - 103      |
| Net post-tax result from discontinued operations    |           |           |                       | 1          |
| <b>RESULT AFTER TAX</b>                             |           |           |                       | <b>343</b> |
| attributable to minority interest                   |           |           |                       | 1          |
| <b>attributable to equity holders of the parent</b> |           |           |                       | <b>342</b> |
| <b>1Q 2013</b>                                      |           |           |                       |            |
| Technical result                                    | - 65      | 85        | 15                    | 35         |
| Earned premiums, insurance (before reinsurance)     | 272       | 311       | -                     | 582        |
| Technical charges, insurance (before reinsurance)   | - 330     | - 156     | -                     | - 487      |
| Net fee and commission income                       | - 6       | - 58      | 15                    | - 49       |
| Ceded reinsurance result                            | 0         | - 12      | 0                     | - 12       |
| Financial result                                    | 163       | 29        | 84                    | 276        |
| Net interest income                                 |           |           | 179                   | 179        |
| Dividend income                                     |           |           | 3                     | 3          |
| Net result from financial instruments at fair value |           |           | 80                    | 80         |
| Net realised result from AFS assets                 |           |           | 14                    | 14         |
| Allocation to the technical accounts (*)            | 163       | 29        | - 192                 | 0          |
| Operating expenses                                  | - 31      | - 64      | - 1                   | - 96       |
| Internal costs claim paid                           | - 2       | - 15      | -                     | - 17       |
| Administration costs related to acquisitions        | - 8       | - 18      | -                     | - 26       |
| Administration costs                                | - 21      | - 31      | -                     | - 52       |
| Management costs investments                        | 0         | 0         | - 1                   | - 1        |
| Other net income                                    |           |           | - 5                   | - 5        |
| Impairments   |           |           | - 37                  | - 37       |
| Share in results of associated companies            |           |           | 0                     | 0          |
| <b>RESULT BEFORE TAX</b>                            | <b>67</b> | <b>50</b> | <b>56</b>             | <b>174</b> |
| Income tax expense                                  |           |           |                       | - 63       |
| Net post-tax result from discontinued operations    |           |           |                       | 0          |
| <b>RESULT AFTER TAX</b>                             |           |           |                       | <b>111</b> |
| attributable to minority interest                   |           |           |                       | 1          |
| <b>attributable to equity holders of the parent</b> |           |           |                       | <b>110</b> |

\* Also includes the allocation of impairment losses.

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2012 annual report).



## Impairment – income statement (note 14 in the annual accounts 2012)

| In millions of EUR                                  | 1Q 2012 | 4Q 2012 | 1Q 2013 |
|---|---------|---------|---------|
| Total   | - 273   | - 463   | - 352   |
| Impairment on loans and receivables                 | - 261   | - 330   | - 295   |
| Breakdown by type                                   |         |         |         |
| Specific impairments for on-balance-sheet lending   | - 300   | - 328   | - 259   |
| Provisions for off-balance-sheet credit commitments | - 4     | - 17    | - 8     |
| Portfolio-based impairments                         | 44      | 15      | - 29    |
| Breakdown by business unit                          |         |         |         |
| Business unit Belgium                               | - 1     | - 139   | - 138   |
| Business unit Czech Republic                        | - 13    | - 21    | - 22    |
| Business unit International Markets                 | - 228   | - 98    | - 117   |
| <i>of which: Hungary</i>                            | - 28    | - 8     | - 10    |
| <i>of which: Slovakia</i>                           | - 3     | - 2     | - 4     |
| <i>of which: Bulgaria</i>                           | - 2     | - 1     | - 4     |
| <i>of which: Ireland</i>                            | - 195   | - 87    | - 99    |
| Business unit Group Centre                          | - 19    | - 73    | - 18    |
| Impairment on available-for-sale assets             | - 5     | - 11    | - 13    |
| Breakdown by type                                   |         |         |         |
| Shares  | - 5     | - 12    | - 3     |
| Other   | 0       | 0       | - 10    |
| Impairment on goodwill                              | 0       | - 8     | - 7     |
| Impairment on other                                 | - 7     | - 114   | - 37    |
| Intangible assets, other than goodwill              | 0       | 0       | 0       |
| Property and equipment and investment property      | 0       | - 33    | 0       |
| Held-to-maturity assets                             | 0       | - 2     | 0       |
| Associated companies                                | 0       | - 99    | 0       |
| Other   | - 7     | 20      | - 36    |

In 1Q 2013, the impairment on other (other) contains -17 million of euros booked on KBC Banka for which a sales agreement was recently signed (see further note 48).

## Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2012)

| (In millions of EUR)  | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total   |
|---|------------------|--------------------------|--------------------|-----------------------|------------------|---------------------|----------------------------|---------|
| <b>FINANCIAL ASSETS, 31-12-2012</b>   |                  |                          |                    |                       |                  |                     |                            |         |
| Loans and advances to credit institutions and investment firms <sup>a</sup> | 3 802            | 916                      | 0                  | 11 363                | -                | -                   | -                          | 16 081  |
| Loans and advances to customers <sup>b</sup>                                | 600              | 2 197                    | 0                  | 125 695               | -                | -                   | -                          | 128 492 |
| <i>Excluding reverse repos</i>  |                  |                          |                    |                       |                  |                     |                            | 126 510 |
| Discount and acceptance credit  | 0                | 0                        | 0                  | 131                   | -                | -                   | -                          | 131     |
| Consumer credit   | 0                | 0                        | 0                  | 3 364                 | -                | -                   | -                          | 3 364   |
| Mortgage loans  | 0                | 184                      | 0                  | 53 678                | -                | -                   | -                          | 53 862  |
| Term loans  | 600              | 2 013                    | 0                  | 56 795                | -                | -                   | -                          | 59 407  |
| Finance leasing   | 0                | 0                        | 0                  | 4 110                 | -                | -                   | -                          | 4 110   |
| Current account advances  | 0                | 0                        | 0                  | 3 291                 | -                | -                   | -                          | 3 291   |
| Securitised loans   | 0                | 0                        | 0                  | 0                     | -                | -                   | -                          | 0       |
| Other   | 0                | 0                        | 0                  | 4 327                 | -                | -                   | -                          | 4 327   |
| Equity instruments  | 451              | 53                       | 1 931              | -                     | -                | -                   | -                          | 2 435   |
| Investment contracts (insurance)  | -                | 11 847                   | -                  | -                     | -                | -                   | -                          | 11 847  |
| Debt instruments issued by  | 4 210            | 1 282                    | 28 691             | 2 167                 | 28 510           | -                   | -                          | 64 860  |
| Public bodies   | 3 390            | 811                      | 19 929             | 190                   | 27 346           | -                   | -                          | 51 666  |
| Credit institutions and investment firms                                    | 361              | 199                      | 3 335              | 158                   | 670              | -                   | -                          | 4 724   |
| Corporates  | 459              | 272                      | 5 427              | 1 819                 | 494              | -                   | -                          | 8 471   |
| Derivatives   | 12 095           | -                        | -                  | -                     | -                | 1 088               | -                          | 13 183  |
| Total carrying value including accrued interest income                      | 21 159           | 16 295                   | 30 622             | 139 225               | 28 510           | 1 088               | 0                          | 236 898 |
| <sup>a</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 5 160   |
| <sup>b</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 1 981   |
| <b>FINANCIAL ASSETS, 31-03-2013</b>   |                  |                          |                    |                       |                  |                     |                            |         |
| Loans and advances to credit institutions and investment firms <sup>a</sup> | 3 903            | 3 089                    | 0                  | 11 480                | -                | -                   | -                          | 18 471  |
| Loans and advances to customers <sup>b</sup>                                | 325              | 3 793                    | 0                  | 125 635               | -                | -                   | -                          | 129 753 |
| <i>Excluding reverse repos</i>  | 266              | 273                      | 0                  | 125 431               | -                | -                   | -                          | 125 970 |
| Discount and acceptance credit  | 0                | 0                        | 0                  | 595                   | -                | -                   | -                          | 595     |
| Consumer credit   | 0                | 0                        | 0                  | 3 200                 | -                | -                   | -                          | 3 200   |
| Mortgage loans  | 0                | 69                       | 0                  | 53 467                | -                | -                   | -                          | 53 536  |
| Term loans  | 319              | 3 711                    | 0                  | 56 779                | -                | -                   | -                          | 60 809  |
| Finance leasing   | 0                | 0                        | 0                  | 4 031                 | -                | -                   | -                          | 4 031   |
| Current account advances  | 0                | 0                        | 0                  | 3 537                 | -                | -                   | -                          | 3 537   |
| Securitised loans   | 0                | 0                        | 0                  | 0                     | -                | -                   | -                          | 0       |
| Other   | 6                | 12                       | 0                  | 4 026                 | -                | -                   | -                          | 4 044   |
| Equity instruments  | 434              | 47                       | 1 299              | -                     | -                | -                   | -                          | 1 781   |
| Investment contracts (insurance)  | -                | 12 639                   | -                  | -                     | -                | -                   | -                          | 12 639  |
| Debt instruments issued by  | 4 543            | 1 194                    | 26 491             | 2 190                 | 28 870           | -                   | -                          | 63 289  |
| Public bodies   | 3 747            | 739                      | 18 270             | 286                   | 27 753           | -                   | -                          | 50 794  |
| Credit institutions and investment firms                                    | 341              | 196                      | 3 399              | 156                   | 654              | -                   | -                          | 4 745   |
| Corporates  | 455              | 259                      | 4 823              | 1 748                 | 464              | -                   | -                          | 7 750   |
| Derivatives   | 11 171           | -                        | -                  | -                     | -                | 601                 | -                          | 11 772  |
| Total carrying value including accrued interest income                      | 20 376           | 20 763                   | 27 791             | 139 305               | 28 870           | 601                 | 0                          | 237 706 |
| <sup>a</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 8 253   |
| <sup>b</sup> Of which reverse repos   |                  |                          |                    |                       |                  |                     |                            | 3 783   |

In 1Q 2013, an amount of 0.2 billion euros of government securities was reclassified from available-for-sale to held-to-maturity.

| (In millions of EUR)  | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total   |
|---|------------------|--------------------------|--------------------|-----------------------|------------------|---------------------|----------------------------|---------|
| <b>FINANCIAL LIABILITIES, 31-12-2012</b>                            |                  |                          |                    |                       |                  |                     |                            |         |
| Deposits from credit institutions and investment firms <sup>a</sup> | 375              | 884                      | -                  | -                     | -                | -                   | 21 660                     | 22 919  |
| Deposits from customers and debt certificates <sup>b</sup>          | 4 161            | 8 782                    | -                  | -                     | -                | -                   | 146 689                    | 159 632 |
| <i>Excluding repos</i>  |                  |                          |                    |                       |                  |                     |                            | 153 454 |
| Deposits from customers   | 3 776            | 3 420                    | -                  | -                     | -                | -                   | 121 062                    | 128 258 |
| Demand deposits   | 0                | 0                        | -                  | -                     | -                | -                   | 37 477                     | 37 477  |
| Time deposits   | 3 776            | 3 336                    | -                  | -                     | -                | -                   | 43 491                     | 50 602  |
| Savings deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 34 904                     | 34 904  |
| Special deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 3 941                      | 3 941   |
| Other deposits  | 0                | 84                       | -                  | -                     | -                | -                   | 1 250                      | 1 334   |
| Debt certificates   | 385              | 5 362                    | -                  | -                     | -                | -                   | 25 627                     | 31 373  |
| Certificates of deposit   | 0                | 27                       | -                  | -                     | -                | -                   | 6 209                      | 6 236   |
| Customer savings certificates                                       | 0                | 0                        | -                  | -                     | -                | -                   | 522                        | 522     |
| Convertible bonds   | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |
| Non-convertible bonds   | 385              | 4 705                    | -                  | -                     | -                | -                   | 12 914                     | 18 003  |
| Convertible subordinated liabilities                                | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |
| Non-convertible subordinated liabilities                            | 0                | 630                      | -                  | -                     | -                | -                   | 5 982                      | 6 612   |
| Liabilities under investment contracts                              | -                | 10 853                   | -                  | -                     | -                | -                   | 0                          | 10 853  |
| Derivatives   | 14 432           | 0                        | -                  | -                     | -                | 2 430               | -                          | 16 861  |
| Short positions   | 491              | 0                        | -                  | -                     | -                | -                   | -                          | 491     |
| in equity instruments   | 17               | 0                        | -                  | -                     | -                | -                   | -                          | 17      |
| in debt instruments   | 475              | 0                        | -                  | -                     | -                | -                   | -                          | 475     |
| Other   | 0                | 44                       | -                  | -                     | -                | -                   | 2 465                      | 2 509   |
| Total carrying value including accrued interest expense             | 19 459           | 20 563                   | -                  | -                     | -                | 2 430               | 170 813                    | 213 265 |
| <sup>a</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 1 589   |
| <sup>b</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 6 178   |
| <b>FINANCIAL LIABILITIES, 31-03-2013</b>                            |                  |                          |                    |                       |                  |                     |                            |         |
| Deposits from credit institutions and investment firms <sup>a</sup> | 657              | 1 314                    | -                  | -                     | -                | -                   | 13 886                     | 15 857  |
| Deposits from customers and debt certificates <sup>b</sup>          | 4 293            | 13 988                   | -                  | -                     | -                | -                   | 149 713                    | 167 994 |
| <i>Excluding repos</i>  | 473              | 6 352                    | -                  | -                     | -                | -                   | 149 691                    | 156 516 |
| Deposits from customers   | 3 882            | 8 710                    | -                  | -                     | -                | -                   | 122 961                    | 135 553 |
| Demand deposits   | 0                | 0                        | -                  | -                     | -                | -                   | 37 299                     | 37 299  |
| Time deposits   | 3 882            | 8 651                    | -                  | -                     | -                | -                   | 43 918                     | 56 451  |
| Savings deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 35 453                     | 35 453  |
| Special deposits  | 0                | 0                        | -                  | -                     | -                | -                   | 4 621                      | 4 621   |
| Other deposits  | 0                | 59                       | -                  | -                     | -                | -                   | 1 670                      | 1 729   |
| Debt certificates   | 411              | 5 278                    | -                  | -                     | -                | -                   | 26 752                     | 32 442  |
| Certificates of deposit   | 0                | 9                        | -                  | -                     | -                | -                   | 7 059                      | 7 068   |
| Customer savings certificates                                       | 0                | 0                        | -                  | -                     | -                | -                   | 509                        | 509     |
| Convertible bonds   | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |
| Non-convertible bonds   | 411              | 4 621                    | -                  | -                     | -                | -                   | 12 554                     | 17 586  |
| Convertible subordinated liabilities                                | 0                | 0                        | -                  | -                     | -                | -                   | 0                          | 0       |
| Non-convertible subordinated liabilities                            | 0                | 648                      | -                  | -                     | -                | -                   | 6 631                      | 7 279   |
| Liabilities under investment contracts                              | -                | 11 664                   | -                  | -                     | -                | -                   | 0                          | 11 664  |
| Derivatives   | 12 790           | 0                        | -                  | -                     | -                | 1 920               | -                          | 14 710  |
| Short positions   | 518              | 0                        | -                  | -                     | -                | -                   | -                          | 518     |
| in equity instruments   | 33               | 0                        | -                  | -                     | -                | -                   | -                          | 33      |
| in debt instruments   | 485              | 0                        | -                  | -                     | -                | -                   | -                          | 485     |
| Other   | 0                | 27                       | -                  | -                     | -                | -                   | 3 540                      | 3 567   |
| Total carrying value including accrued interest expense             | 18 259           | 26 993                   | -                  | -                     | -                | 1 920               | 167 138                    | 214 311 |
| <sup>a</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 2 047   |
| <sup>b</sup> Of which repos   |                  |                          |                    |                       |                  |                     |                            | 11 479  |

The decrease in deposits from credit institutions and investment firms includes the repayment of the LTRO to the tune of 8.3 billion euros.

The increase in non-convertible subordinated liabilities includes the issuance of a contingent capital note to the tune of 1 billion USD.

## Additional information on quarterly time series

### Loans and deposits

| In millions of eur                                 | 31-03-2012     | 30-06-2012     | 30-09-2012     | 31-12-2012     | 31-03-2013     |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Total customer loans excluding reverse repo</b> |                |                |                |                |                |
| Business unit Belgium                              | 83 056         | 84 295         | 82 933         | 83 332         | 83 562         |
| Business unit Czech Republic                       | 17 446         | 17 365         | 18 095         | 18 581         | 18 213         |
| Business unit International Markets                | 24 099         | 23 881         | 23 547         | 23 103         | 22 723         |
| <i>of which: Hungary</i>                           | 4 296          | 4 297          | 4 188          | 4 057          | 3 964          |
| <i>of which: Slovakia</i>                          | 3 974          | 3 994          | 4 043          | 4 129          | 4 144          |
| <i>of which: Bulgaria</i>                          | 525            | 528            | 544            | 557            | 544            |
| <i>of which: Ireland</i>                           | 15 304         | 15 062         | 14 773         | 14 360         | 14 071         |
| Group Centre                                       | 7 339          | 1 780          | 1 700          | 1 495          | 1 471          |
| <b>KBC Group</b>                                   | <b>131 940</b> | <b>127 321</b> | <b>126 276</b> | <b>126 510</b> | <b>125 970</b> |
| <b>Mortgage loans</b>                              |                |                |                |                |                |
| Business unit Belgium                              | 29 703         | 30 131         | 30 646         | 30 847         | 30 781         |
| Business unit Czech Republic                       | 7 437          | 7 367          | 7 742          | 7 919          | 7 860          |
| Business unit International Markets                | 15 527         | 15 357         | 15 201         | 15 069         | 14 868         |
| <i>of which: Hungary</i>                           | 1 752          | 1 749          | 1 726          | 1 701          | 1 652          |
| <i>of which: Slovakia</i>                          | 1 377          | 1 425          | 1 464          | 1 519          | 1 564          |
| <i>of which: Bulgaria</i>                          | 305            | 251            | 251            | 255            | 247            |
| <i>of which: Ireland</i>                           | 12 093         | 11 933         | 11 760         | 11 594         | 11 405         |
| Group Centre                                       | 1 284          | 29             | 28             | 27             | 27             |
| <b>KBC Group</b>                                   | <b>53 951</b>  | <b>52 884</b>  | <b>53 617</b>  | <b>53 862</b>  | <b>53 536</b>  |
| <b>Customer deposits excl repos</b>                |                |                |                |                |                |
| Business unit Belgium                              | 90 578         | 94 289         | 92 673         | 95 073         | 99 635         |
| Business unit Czech Republic                       | 25 857         | 25 059         | 25 572         | 26 228         | 25 309         |
| Business unit International Markets                | 11 787         | 12 059         | 12 812         | 13 426         | 13 725         |
| <i>of which: Hungary</i>                           | 5 588          | 5 530          | 5 642          | 5 749          | 5 663          |
| <i>of which: Slovakia</i>                          | 4 006          | 4 075          | 4 319          | 4 389          | 4 457          |
| <i>of which: Bulgaria</i>                          | 602            | 614            | 613            | 601            | 593            |
| <i>of which: Ireland</i>                           | 1 592          | 1 840          | 2 238          | 2 687          | 3 012          |
| Group Centre                                       | 21 463         | 18 921         | 19 341         | 18 728         | 17 847         |
| <b>KBC Group</b>                                   | <b>149 685</b> | <b>150 328</b> | <b>150 397</b> | <b>153 454</b> | <b>156 516</b> |

Figures as of 31-03-2012 excluding Kredyt Bank; figures as of 30-06-2012 excluding a.o. Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka

### Technical provisions plus unit linked, life insurance

| Technical provisions, Life Insurance<br>(In millions of EUR) | 31-03-2012             |              | 30-06-2012             |              | 30-09-2012             |               | 31-12-2012             |               | 31-03-2013             |               |
|--|------------------------|--------------|------------------------|--------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|
|  | Interest<br>Guaranteed | Unit Linked  | Interest<br>Guaranteed | Unit Linked  | Interest<br>Guaranteed | Unit Linked   | Interest<br>Guaranteed | Unit Linked   | Interest<br>Guaranteed | Unit Linked   |
| Business unit Belgium  | 15 240                 | 7 713        | 14 784                 | 8 687        | 14 604                 | 9 741         | 14 195                 | 10 917        | 13 514                 | 11 730        |
| Business unit Czech Republic                                 | 623                    | 581          | 599                    | 624          | 609                    | 646           | 608                    | 631           | 589                    | 601           |
| Business unit International Markets                          | 236                    | 214          | 236                    | 228          | 235                    | 241           | 228                    | 241           | 226                    | 248           |
| <i>of which: Hungary</i>                                     | 59                     | 165          | 60                     | 172          | 60                     | 181           | 55                     | 179           | 52                     | 180           |
| <i>of which: Slovakia</i>                                    | 138                    | 48           | 137                    | 54           | 137                    | 58            | 137                    | 59            | 138                    | 66            |
| <i>of which: Bulgaria</i>                                    | 39                     | 2            | 39                     | 2            | 38                     | 2             | 35                     | 2             | 36                     | 2             |
| Group Centre   | 197                    | 311          | 32                     | 56           | 33                     | 56            | 34                     | 59            | 35                     | 60            |
| <b>KBC Group</b>   | <b>16 296</b>          | <b>8 820</b> | <b>15 651</b>          | <b>9 595</b> | <b>15 481</b>          | <b>10 684</b> | <b>15 065</b>          | <b>11 848</b> | <b>14 365</b>          | <b>12 640</b> |

## Financial assets and liabilities measured at fair value – fair value hierarchy (note 24 in the annual accounts 2012)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 23 up to and including 26 of the annual accounts 2012.

| Fair value hierarchy<br>In millions of EUR          | 31-12-2012 |         |         |        | 31-03-2013 |         |         |        |
|---|------------|---------|---------|--------|------------|---------|---------|--------|
|   | Level 1    | Level 2 | Level 3 | Total  | Level 1    | Level 2 | Level 3 | Total  |
| <b>Financial assets measured at fair value</b>      |            |         |         |        |            |         |         |        |
| Held for trading                                    | 2 285      | 15 112  | 3 762   | 21 159 | 3 229      | 14 009  | 3 138   | 20 376 |
| Designated at fair value                            | 12 661     | 3 287   | 347     | 16 295 | 13 264     | 7 164   | 335     | 20 763 |
| Available for sale                                  | 24 414     | 3 431   | 2 777   | 30 622 | 23 230     | 3 342   | 1 219   | 27 791 |
| Equity instruments                                  | 705        | 109     | 1 117   | 1 931  | 873        | 83      | 343     | 1 300  |
| Debt instruments                                    | 23 709     | 3 322   | 1 660   | 28 691 | 22 357     | 3 259   | 875     | 26 491 |
| Hedging derivatives                                 | 0          | 1 088   | 0       | 1 088  | 0          | 601     | 0       | 601    |
| Total, incl. accrued interest                       | 39 360     | 22 919  | 6 885   | 69 163 | 39 723     | 25 115  | 4 692   | 69 531 |
| <b>Financial liabilities measured at fair value</b> |            |         |         |        |            |         |         |        |
| Held for trading                                    | 498        | 13 801  | 5 160   | 19 459 | 514        | 13 550  | 4 195   | 18 259 |
| Designated at fair value                            | 10 853     | 8 300   | 1 410   | 20 563 | 11 664     | 13 764  | 1 565   | 26 993 |
| Hedging derivatives                                 | 0          | 2 430   | 0       | 2 430  | 0          | 1 920   | 0       | 1 920  |
| Total, incl. accrued interest                       | 11 351     | 24 531  | 6 570   | 42 451 | 12 178     | 29 234  | 5 761   | 47 172 |

## Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 25 in the annual accounts 2012)

In the first quarter of 2013, only a limited amount in debt instruments was transferred between level 1 and level 2.

## Financial assets and liabilities measured at fair value – focus on level 3 (note 26 in the annual accounts 2012)

| Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 31-03-2013, in millions of EUR |                                   |   |  |                  |                 |                          |                                   |   |  |                     |                  |                     |
|---|-----------------------------------|---|--|------------------|-----------------|--------------------------|-----------------------------------|---|--|---------------------|------------------|---------------------|
|   | Held for trading                  |   |  |                  |                 | Designated at fair value |                                   |   |  | Available for sale  |                  | Hedging derivatives |
|   | Loans and advances                | Equity instruments                            | Investment contracts                   | Debt instruments | Derivatives     | Loans and advances       | Equity instruments                | Investment contracts                          | Debt instruments                       | Equity instruments  | Debt instruments | Derivatives         |
| Opening balance   | 0                                 | 197   | 0                                      | 523              | 3 041           | 27                       | 50                                | 0   | 269                                    | 1 117               | 1 660            | 0                   |
| Total gains/losses  | 0                                 | - 3   | 0                                      | 10               | 298             | 1                        | - 3                               | 0   | 95                                     | - 1                 | 14               | 0                   |
| in profit and loss*   | 0                                 | - 3   | 0                                      | 10               | 298             | 1                        | - 3                               | 0   | 95                                     | - 1                 | 2                | 0                   |
| in other comprehensive income   | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 12               | 0                   |
| Acquisitions  | 0                                 | 0   | 0                                      | 28               | 31              | 0                        | 0                                 | 0   | 5                                      | 68                  | 43               | 0                   |
| Sales   | 0                                 | 0   | 0                                      | - 45             | - 155           | 0                        | - 5                               | 0   | - 23                                   | - 840               | - 53             | 0                   |
| Settlements   | 0                                 | - 2   | 0                                      | - 22             | - 212           | - 1                      | 0                                 | 0   | - 23                                   | 0                   | - 573            | 0                   |
| Transfers into level 3  | 0                                 | 0   | 0                                      | 8                | 147             | 0                        | 0                                 | 0   | 0                                      | 0                   | 42               | 0                   |
| Transfers out of level 3  | 0                                 | 0   | 0                                      | - 130            | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | - 272            | 0                   |
| Transfers from/to non-current assets held for sale  | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                | 0                   |
| Translation differences   | 0                                 | 5   | 0                                      | 3                | 6               | 1                        | 1                                 | 0   | 5                                      | 0                   | - 2              | 0                   |
| Changes in scope  | 0                                 | - 19  | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                | 0                   |
| Other   | 0                                 | 3   | 0                                      | - 1              | - 574           | 0                        | 0                                 | 0   | - 65                                   | 0                   | 17               | 0                   |
| Closing balance   | 0                                 | 183   | 0                                      | 373              | 2 582           | 27                       | 43                                | 0   | 265                                    | 343                 | 875              | 0                   |
| Total gains/losses for the period included in profit and loss for assets held at the end of the period                                | 0                                 | - 3   | 0                                      | 5                | 76              | 1                        | - 4                               | 0   | 96                                     | 0                   | 0                | 0                   |
| <b>LEVEL 3 FINANCIAL LIABILITIES</b>  |                                   |   |  |                  |                 |                          |                                   |   |  |                     |                  |                     |
|   | Held for trading                  |   |  |                  |                 | Designated at fair value |                                   |   |  | Hedging derivatives |                  |                     |
|   | Deposits from credit institutions | Deposits from customers and debt certificates | Liabilities under investment contracts | Derivatives      | Short positions | Other                    | Deposits from credit institutions | Deposits from customers and debt certificates | Liabilities under investment contracts | Other               | Derivatives      |                     |
| Opening balance   | 0                                 | 181   | 0                                      | 4 979            | 0               | 0                        | 0                                 | 1 366   | 0                                      | 44                  | 0                |                     |
| Total gains/losses  | 0                                 | 19  | 0                                      | 0                | 0               | 0                        | 0                                 | - 28  | 0                                      | - 17                | 0                |                     |
| in profit and loss*   | 0                                 | 19  | 0                                      | 0                | 0               | 0                        | 0                                 | - 28  | 0                                      | - 17                | 0                |                     |
| in other comprehensive income   | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Issues  | 0                                 | 0   | 0                                      | 24               | 0               | 0                        | 0                                 | 196   | 0                                      | 0                   | 0                |                     |
| Repurchases   | 0                                 | 0   | 0                                      | - 3              | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Settlements   | 0                                 | - 7   | 0                                      | - 477            | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Transfers into level 3  | 0                                 | 0   | 0                                      | 49               | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Transfers out of level 3  | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Transfers from/to financial liabilities regarding disposal groups   | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Translation differences   | 0                                 | 6   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Changes in scope  | 0                                 | 0   | 0                                      | 0                | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Other   | 0                                 | 0   | 0                                      | - 600            | 0               | 0                        | 0                                 | 0   | 0                                      | 0                   | 0                |                     |
| Closing balance   | 0                                 | 199   | 0                                      | 3 972            | 0               | 0                        | 0                                 | 1 534   | 0                                      | 27                  | 0                |                     |
| Total gains/losses for the period included in profit and loss for liabilities held at the end of the period                           | 0                                 | 20  | 0                                      | - 21             | 0               | 0                        | 0                                 | - 27  | 0                                      | 0                   | 0                |                     |

\* Recognised primarily in 'Net result from financial instruments at fair value through profit or loss', 'Net realised result from available-for-sale assets' and 'Impairment on available-for-sale assets'.

## Parent shareholders' equity and non-voting core-capital securities (note 39 in the annual accounts 2012)

| in number of shares   | 31-12-2012  | 31-03-2013  |
|---|-------------|-------------|
| Ordinary shares   | 416 967 355 | 416 967 355 |
| <i>of which ordinary shares that entitle the holder to a dividend payment</i> | 416 967 355 | 416 967 355 |
| <i>of which treasury shares</i>   | 302         | 302         |
| Non-voting core-capital securities  | 118 644 067 | 118 644 067 |
| Other information   |             |             |
| Par value per ordinary share (in euros)                                       | 3.48        | 3.48        |
| Number of shares issued but not fully paid up                                 | 0           | 0           |

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels) and on the Luxembourg Stock Exchange.

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (*pari passu*) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual report 2012.

In 2012, KBC repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros including a 15% penalty (525 million euros in total).

## Related-party transactions (note 42 in the annual accounts 2012)

During 1Q 2013, there was no significant change in related parties compared to the end of 2012. Over 2013 results, KBC does not intend to pay a coupon on the remaining non-voting core capital securities.

## Main changes in the scope of consolidation (note 45 in the annual accounts 2012)

| Company   | Consolidation method | Ownership percentage at group level |                   | Comments   |
|---|----------------------|-------------------------------------|-------------------|--|
| <b>For income statement comparison</b>                      |                      | <b>1Q 2012</b>                      | <b>1Q 2013</b>    |  |
| <b>Additions</b>  |                      |                                     |                   |  |
| None  |                      |                                     |                   |  |
| <b>Exclusions</b>   |                      |                                     |                   |  |
| KBC Clearing NV   | Full                 | 100.00%                             | -----             | Deconsolidated in 2Q 2012 due to immateriality                             |
| TUIR WARTA SA   | Full                 | 100.00%                             | -----             | Deconsolidated on 30 June 2012 following sale                              |
| KBL EPB (Group)   | Full                 | 100.00%                             | -----             | Sold in 3Q 2012  |
| Kredyt Bank SA  | Full                 | 80.00%                              | -----             | Deconsolidated on 31 December 2012 following merger with Bank Zachodni WBK |
| KBC Private Equity NV                                       | Full                 | 100.00%                             | -----             | Deconsolidated in 1Q 2013 due to immateriality                             |
| Nova Ljubljanska banka d.d. (group)                         | Equity               | 25.00%                              | -----             | Sold in 1Q 2013  |
| <b>Name Changes</b>   |                      |                                     |                   |  |
| None  |                      |                                     |                   |  |
| <b>Changes in ownership percentage and internal mergers</b> |                      |                                     |                   |  |
| VAB Group   | Full                 | 74.81%                              | 79.81%            | Stake increased in 2Q2012  |
| KBC Real Estate NV  | Full                 | 100.00%                             | -----             | Merged with KBC Bank on 1 July 2012  |
| Absolut Bank  | Full                 | 99.00%                              | 100.00%           | Increase with 1% (1Q 2013)   |
| <b>For balance sheet comparison</b>                         |                      | <b>31/12/2012</b>                   | <b>31/03/2013</b> |  |
| <b>Additions</b>  |                      |                                     |                   |  |
| None  |                      |                                     |                   |  |
| <b>Exclusions</b>   |                      |                                     |                   |  |
| KBC Private Equity NV                                       | Full                 | 100.00%                             | -----             | Deconsolidated in 1Q13 due to immateriality                                |
| Nova Ljubljanska banka d.d. (group)                         | Equity               | 22.04%                              | -----             | Sold in 1Q 2013  |
| <b>Name Changes</b>   |                      |                                     |                   |  |
| None  |                      |                                     |                   |  |
| <b>Changes in ownership percentage and internal mergers</b> |                      |                                     |                   |  |
| Absolut Bank  | Full                 | 99.00%                              | 100.00%           | Increase with 1% (1Q 2013)   |



## Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2012)

### Situation as at 31 March 2013

On 31 March 2013, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka. The results of these companies are still included in the income statement's lines.
- as disposal groups which are part of a discontinued operation: none

The assets and liabilities of these divestments are shown separately on the balance sheet (Non-current assets held for sale and assets associated with disposal groups on the asset side and Liabilities associated with disposal groups on the liability side): see table below for more details.

### Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 31 March 2013

#### Absolut Bank:

Activity: Banking  
Segment: Group Centre  
Other information: On 24 December 2012, KBC has reached an agreement with the second largest Non-State Pension Fund in Russia, Blagosostoyanie for the sale of KBC's Russian subsidiary Absolut Bank. This deal - for a total consideration of 0.3 billion euros and repayment of all KBC funding that is placed within Absolut Bank for the amount of 0.7 billion euros at the time of signing - will free up around 0.3 billion euros of capital for KBC, primarily by reducing risk-weighted assets by 2 billion euros, which will ultimately improve KBC's tier-1 ratio by around 0.4% (pro forma impact calculated on 30 September 2012).  
At closing, an impact of about -0.1 billion euros on the consolidated result is expected, with no material impact on parent shareholders' equity (mainly recycling of negative translation differences from equity to P/L).  
Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second quarter of 2013.

#### KBC Banka:

Activity: Banking  
Segment: Group Centre  
Other information: On 26 April 2013, KBC has reached an agreement with Société Générale Srbija and Telenor Serbia on the sale of KBC Banka, KBC's banking entity in Serbia. Under the agreement, Telenor will purchase 100% of KBC Banka's shares, while Société Générale Srbija will acquire KBC Banka's key assets and deposits. All the parties involved agreed not to disclose any financial details of the transaction. For KBC, however, the transaction will have an impact on earnings of at the time of signing an estimated -47 million euros (-17m euros of which recorded in 1Q 2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the fourth quarter of 2013. (also see note 48)

## Impact on P/L, Balance sheet and Cash flow:

### NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS In millions of EUR

|   | 31-12-2012   |  | 31-03-2013   |  |
|---|--------------|--|--------------|--|
|   |              | <i>of which: Discon-<br/>tinued operations</i> |              | <i>of which: Discon-<br/>tinued operations</i> |
| <b>Assets</b>   |              |  |              |  |
| Cash and cash balances with central banks                                       | 484          | 0  | 325          | 0  |
| Financial assets  | 6 407        | 0  | 6 543        | 0  |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk | 0            | 0  | 0            | 0  |
| Tax assets  | 83           | 0  | 85           | 0  |
| Investments in associated companies   | 3            | 0  | 0            | 0  |
| Investment property and property and equipment                                  | 113          | 0  | 117          | 0  |
| Goodwill and other intangible assets  | 14           | 0  | 13           | 0  |
| Other assets  | 35           | 0  | 33           | 0  |
| <b>Total assets</b>   | <b>7 138</b> | <b>0</b>                                       | <b>7 115</b> | <b>0</b>                                       |
| <b>Liabilities</b>  |              |  |              |  |
| Financial liabilities   | 3 657        | 0  | 4 317        | 0  |
| Technical provisions insurance, before reinsurance                              | 0            | 0  | 0            | 0  |
| Tax liabilities   | 12           | 0  | 16           | 0  |
| Provisions for risks and charges  | 9            | 0  | 10           | 0  |
| Other liabilities   | 61           | 0  | 57           | 0  |
| <b>Total liabilities</b>  | <b>3 739</b> | <b>0</b>                                       | <b>4 401</b> | <b>0</b>                                       |
| <b>Other comprehensive income</b>   |              |  |              |  |
| Available-for-sale reserve  | 101          | 78   | - 1          | 0  |
| Deferred tax on available-for-sale reserve                                      | - 27         | - 22   | 0            | 0  |
| Cash flow hedge reserve   | 7            | 0  | 0            | 0  |
| Translation differences   | 55           | - 4  | - 10         | 0  |
| <b>Total other comprehensive income</b>   | <b>136</b>   | <b>52</b>                                      | <b>- 10</b>  | <b>0</b>                                       |

## Post-balance sheet events (note 48 in the annual accounts 2012)

Significant event between the balance sheet date (31 March 2013) and the publication of this report (16 May 2013):

On 26 April 2013 KBC reached an agreement with Société Générale Srbija and Telenor Serbia on the sale of KBC Banka, KBC's banking entity in Serbia. For KBC, the transaction will have an impact on earnings of an estimated -47 million euros (-17m euros recorded in 1Q 2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. (also see note 46)



Ernst & Young  
Réviseurs d'Entreprises  
Bedrijfsrevisoren  
De Kleetlaan 2  
B - 3031 Diegem  
Tel: +32 (0)2 774 91 11  
Fax: +32 (0)2 774 90 90  
www.ey.com/be

## Report of the statutory auditor to the shareholders of KBC Groep nv on the review of the interim condensed consolidated financial statements as of 31 March 2013 and for the three-month period then ended

### Introduction

We have reviewed the accompanying interim consolidated balance sheet KBC Groep nv (the "Company") as at 31 March 2013 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the three-month period then ended, and explanatory notes which show a consolidated balance sheet total of € 258.567 million and a consolidated profit (share of the group) for the three-month period of € 520 million. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review

We conducted our review ("revue limitée/bepert nazicht") in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (ISA) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Société civile ayant emprunté la forme d'une société coopérative à responsabilité limitée  
Burgerlijke vennootschap die de rechtsvorm van een coöperatieve vennootschap met beperkte aansprakelijkheid heeft aangenomen  
RPM Bruxelles - RPM Brussel - TVA - BTW BE 0446.334.711  
Banque - Fortis - Bank 210-0905900-69



*Report dated 16 May 2013 on the interim condensed consolidated financial statements of KBC Groep nv as of 31 March 2013 and for the three-month period then ended*

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at 31 March 2013, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussels, 16 May 2013

Ernst & Young Réviseurs d'Entreprises scrl  
Statutory auditor  
represented by

A blue ink signature of Pierre Vanderbeek, consisting of a large, stylized loop and a horizontal line.

Pierre Vanderbeek  
Partner

13PVDB0216

A blue ink signature of Peter Telders, consisting of several overlapping, diagonal strokes.

Peter Telders  
Partner

# KBC Group Risk and capital management 1Q 2013



This section is not reviewed by the auditors.

## Credit risk

### Snapshot of the credit portfolio (banking activities, excl. entities marked as 'disposal groups' under IFRS 5)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2012)'. Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

| Credit risk: loan portfolio overview   | 31-12-2012 | 31-03-2013 |
|--|------------|------------|
| <b>Total loan portfolio (in billions of EUR)</b>   |            |            |
| Amount granted   | 167        | 166        |
| Amount outstanding <sup>1</sup>  | 141        | 140        |
| <b>Total loan portfolio, by business unit (as a % of the portfolio of credit granted)</b>        |            |            |
| Belgium  | 65%        | 66%        |
| Czech Republic   | 15%        | 15%        |
| International Markets  | 17%        | 17%        |
| Group Centre   | 3%         | 3%         |
| Total  | 100%       | 100%       |
| <b>Impaired loans (in millions of EUR or %)</b>  |            |            |
| Amount outstanding   | 10 757     | 10 905     |
| Specific loan impairments  | 4 614      | 4 681      |
| Portfolio-based loan impairments   | 244        | 273        |
| <b>Credit cost ratio, per business unit<sup>3</sup></b>  |            |            |
| Belgium  | 0.28%      | 0.62%      |
| Czech Republic   | 0.31%      | 0.42%      |
| International Markets  | 2.26%      | 1.78%      |
| Slovakia   | 0.25%      | 0.33%      |
| Hungary  | 0.78%      | 0.82%      |
| Bulgaria   | 0.94%      | 2.17%      |
| Ireland  | 3.34%      | 2.47%      |
| Group Centre <sup>2</sup>  | 1.06%      | 0.69%      |
| Total <sup>2</sup>   | 0.69%      | 0.81%      |
| <b>Non-performing (NP) loans (in millions of EUR or %)</b>                                       |            |            |
| Amount outstanding   | 7 397      | 7 432      |
| Specific loan impairments for NP loans   | 3 626      | 3 593      |
| <b>Non-performing ratio, per business unit</b>   |            |            |
| Belgium  | 2.3%       | 2.3%       |
| Czech Republic   | 3.2%       | 3.2%       |
| International Markets  | 17.6%      | 18.0%      |
| Group Centre   | 1.3%       | 0.9%       |
| Total  | 5.3%       | 5.3%       |
| <b>Cover ratio</b>   |            |            |
| Specific loan impairments for NP loans / Outstanding NP loans                                    | 49%        | 48%        |
| Idem, excluding mortgage loans   | 63%        | 62%        |
| Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans | 66%        | 67%        |
| Idem, excluding mortgage loans   | 91%        | 94%        |

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.

2. Including IFRS 5 entities the CCR per 31/03/2013 would be 0.67% for Group Centre and 0.80% for the Total.

3. Annualised credit cost.

## Credit portfolio per business unit (banking activities, excl. entities marked as 'disposal groups' under IFRS 5\*)

### Legend:

- ind. LTV - Indexed Loan to Value: current outstanding loan / current value of property
- NPL - Non-Performing Loans: loans assigned a PD 11 or 12
- Specific provisions: provisions for defaulted exposure (i.e. exposure with PD 10, 11 or 12)
- portfolio provisions: provisions for non-defaulted exposure (i.e. exposure with PD < PD 10)

| Loan portfolio Business Unit Belgium               |                 |                 |                  |                 |                 |       |
|--|-----------------|-----------------|------------------|-----------------|-----------------|-------|
| 31-03-2013, in millions of EUR                     |                 |                 |                  |                 |                 |       |
|  | Belgium         |                 | Foreign branches |                 | Total Belgium   |       |
| <b>Total outstanding amount</b>                    | 81,742          |                 | 7,190            |                 | 88,932          |       |
| <b>Counterparty break down</b>                     | <u>% outst.</u> |                 | <u>% outst.</u>  |                 | <u>% outst.</u> |       |
| SME / corporate                                    | 22,042          | 27.0%           | 7,190            | 100.0%          | 29,232          | 32.9% |
| retail   | 59,700          | 73.0%           | 0                | 0.0%            | 59,700          | 67.1% |
| o/w private  | 31,937          | 39.1%           | 0                | 0.0%            | 31,937          | 35.9% |
| o/w companies                                      | 27,763          | 34.0%           | 0                | 0.0%            | 27,763          | 31.2% |
| <b>Mortgage loans (1)</b>                          | <u>% outst.</u> | <u>ind. LTV</u> | <u>% outst.</u>  | <u>ind. LTV</u> | <u>% outst.</u> |       |
| total  | 30,699          | 37.6%           | 0                | 0.0%            | 30,699          | 34.5% |
| o/w FX mortgages                                   | 0               | 0.0%            | 0                | 0.0%            | 0               | 0.0%  |
| o/w vintage 2007 and 2008                          | 3,737           | 4.6%            | 0                | 0.0%            | 3,737           | 4.2%  |
| o/w LTV > 100%                                     | 2,382           | 2.9%            | 0                | 0.0%            | 2,382           | 2.7%  |
| <b>Probability of default (PD)</b>                 | <u>% outst.</u> |                 | <u>% outst.</u>  |                 | <u>% outst.</u> |       |
| low risk (pd 1-4; 0.00%-0.80%)                     | 60,994          | 74.6%           | 4,224            | 58.7%           | 65,218          | 73.3% |
| medium risk (pd 5-7; 0.80%-6.40%)                  | 14,555          | 17.8%           | 1,660            | 23.1%           | 16,215          | 18.2% |
| high risk (pd 8-10; 6.40%-100.00%)                 | 4,508           | 5.5%            | 956              | 13.3%           | 5,464           | 6.1%  |
| non-performing loans (pd 11 - 12)                  | 1,660           | 2.0%            | 348              | 4.8%            | 2,008           | 2.3%  |
| unrated  | 25              | 0.0%            | 2                | 0.0%            | 28              | 0.0%  |
| <b>Other risk measures</b>                         | <u>% outst.</u> |                 | <u>% outst.</u>  |                 | <u>% outst.</u> |       |
| outstanding non-performing loans (NPL)             | 1,660           | 2.0%            | 348              | 4.8%            | 2,008           | 2.3%  |
| provisions for NPL                                 | 1,027           |                 | 219              |                 | 1,246           |       |
| all provisions (specific + portfolio based)        | n.a.            |                 | n.a.             |                 | 1,887           |       |
| cover NPL by all provisions (specific + portfolio) | n.a.            |                 | n.a.             |                 | 94%             |       |
| 2012 Credit cost ratio (CCR)                       | n.a.            |                 | n.a.             |                 | 0.28%           |       |
| YTD 2013 CCR                                       | n.a.            |                 | n.a.             |                 | 0.62%           |       |

### Remarks

Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, KBC Commercial Finance, KBC Consumer Finance Belgium, KBC Credit Investments (non-legacy portfolio)

(1) mortgage loans: only to private persons (as opposed to the accounting figures)

\* Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

**Loan portfolio Business Unit Czech Republic**  
31-03-2013, in millions of EUR

Czech republic

| <b>Total outstanding amount</b>                    |        | 20,771          |                 |
|--|--------|-----------------|-----------------|
| <b>Counterparty break down</b>                     |        | <u>% outst.</u> |                 |
| SME / corporate                                    | 6,761  | 32.6%           |                 |
| retail   | 14,010 | 67.4%           |                 |
| o/w private  | 10,537 | 50.7%           |                 |
| o/w companies                                      | 3,472  | 16.7%           |                 |
| <b>Mortgage loans (1)</b>                          |        | <u>% outst.</u> | <u>ind. LTV</u> |
| total  | 9,168  | 44.1%           | 66%             |
| o/w FX mortgages                                   | 0      | 0.0%            | -               |
| o/w vintage 2007 and 2008                          | 2,161  | 10.4%           | -               |
| o/w LTV > 100%                                     | 579    | 2.8%            | -               |
| <b>Probability of default (PD)</b>                 |        | <u>% outst.</u> |                 |
| low risk (pd 1-4; 0.00%-0.80%)                     | 12,193 | 58.7%           |                 |
| medium risk (pd 5-7; 0.80%-6.40%)                  | 6,849  | 33.0%           |                 |
| high risk (pd 8-10; 6.40%-100.00%)                 | 994    | 4.8%            |                 |
| non-performing loans (pd 11 - 12)                  | 670    | 3.2%            |                 |
| unrated  | 64     | 0.3%            |                 |
| <b>Other risk measures</b>                         |        | <u>% outst.</u> |                 |
| outstanding non-performing loans (NPL)             | 670    | 3.2%            |                 |
| provisions for NPL                                 | 408    |                 |                 |
| all provisions (specific + portfolio based)        | 503    |                 |                 |
| cover NPL by all provisions (specific + portfolio) | 75%    |                 |                 |
| 2012 Credit cost ratio (CCR)                       | 0.31%  |                 |                 |
| YTD 2013 CCR (local currency)                      | 0.42%  |                 |                 |

*Remarks*

(1) mortgage loans: only to private persons (as opposed to the accounting figures)



| Loan portfolio Business Unit International Markets |         |                 |  |                 |                 |                 |         |                 |       |                 |                 |                   |        |                 |  |     |        |                 |  |
|--|---------|-----------------|--|-----------------|-----------------|-----------------|---------|-----------------|-------|-----------------|-----------------|-------------------|--------|-----------------|--|-----|--------|-----------------|--|
| 31-03-2013, in millions of EUR                     |         |                 |  |                 |                 |                 |         |                 |       |                 |                 |                   |        |                 |  |     |        |                 |  |
|  | Ireland |                 |  | Slovakia        |                 |                 | Hungary |                 |       | Bulgaria        |                 | Total Int Markets |        |                 |  |     |        |                 |  |
| <b>Total outstanding amount</b>                    | 15,787  |                 |  | 4,521           |                 |                 | 5,043   |                 |       | 687             |                 | 26,037            |        |                 |  |     |        |                 |  |
| <b>Counterparty break down</b>                     |         | <u>% outst.</u> |  |                 | <u>% outst.</u> |                 |         | <u>% outst.</u> |       |                 | <u>% outst.</u> |                   |        | <u>% outst.</u> |  |     |        |                 |  |
| SME / corporate                                    | 3,444   | 21.8%           |  | 2,088           | 46.2%           |                 | 2,624   | 52.0%           |       | 289             | 42.1%           |                   | 8,445  | 32.4%           |  |     |        |                 |  |
| retail   | 12,343  | 78.2%           |  | 2,432           | 53.8%           |                 | 2,418   | 48.0%           |       | 398             | 57.9%           |                   | 17,591 | 67.6%           |  |     |        |                 |  |
| o/w private  | 12,343  | 78.2%           |  | 1,891           | 41.8%           |                 | 2,046   | 40.6%           |       | 250             | 36.5%           |                   | 16,530 | 63.5%           |  |     |        |                 |  |
| o/w companies                                      | 0       | 0.0%            |  | 541             | 12.0%           |                 | 373     | 7.4%            |       | 147             | 21.4%           |                   | 1,061  | 4.1%            |  |     |        |                 |  |
| <b>Mortgage loans (1)</b>                          |         | <u>% outst.</u> |  | <u>ind. LTV</u> |                 | <u>% outst.</u> |         | <u>ind. LTV</u> |       | <u>% outst.</u> |                 | <u>ind. LTV</u>   |        | <u>% outst.</u> |  |     |        |                 |  |
| total  | 12,343  | 78.2%           |  | 124%            | 1,579           | 34.9%           |         | 58%             | 1,832 | 36.3%           |                 | 85%               | 120    | 17.5%           |  | 62% | 15,874 | 61.0%           |  |
| o/w FX mortgages                                   | 0       | 0.0%            |  | -               | 0               | 0.0%            |         | -               | 1,481 | 29.4%           |                 | 94%               | 77     | 11.2%           |  | 58% | 1,558  | 6.0%            |  |
| o/w vintage 2007 and 2008                          | 4,561   | 28.9%           |  | -               | 260             | 5.8%            |         | -               | 954   | 18.9%           |                 | -                 | 49     | 7.1%            |  | -   | 5,824  | 22.4%           |  |
| o/w LTV > 100%                                     | 8,443   | 53.5%           |  | -               | 0               | 0.0%            |         | -               | 609   | 12.1%           |                 | -                 | 14     | 2.1%            |  | -   | 9,066  | 34.8%           |  |
| <b>Probability of default (PD)</b>                 |         | <u>% outst.</u> |  |                 |                 | <u>% outst.</u> |         |                 |       | <u>% outst.</u> |                 |                   |        | <u>% outst.</u> |  |     |        | <u>% outst.</u> |  |
| low risk (pd 1-4; 0.00%-0.80%)                     | 5,742   | 36.4%           |  |                 | 2,782           | 61.5%           |         |                 | 2,077 | 41.2%           |                 |                   | 50     | 7.3%            |  |     | 10,630 | 40.8%           |  |
| medium risk (pd 5-7; 0.80%-6.40%)                  | 2,323   | 14.7%           |  |                 | 1,170           | 25.9%           |         |                 | 1,739 | 34.5%           |                 |                   | 178    | 25.9%           |  |     | 5,455  | 21.0%           |  |
| high risk (pd 8-10; 6.40%-100.00%)                 | 3,933   | 24.9%           |  |                 | 363             | 8.0%            |         |                 | 656   | 13.0%           |                 |                   | 97     | 14.1%           |  |     | 5,020  | 19.3%           |  |
| non-performing loans (pd 11 - 12)                  | 3,789   | 24.0%           |  |                 | 140             | 3.1%            |         |                 | 569   | 11.3%           |                 |                   | 216    | 31.5%           |  |     | 4,714  | 18.1%           |  |
| unrated  | 0       | 0.0%            |  |                 | 65              | 1.4%            |         |                 | 2     | 0.0%            |                 |                   | 146    | 21.2%           |  |     | 218    | 0.8%            |  |
| <b>Other risk measures</b>                         |         | <u>% outst.</u> |  |                 |                 | <u>% outst.</u> |         |                 |       | <u>% outst.</u> |                 |                   |        | <u>% outst.</u> |  |     |        | <u>% outst.</u> |  |
| outstanding non-performing loans (NPL)             | 3,789   | 24.0%           |  |                 | 140             | 3.1%            |         |                 | 569   | 11.3%           |                 |                   | 216    | 31.5%           |  |     | 4,714  | 18.1%           |  |
| provisions for NPL                                 | 1,440   |                 |  |                 | 77              |                 |         |                 | 300   |                 |                 |                   | 104    |                 |  |     | 1,921  |                 |  |
| all provisions (specific + portfolio based)        | 1,806   |                 |  |                 | 108             |                 |         |                 | 367   |                 |                 |                   | 118    |                 |  |     | 2,399  |                 |  |
| cover NPL by all provisions (specific + portfolio) | 48%     |                 |  |                 | 77%             |                 |         |                 | 65%   |                 |                 |                   | 54%    |                 |  |     | 51%    |                 |  |
| 2012 Credit cost ratio (CCR)                       | 3.34%   |                 |  |                 | 0.25%           |                 |         |                 | 0.78% |                 |                 |                   | 0.94%  |                 |  |     | 2.26%  |                 |  |
| YTD 2013 CCR (2)                                   | 2.47%   |                 |  |                 | 0.33%           |                 |         |                 | 0.82% |                 |                 |                   | 2.17%  |                 |  |     | 1.78%  |                 |  |

**Remarks**

Ireland = KBC Bank Ireland (incl. former KBC Homeloans)

Total Int Markets: outstanding additionally includes small amount of KBC internal risk sharings which were eliminated at country level

(1) mortgage loans: only to private persons (as opposed to the accounting figures); For Ireland: only KBC Homeloans exposure

(2) individual CCR in local currency

| Loan portfolio Business Unit Group Centre<br>31-03-2013, in millions of EUR | Total Group Centre<br>(mainly KBC Finance Ireland and<br>KBC Credit Investments) |                 | For information: entities marked as 'disposal groups' under IFRS 5 |                 |                                |                 |                                  |                 |                 |                 |
|---|--|-----------------|--|-----------------|--------------------------------|-----------------|----------------------------------|-----------------|-----------------|-----------------|
|   |  |                 | Russia (Absolut Bank)  |                 | Belgium (Antwerp Diamond Bank) |                 | Western Europe (KBC Deutschland) |                 |                 |                 |
| <b>Total outstanding amount</b>   | 4 361  |                 | 2 109  |                 | 1 578                          |                 | 2 497                            |                 |                 |                 |
| <b>Counterparty break down</b>  |  | <u>% outst.</u> |  | <u>% outst.</u> |                                | <u>% outst.</u> |                                  | <u>% outst.</u> |                 | <u>% outst.</u> |
| SME / corporate   | 4 361  | 100.0%          | 1 006  | 47.7%           | 1 578                          | 100.0%          | 2 497                            | 100.0%          |                 |                 |
| retail  | 0  | 0.0%            | 1 104  | 52.3%           | 0                              | 0.0%            | 0                                | 0.0%            |                 |                 |
| o/w private   | 0  | 0.0%            | 1 025  | 48.6%           | 0                              | 0.0%            | 0                                | 0.0%            |                 |                 |
| o/w companies   | 0  | 0.0%            | 79   | 3.7%            | 0                              | 0.0%            | 0                                | 0.0%            |                 |                 |
| <b>Mortgage loans (*)</b>   |  | <u>% outst.</u> | <u>ind. LTV</u>  | <u>% outst.</u> | <u>ind. LTV</u>                | <u>% outst.</u> | <u>ind. LTV</u>                  | <u>% outst.</u> | <u>ind. LTV</u> | <u>% outst.</u> |
| total   | 0  | 0.0%            | -  | 874             | 41.5%                          | 53%             | 0                                | 0.0%            | 0%              | 0               |
| o/w FX mortgages  | 0  | 0.0%            | -  | 144             | 6.8%                           | 48%             | 0                                | 0.0%            | 0%              | 0               |
| o/w vintage 2007 and 2008   | 0  | 0.0%            | -  | 317             | 15.0%                          | -               | 0                                | 0.0%            | -               | 0               |
| o/w LTV > 100%  | 0  | 0.0%            | -  | 4               | 0.2%                           | -               | 0                                | 0.0%            | -               | 0               |
| <b>Probability of default (PD)</b>  |  | <u>% outst.</u> |  | <u>% outst.</u> |                                | <u>% outst.</u> |                                  | <u>% outst.</u> |                 | <u>% outst.</u> |
| low risk (pd 1-4; 0.00%-0.80%)  | 1 618  | 37.1%           | 1 103  | 52.3%           | 209                            | 13.3%           | 1 416                            | 56.7%           |                 |                 |
| medium risk (pd 5-7; 0.80%-6.40%)   | 1 870  | 42.9%           | 807  | 38.3%           | 599                            | 38.0%           | 714                              | 28.6%           |                 |                 |
| high risk (pd 8-10; 6.40%-100.00%)  | 816  | 18.7%           | 54   | 2.6%            | 543                            | 34.4%           | 258                              | 10.3%           |                 |                 |
| non-performing loans (pd 11 - 12)   | 40   | 0.9%            | 87   | 4.1%            | 219                            | 13.9%           | 99                               | 4.0%            |                 |                 |
| unrated   | 17   | 0.4%            | 58   | 2.7%            | 8                              | 0.5%            | 10                               | 0.4%            |                 |                 |
| <b>Other risk measures</b>  |  | <u>% outst.</u> |  | <u>% outst.</u> |                                | <u>% outst.</u> |                                  | <u>% outst.</u> |                 | <u>% outst.</u> |
| outstanding non-performing loans (NPL)                                      | 40   | 0.9%            | 87   | 4.1%            | 219                            | 13.9%           | 99                               | 4.0%            |                 |                 |
| provisions for NPL  | 17   |                 | 73   |                 | 181                            |                 | 80                               |                 |                 |                 |
| all provisions (specific + portfolio based)                                 | 166  |                 | 98   |                 | 184                            |                 | 135                              |                 |                 |                 |
| cover NPL by all provisions (specific + portfolio)                          | 418%   |                 | 113%   |                 | 84%                            |                 | 136%                             |                 |                 |                 |
| 2012 Credit cost ratio (CCR)  | 1.06%  |                 | -0.85%   |                 | 1.51%                          |                 | 1.89%                            |                 |                 |                 |
| YTD 2013 CCR (local currency)   | 0.69%  |                 | 0.07%  |                 | 0.21%                          |                 | 1.29%                            |                 |                 |                 |

**Remarks**

Total Group Centre = KBC Finance Ireland, KBC Credit Investments (legacy portfolio), KBC FP (ex-Atomium assets), KBC Lease UK

## Outstanding structured credit exposure (banking and insurance activities)

(figures exclude all expired, unwound or terminated CDO positions)

In the past, KBC acted as an *originator* of structured credit transactions and also *invested* in such structured credit products itself.

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('CDO exposure protected with MBIA' in the table).
- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('other CDO exposure' in the table) and in other ABS ('other ABS exposure' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

| KBC investments in structured credit products (CDOs and other ABS), in billions of EUR | 31-03-2013 |
|--|------------|
| Total nominal amount   | 15.4       |
| <i>o/w CDO exposure protected with MBIA</i>  | 8.6        |
| <i>o/w other CDO exposure</i>  | 5.3        |
| <i>o/w other ABS exposure</i>  | 1.5        |
| Cumulative value markdowns (mid 2007 to date)*   | -3.8       |
| Value markdowns  | -3.5       |
| <i>for other CDO exposure</i>  | -3.4       |
| <i>for other ABS exposure</i>  | -0.2       |
| Credit value adjustment (CVA) on MBIA cover  | -0.3       |

\* Note that, value adjustments to KBC's CDOs are accounted for via profit and loss (instead of directly via shareholders' equity), since the group's CDOs are mostly of a synthetic nature (meaning that the underlying assets are derivative products such as credit default swaps on corporate names). Their synthetic nature is also the reason why KBC's CDOs are *not* eligible for accounting reclassification under IFRS in order to neutralise their impact.

Over the first quarter of 2013, there was a total notional reduction in our CDO and ABS exposure of 1.7 billion euros bringing the total CDO and ABS notional to 15.4 billion euros.

This reduction was mainly due to:

- the de-risking of two CDOs, which reduced the outstanding notional amount by 1.6 billion euros.
- some minor redemptions in the other ABS portfolio.

Since the inception, the outstanding other CDO positions held by KBC experienced net effective losses caused by claimed and settled credit events until 8 April 2013 in the lower tranches of the CDO structure for a total amount of -2.2 billion euros. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.

### Protection for CDO exposure

As stated above, KBC bought credit protection from MBIA for a large part of the (super senior) CDOs it originated.

Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a nominal value of 10.5 billion euros of which 8.6 billion euros relates to the exposure insured by MBIA. The remaining 2.0 billion euros of exposure covered by the contract with the Belgian State relates to part of the 'other CDO exposure'. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

| Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR     | 31-03-2013 |
|---|------------|
| Total insured amount (notional amount of super senior swaps) <sup>1</sup>   | 8.6        |
| Details for MBIA insurance coverage   |            |
| - Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account) | 0.4        |
| - CVA for counterparty risk, MBIA   | -0.3       |
| (as a % of fair value of insurance coverage received)   | 80%        |

<sup>1</sup> The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).

## Solvency

### Solvency KBC Group

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the Belgian regulator. For group solvency, the so-called 'building block' method is used. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%.

| In millions of EUR  | 31-12-2012     | 31-03-2013    |
|---|----------------|---------------|
| <b>Regulatory capital</b>   |                |               |
| Total regulatory capital, KBC Group (after profit appropriation)                | 16 113         | 18 480        |
| Tier-1 capital  | 14 062         | 15 166        |
| <i>Core Tier-1 capital</i>  | <i>11 951</i>  | <i>13 052</i> |
| Parent shareholders' equity   | 12 099         | 12 505        |
| Non-voting core-capital securities  | 3 500          | 3 500         |
| Intangible fixed assets (-)   | - 356          | - 339         |
| Goodwill on consolidation (-)   | - 987          | - 964         |
| Innovative hybrid tier-1 instruments  | 419            | 421           |
| Non-innovative hybrid tier-1 instruments  | 1 692          | 1 692         |
| Direct & indirect funding of investments in own shares                          | - 250          | - 250         |
| Minority interests  | - 5            | - 3           |
| Equity guarantee (Belgian State)  | 276            | 152           |
| Revaluation reserve available-for-sale assets (-)                               | - 1 263        | - 1 171       |
| Hedging reserve, cashflow hedges (-)  | 834            | 773           |
| Valuation diff. in fin. liabilities at fair value - own credit risk (-)         | - 22           | 8             |
| Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)         | 0              | 0             |
| Equalization reserve (-)  | - 111          | - 117         |
| Dividend payout (-)   | - 960          | - 960         |
| IRB provision shortfall (50%) (-)   | 0              | 0             |
| Limitation of deferred tax assets   | - 227          | - 82          |
| Items to be deducted <sup>1</sup> (-)   | - 577          | 0             |
| <b>Tier-2 &amp; 3 capital</b>   | <b>2 051</b>   | <b>3 314</b>  |
| Perpetuals (incl. hybrid tier-1 not used in tier-1)                             | 0              | 0             |
| Revaluation reserve, available-for-sale shares (at 90%)                         | 185            | 210           |
| Minority interest in revaluation reserve AFS shares (at 90%)                    | 0              | 0             |
| IRB provision excess (+)  | 130            | 167           |
| Subordinated liabilities  | 2 268          | 2 895         |
| Tier-3 capital  | 44             | 43            |
| IRB provision shortfall (50%) (-)   | 0              | 0             |
| Items to be deducted <sup>1</sup> (-)   | - 577          | 0             |
| <b>Capital requirement</b>  |                |               |
| <b>Total weighted risks</b>   | <b>102 148</b> | <b>98 569</b> |
| Banking <sup>2</sup>  | 89 532         | 86 242        |
| Insurance   | 12 386         | 12 132        |
| Holding activities  | 304            | 252           |
| Elimination of intercompany transactions between banking and holding activities | - 74           | - 57          |
| <b>Solvency ratios</b>  |                |               |
| Tier-1 ratio  | 13.77%         | 15.39%        |
| Core Tier-1 ratio   | 11.70%         | 13.24%        |
| CAD ratio   | 15.77%         | 18.75%        |

1 Items to be deducted fell to zero after KBC closed the sale of NLB and sold its stake in Bank Zachodni WBK.

2 Until the end of 2015, KBC Group's RWA include a yearly decreasing amount of RWA for residual operational risks related to KBL EPB (sold in 2012).

For information on the partial reimbursement of the 7 billion euros worth of non-voting core capital securities sold to the Belgian and Flemish government see note on parent shareholders' equity and non-voting core-capital securities (note 39).

The pro forma tier-1 ratio at 31 March 2013 including the impact of the sale of Absolut Bank and KBC Banka amounts to approximately 15.7%.

The Belgian regulator has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under the current CRD4 proposal. KBC Group's approximated Basel III fully loaded Common Equity ratio amounts to 12.0%.

Basel II IRB, since its implementation in 2008, is the primary approach (used for somewhat more than 86% of the weighted credit risks, of which approx. 62% according to Advanced and approx. 24% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 14%) are calculated according to the Standardised approach.

## Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel II for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance as at 31/12/2012 can be found in their consolidated financial statements and in the KBC Risk Report on [www.kbc.com](http://www.kbc.com).

| Solvency, KBC Bank consolidated (in millions of EUR) | 31-12-2012 | 31-03-2013 |
|--|------------|------------|
| Total regulatory capital, after profit appropriation | 14 390     | 16 212     |
| Tier-1 capital                                       | 12 235     | 12 816     |
| Tier-2 and tier-3 capital                            | 2 154      | 3 396      |
| Total weighted risks                                 | 88 927     | 85 638     |
| Credit risk  | 69 149     | 65 639     |
| Market risk  | 8 733      | 8 954      |
| Operational risk                                     | 11 045     | 11 045     |
| Solvency ratios                                      |            |            |
| Tier-1 ratio   | 13.8%      | 15.0%      |
| of which core tier-1 ratio                           | 11.4%      | 12.5%      |
| CAD ratio  | 16.2%      | 18.9%      |

| Solvency, KBC Insurance consolidated (in millions of EUR) | 31-12-2012 | 31-03-2013 |
|---|------------|------------|
| Available capital   | 3 190      | 3 167      |
| Required solvency margin                                  | 991        | 971        |
| Solvency ratio and surplus                                |            |            |
| Solvency ratio (%)  | 322%       | 326%       |
| Solvency surplus (in millions of EUR)                     | 2 199      | 2 197      |

The increase of Tier-2 capital at KBC Bank is largely a combination of the issuance of a Contingent Capital note on 18 January 2013 to the tune of 1 billion USD, and the closure of the sale of NLB and the stake in Bank Zachodni WBK.