KBC GROUP

EXTENDED QUARTERLY REPORT

2Q 2012

KBC

www.kbc.com

via smartphone m.kbc.com

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.

Investor relations contact details

Investor.relations@kbc.com

www.kbc.com/ir
m.kbc.com

KBC Group NV
Investor Relations Office (IRO)
Havenlaan 2, BE 1080 Brussels, Belgium

Visit www.kbc.com

Glossary of ratios used

CAD ratio
[consolidated total regulatory capital] / [total weighted risks].

Combined ratio (non-life insurance)
[technical insurance charges, including the internal cost of settling claims / earned premiums] + [expenses / written premiums] (after reinsurance).

(Core) Tier-1 capital ratio
[consolidated tier-1 capital] / [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 and Flemish governments).

Cost/income ratio (banking)
[operating expenses of the banking businesses of the group] / [total income of the banking businesses of the group].

Cost ratio, non-life insurance
[expenses / written premiums] (after reinsurance).

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

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

Earnings per share, basic
[result after tax, attributable to the equity holders of the parent)] / [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 and Flemish governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

Earnings per share, diluted
[result after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [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 and Flemish governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

Net interest margin group
[net interest income of the banking activities (underlying)] / [average interest-bearing assets of the banking activities].

Non-performing ratio
[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears or overdrawn)] / [total outstanding loan portfolio]

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

Return on allocated capital (ROAC) for a particular business unit
[result after tax, including minority interests, of a business unit, adjusted for income on allocated instead of real equity] / [average equity allocated to the business unit]. The result of a business unit is the sum of the result of the companies belonging to the business unit, adjusted for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses. The equity allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance.

Return on equity
[result after tax, attributable to the equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

Solvency ratio, insurance
[consolidated available capital of KBC Insurance] / [minimum required solvency margin of KBC Insurance].

Contents

Report on 2Q and 1H2012

KBC Group

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

Summary:
Good commercial results surpassed by impairment charges recorded on remaining divestments.

The IFRS-based net result reported for the quarter under review came to a net loss of 539 million euros, compared with a net profit of 380 million euros in the previous quarter and 333 million euros in the year-earlier quarter. This means the group has generated a total net loss of 160 million euros for the first six months of 2012, as opposed to a net profit of 1 154 million euros for the corresponding period of 2011.

Excluding all exceptional and non-operating items, KBC ended the second quarter of 2012 with an underlying net profit of 372 million euros, compared with 455 million euros in the previous quarter and 528 million euros in the corresponding quarter of 2011. The underlying results for the first six months of 2012 amounted to 827 million euros, compared to 1 186 million euros for the corresponding period in 2011.

Johan Thijs, Group CEO:

'The second quarter was marked by a good business performance, considerable progress on the divestment front, significant derisking and a further strengthening of our capital and liquidity position. We recorded 372 million euros in underlying net profit.

Our underlying result has been driven by the good commercial performance of our strategic banking and insurance business model on our home markets in Belgium and Central and Eastern Europe. Net interest income contracted somewhat primarily on account of lower reinvestment yields and higher senior debt costs, but loans and deposits continued to grow at a good rate in our core markets. Fee income remained satisfactory and commercial insurance results remained good. The quarter was also characterised by a low combined ratio and low levels of loan loss impairments. These impairments included lower, though still significant, loan loss provisioning in Ireland.

The closure of the sale of Warta positively influenced the second-quarter earnings by 0.3 billion euros and had a positive impact on capital of 0.7 billion euros, increasing our tier-1 ratio by 0.7%.

Moreover, closure of the sale of KBL European Private Bankers is expected to release a substantial amount of capital (approximately 0.7 billion euros) for us in the third quarter of 2012, increasing our tier-1 ratio by 0.7%.

In addition, we closed the previously announced deal with Banco Santander for the sale of Żagiel, our consumer finance business in Poland, after having received the necessary regulatory approvals.

On the basis of the progress made in the respective divestment processes, a thorough assessment was made of the value of the businesses of Absolut Bank (Russia), NLB (Slovenia), KBC Banka (Serbia), KBC Bank Deutschland (Germany) and Antwerp Diamond Bank (Belgium). Given our determination to continue with the divestments, we have decided to reclassify four of these businesses under IFRS5 and record impairment charges for the divestment files. The impact of these charges on total earnings is 1.2 billion euros, after tax. Given that impairment is largely related to goodwill, the impact on regulatory capital is substantially lower at 0.6 billion euros. This negative capital impact will be reversed entirely at the time these divestments are closed, mainly through the release of RWAs (5 billion euros in total).

These decisions have further reduced the volatility of our profit and hence the risk profile of our company.

All of this pushed up our tier-1 capital ratio further, bringing it to 13.6% in the second quarter of 2012. This ratio amounts to 15.4% on a pro forma basis when all the agreements that have been signed, but not yet closed, are included. Our estimated common equity ratio under Basel III at the end of 2013 stands at 9.5% (fully loaded).

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

We have improved our already strong liquidity position, with a loan-to-deposit ratio of 83% at the end of June. We have covered all funding needs for 2012 and have strengthened our funding buffer.

We remain committed to executing our strategic plan with the same diligence and determination to ensure timely repayment of the state aid and are committed to playing an active role in the European financial sector, which will benefit our customers, employees, shareholders and other stakeholders.'

KBC has acted to reduce its exposure to Southern European government bonds by almost half in the second quarter through a substantial reduction of its exposure to Spanish and Italian government bonds.

The main exceptional and non-operating items having an impact on the reported IFRS result for 2Q2012 were:

- **Impact of closing the sale of Warta**
  Closure of the sale of Polish insurance company Warta to Talanx International AG, which was announced on 2 July 2012, positively influenced the second-quarter earnings by 0.3 billion euros and had a positive impact on capital of 0.7 billion euros. As a result, core tier-1 capital for the group at the end of 2Q2012 improved by just under 0.7% compared to the previous quarter.
- **Impact of impairment charges recorded on companies to be divested**
  KBC decided to record impairment charges that impact total earnings by -1.2 billion euros, after tax. This relates to the remaining divestment files of Absolut Bank (Russia), NLB (Slovenia), KBC Banka (Serbia), KBC Bank Deutschland (Germany) and Antwerp Diamond Bank (Belgium). Given that impairment is largely related to goodwill, the impact on regulatory capital is substantially lower at 0.6 billion euros. This negative capital impact will be reversed entirely at the time these divestments are closed, mainly through the release of RWAs (5 billion euros in total).

The main special item having an impact on the underlying result for 2Q2012 was:

- **Ireland**
  Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of FDI and progress in reducing the deficit in public finances. These developments have been reflected in continuing positive assessments by the EU/IMF. While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011, which is also positively impacting NPL trends. There are tentative early signs of house prices stabilising, but local confidence remains fragile. Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market. As a consequence, a loan loss provision of 136 million euros was recorded in 2Q2012. We estimate that full-year impairment charges at KBC Bank Ireland will end up between 500 and 600 million euros.

With a *pro forma* total tier-1 ratio of 15.4% and a core tier-1 ratio of 13.4% (including the impact of the divestment of Kredyt Bank and KBC epb), solvency remains solid.

Johan Thijs concludes: 'The second quarter was one in which good commercial performances were shaded by the impairment charges recorded on the remaining divestment files. Our focus firmly remains on catering for our customer base in our core markets in Belgium and Central and Eastern Europe.'

Overview (consolidated)	2Q2011	1Q2012	2Q2012	Cumul. 1H2011	Cumul. 1H2012
Net result, IFRS (in millions of EUR)	333	380	-539	1 154	-160
Basic earnings per share, IFRS (in EUR)[1]	0.54	0.71	-1.99	2.52	-1.28
Underlying net result (in millions of EUR)	528	455	372	1 186	827
Underlying basic earnings per share (in EUR)[1]	1.11	0.93	0.69	2.61	1.62
Breakdown of underlying net result per business unit (in millions of EUR)					
Belgium	238	266	226	518	492
Central & Eastern Europe	146	118	188	269	306
Merchant Banking	63	42	-65	240	-23
Group Centre	81	30	23	158	52
Parent shareholders' equity per share (in EUR, end of period)	33.8	32.2	28.5	33.8	28.5

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

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

Financial highlights for 2Q2012 compared to 1Q2012:

- Good commercial results surpassed by impairment charges recorded on the remaining divestments, leading to a negative reported result.
- Decreased net interest income due to lower reinvestment yield and higher senior debt costs.
- Good growth of loan and deposit volumes.
- Excellent combined ratio at 89% year-to-date.
- Higher sales of unit-linked life products.
- Net fee and commission income slightly up on account of higher fees for mutual funds and successful sales of unit-linked life products.
- Underlying cost/income ratio at 58% year-to-date.
- Credit cost ratio at a low 0.59% year-to-date, almost exclusively accounted for by Ireland. When Ireland is excluded, this ratio stands at 0.18%.
- Strong liquidity with an excellent loan-to-deposit ratio of 83%, even better than the 90% recorded at the end of 1Q2012.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which an agreement has been signed to date – at approximately 15.4% (with a core tier-1 ratio of 13.4%).

Financial highlights 2Q2012 (underlying)

Johan Thijs, Group CEO, summarises the ***underlying*** business performance for 2Q2012 as follows:

Gross income benefits from stable fee and commission income and good commercial insurance results.

- Underlying net interest income stood at 1 150 million euros, down 17% year-on-year and 5% quarter-on-quarter. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb and Fidea, as well as Centea. Leaving these items out, net interest income was down 10% year-on-year. The net interest margin came to 1.82% for the quarter under review, 11 basis points lower than in the previous quarter and 18 basis points lower than the exceptionally high level of a year earlier. This was due primarily to the sale of high yield Southern European government bonds, as well as increased senior debt costs. In the Belgium Business Unit, both deposit and credit volumes were up quarter-on-quarter and year-on-year (credit: +6% year-on-year and +2% quarter-on-quarter; deposits: +5% both year-on-year and quarter-on-quarter). The loan book in the CEE Business Unit increased by 4% year-on-year (thanks to the Czech Republic and Slovakia), and +2% quarter-on-quarter, while deposits rose by 3% year-on-year and stayed flat quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit was up 1% both year-on-year and quarter-on-quarter, while the deposit base shrunk by 28% year-on-year (primarily in the last quarter of 2011, caused mainly by reduced short-term deposits in our New York branch and at KBC Bank Ireland), but was up 2% quarter-on-quarter.
- A very good commercial performance was turned in by both the life and non-life insurance businesses during the quarter under review. In general, gross earned premium minus gross technical charges and the ceded reinsurance result came to 132 million euros, up 6% year-on-year and 12% quarter-on-quarter. When account is taken of the deconsolidation of Fidea and VITIS, this result was up 14% year-on-year.

  The non-life segment was characterised by a good level of premiums, relatively low claims and a modest investment result. The year-to-date combined ratio came to an excellent 89%.

  In the life segment and on a comparable basis, there was a 21% quarter-on-quarter increase in the sale of life insurance products (thanks to higher sales of unit-linked products). Year-on year, these sales rose by as much as 62%.

  It should be noted that the insurance results are also affected by investment income and charges, as well as by general administrative expenses. Investment income, in particular, was modest for both the life and non-life businesses in the quarter under review.
- The net result from financial instruments at fair value amounted to 113 million euros in this quarter, well down on its level in the previous quarter, but up on its year-earlier level. This item was impacted by a significant negative CVA adjustment in the second quarter.
- Net realised gains from available-for-sale assets stood at 6 million for the quarter under review, down on the 42–million-euro average for the last four quarters. This item was characterised by gains on the sale of shares, largely off-set by the losses on the sale of bonds.
- Net fee and commission income amounted to 310 million euros, up 1% quarter-on-quarter but down 21% year-on-year. This was accounted for primarily by the deconsolidation of KBL epb and Fidea, as well as Centea for the year-on-year comparison. Leaving these items out, income was down only 4% year-on-year. Assets under management stood at 150 billion euros (excluding KBL epb), down 4% on the year-earlier figure and 2% on the figure for the first quarter of 2012, due to net outflows.
- Other net income came to 53 million euros.

Operating expenses well under control.

- Operating expenses came to 1 016 million euros in the second quarter of 2012, down 8% on their level in the previous quarter and 12% on their year-earlier level. This was accounted for primarily by the deconsolidation of KBL epb, Fidea and Centea for the year-on-year comparison. The quarter-on-quarter performance was also impacted by banking tax items, notably the full-year Hungarian bank tax charged in the first quarter and the amount recovered under the Belgian deposit guarantee scheme (partly offsetting the additional bank tax in Belgium) in the second quarter. Excluding deconsolidated companies and these tax effects, underlying costs increased by 1% compared to the previous quarter. The year-to-date cost/income ratio came to 58%, a clear indication of the ongoing well-controlled cost environment.

Low credit cost overall, loan loss provisions for Ireland reduced though still sizeable.

- Loan loss impairment stood at 198 million euros in the second quarter, up on the 164 million euros recorded a year earlier, but down on the 261 million euros recorded in the previous quarter. The figure came about largely because of the loan loss impairment of 136 million euros in Ireland, whereas the credit cost was low in the other business activities. As a consequence, the annualised credit cost ratio stood at 0.59% year-to-date; this breaks down into a very low 0.04% for the Belgian retail book (compared to 0.10% for FY2011), 0.42% in Central and Eastern Europe (down from 1.59%

for FY2011, which had been affected by Hungary and Bulgaria) and 1.38% for Merchant Banking (marginally up from 1.36% for FY2011). Excluding Ireland, the credit cost ratio for Merchant Banking stands at a low 0.14% (down from 0.59% for FY2011).

- Impairment charges on available-for-sale assets came to 24 million euros and other impairment charges came to 18 million euros in the quarter under review.

Strong solvency capital position under Basel II.

- The group's tier-1 ratio (under Basel II) increased from 13.4% at 31 March 2012 to a strong 13.6% at 30 June 2012 (core tier-1 ratio of 11.8%). Including the effect of divestments for which an agreement has been signed to date (Kredyt Bank and KBL epb), the *pro forma* tier-1 ratio is as high as approximately 15.4% (core tier-1 ratio of 13.4%).
- The solvency ratio for KBC Insurance stood at an excellent 314% at 30 June 2012, up from 248% at the end of the previous quarter.

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 226 million euros to profit in 2Q2012, compared to 266 million euros in the previous quarter. The quarter was characterised by lower net interest income, due to lower reinvestment yields, good insurance sales, significantly increasing fee income, a low level of loan impairment and a high level of realised gains on shares, but was also affected by losses realised on government bonds. Another factor that had an impact was the recovery of an amount under the Belgian deposit guarantee scheme.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 188 million euros in 2Q2012, compared to 118 million euros in the previous quarter. The results for the second quarter were essentially driven by a low level of loan impairment.
- The Merchant Banking Business Unit recorded a loss of 65 million euros in 2Q2012, compared to a profit of 42 million euros in 1Q2012. The negative result is attributable in part to the high – though decreasing – level of impairment in Ireland, as well as to the negative CVA at KBC Bank Belgium. Excluding KBC Bank Ireland, net profit for the Merchant Banking Business Unit in 2Q2012 would be 27 million euros.
- It should be noted that all planned divestments in the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 2Q2012, the Group Centre's net result came to 23 million euros, compared to 30 million euros in the previous quarter. This result was largely driven by Kredyt Bank, Absolut Bank, NLB and Warta.

Impairment charges on divestment files dominate exceptional items.

- The quarter was also characterised by a number of exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 2Q2012 amounted to a negative 0.9 billion euros. Apart from some smaller items, the main non-operating items in 2Q2012 were:
  - Closure of the sale of Polish insurance company Warta to Talanx International AG, which was announced on 2 July 2012, had a positive impact on the second-quarter earnings of 0.3 billion euros, after tax.
  - After a thorough assessment of the value of the businesses of Absolut Bank (Russia), NLB (Slovenia), KBC Banka (Serbia), KBC Bank Deutschland (Germany) and Antwerp Diamond Bank (Belgium), and given the progress made in the divestment processes, KBC decided to record impairment charges for these divestment files. The impact of these charges on total earnings is 1.2 billion euros, after tax.

1H2012: results per heading (IFRS)

Explanations per heading of the ***IFRS*** income statement for the first half of 2012 (see summary table on the next page):

- The IFRS net result for 1H2012 amounted to -160 million euros, compared to 1 154 million euros a year ago.
- Net interest income amounted to 2 451 million euros compared to 2 801 million euros a year earlier. The decline was caused primarily by the deconsolidation of KBL epb, Fidea and Centea. Year-on-year, credit volumes grew by 3%. Customer deposits expanded by 5% in Belgium and by 3% in Central Europe, while the deposit base at Merchant Banking contracted by 28% (primarily in 4Q2011). The net interest margin contracted to 1.82%, 18 basis points lower than the exceptionally high figure a year ago.
- Gross earned premium minus gross technical charges and the ceded reinsurance result came to 251 million euros, up 5% year-on-year.

  For the non-life activities, the year-to-date combined ratio came to an excellent 89% (87% in Belgium, 95% in CEE), an improvement on the 92% for FY2011.

  For the life activities and on a comparable basis, there was a 44% year-on-year increase in the sale of life insurance products (thanks to higher sales of unit-linked products).

  It should be noted that the insurance results are also affected by investment income and charges, as well as by general administrative expenses. Investment income, in particular, was modest for both the life and non-life businesses in the quarter under review.
- Net fee and commission income amounted to 613 million euros in the first half of 2012, up 3% on its level a year ago, thanks, *inter alia*, to the successful sale of unit-linked products. Assets under management stood at 150 billion euros (excluding KBL epb), down 4% on the year-earlier figure, due to net outflows.
- The net result from financial instruments at fair value (trading and fair value income) came to 103 million euros in the first half of 2012, compared to 279 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, fair valuing of our own debt, results related to the activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 439 million euros in1H2012, significantly up by 22% on its level a year earlier, due to the very good performance turned in by the dealing room, especially in the first quarter.
- The remaining income components were as follows: dividend income from equity investments amounted to 27 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 41 million euros and other net income totalled 441 million euros, accounted for primarily by the capital gain realised on the closure of the Warta divestment.
- Operating expenses amounted to 2 165 million euros in 1H2012, 3% lower than the year-earlier figure. This was caused by the divestments in 2011, but mitigated somewhat by such factors as inflation and wage indexation. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 58% at the end of June 2012, an improvement on the 60% recorded for FY2011.
- Total impairment stood at 1 746 million euros for the first half of 2012. Impairment on loans and receivables amounted to 459 million euros, up on the 260 million euros recorded in 1H2011, essentially due to the high level recorded for Ireland. As a result, the annualised credit cost ratio for 2012 came to 0.59%, which is still an improvement on the figure of 0.82% for FY2011. Impairment on available-for-sale assets stood at 79 million euros. Impairment on goodwill totalled 414 million euros and other impairment charges 794 million euros. These three impairment charges were accounted for by the planned divestment files, primarily NLB, Absolut Bank, Antwerp Diamond Bank, KBC Banka and KBC Bank Deutschland.
- Income tax amounted to 202 million euros for the first half of 2012.
- At the end of the first half of 2012, total equity came to 16.7 billion euros – unchanged on its level at the start of the year – due mainly to the inclusion of the net loss for 1H2012 (-0.2 billion euros), the substantial change in the available-for-sale revaluation reserve (+0.8 billion euros), as well as the deduction of the coupon on non-voting core capital securities subscribed by the Federal and Flemish governments (-0.6 billion euros). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.6% at 30 June 2012.

Table of results according to IFRS

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

Consolidated income statement according to IFRS, KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 1H2011	Cumul 1H2012
Net interest income	1 395	1 406	1 341	1 337	1 261	1 190	-	-	2 801	2 451
Interest income	3 047	3 195	2 910	2 732	2 695	2 563	-	-	6 241	5 258
Interest expense	-1 651	-1 789	- 1 569	-1 395	-1 434	-1 374	-	-	-3 440	-2 808
Earned premiums, insurance (before reinsurance)	1 141	974	972	1 033	884	890	-	-	2 115	1 774
Technical charges, insurance (before reinsurance)	-1 012	-840	-812	-877	-752	- 757	-	-	-1 852	-1 509
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-	-	-25	-14
Dividend income	12	41	17	15	6	21	-	-	53	27
Net result from financial instruments at fair value through profit or loss	472	-194	-892	436	60	43	-	-	279	103
Net realised result from available-for-sale assets	34	42	10	83	32	9	-	-	76	41
Net fee and commission income	300	297	281	287	304	309	-	-	597	613
Fee and commission income	518	530	480	514	492	479	-	-	1 048	970
Fee and commission expense	-218	-233	-200	-227	-188	-170	-	-	-452	-358
Other net income	92	110	-149	3	73	368	-	-	202	441
Total income	2 416	1 829	749	2 317	1 853	2 072	-	-	4 245	3 925
Operating expenses	-1 143	-1 081	-1 077	-1 043	-1 132	-1 033	-	-	-2 224	- 2 165
Impairment	-105	-332	-940	-746	-273	-1 473	-	-	-437	-1 746
on loans and receivables	-97	-164	-473	-599	-261	-198	-	-	-260	-459
on available-for-sale assets	-6	-118	-223	-71	-5	-75	-	-	-124	-79
on goodwill	0	-17	-62	-41	0	-414	-	-	-17	-414
on other	-2	-33	-183	-35	-7	-786	-	-	-35	-794
Share in results of associated companies	1	0	-23	-35	-9	17	-	-	1	8
Result before tax	1 170	416	-1 292	492	439	-417	-	-	1 585	22
Income tax expense	-334	-76	165	-75	-93	-110	-	-	-411	- 202
Net post-tax result from discontinued operations	0	0	-445	26	40	-8	-	-	0	33
Result after tax	835	340	-1 571	443	387	-535	-	-	1 175	-148
attributable to minority interests	14	6	8	6	7	5	-	-	20	12
attributable to equity holders of the parent	**821**	**333**	**-1 579**	**437**	**380**	**-539**	**-**	**-**	**1 154**	**-160**
Belgium	385	158	-348	226	489	204	-	-	543	694
Central & Eastern Europe	141	145	-91	94	119	171	-	-	286	290
Merchant Banking	203	69	-255	-225	17	-65	-	-	272	-48
Group Centre	92	-39	-885	342	-246	-849	-	-	54	-1 096
Basic earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	-	-	2.52	-1.28
Diluted earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	-	-	2.52	-1.28

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total assets	322 493	312 899	305 109	285 382	290 635	285 848	-	-
Loans and advances to customers*	147 625	143 182	143 451	138 284	135 980	133 326	-	-
Securities (equity and debt instruments)*	88 839	85 144	74 062	65 036	65 853	64 227	-	-
Deposits from customers and debt certificates*	192 412	188 116	184 453	165 226	166 551	163 685	-	-
Technical provisions, before reinsurance*	23 870	24 084	21 064	19 914	19 925	19 539	-	-
Liabilities under investment contracts, insurance*	6 568	6 638	6 787	7 014	7 871	8 856	-	-
Parent shareholders' equity	11 011	11 500	9 834	9 756	10 949	9 687	-	-
Non-voting core-capital securities	7 000	7 000	7 000	6 500	6 500	6 500	-	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				5%		11.7%	-	-
Cost/income ratio, banking				60%		58%	-	-
Combined ratio, non-life insurance				92%		89%	-	-
KBC Group solvency								
Tier-1 ratio				12.3%		13.6%	-	-
Core tier-1 ratio				10.6%		11.8%	-	-

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

Table of underlying results

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

Consolidated income statement, KBC Group, underlying (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 1H2011	Cumul 1H2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	-	-	2 764	2 361
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	-	-	2 116	1 774
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-	-	-1 859	-1 509
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-	-	-26	-14
Dividend income	8	37	14	15	5	21	-	-	45	26
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	-	-	361	439
Net realised result from available-for-sale assets	53	42	11	85	31	6	-	-	95	37
Net fee and commission income	399	394	367	374	306	310	-	-	794	616
Other net income	73	72	-210	12	-8	53	-	-	145	46
Total income	2 274	2 161	1 673	2 075	1 989	1 786	-	-	4 434	3 776
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	- 1 016	-	-	-2 382	-2 126
Impairment	- 105	-333	-740	-730	-271	-241	-	-	-439	-512
on loans and receivables	-97	-164	-475	-599	-261	-198	-	-	-261	-459
on available-for-sale assets	-6	-135	-228	-85	-5	-24	-	-	-141	-29
on goodwill	0	0	0	0	0	0	-	-	0	0
on other	-2	-35	-38	-46	-5	-18			-37	-24
Share in results of associated companies	1	0	-23	-35	-9	-9	-	-	1	-19
Result before tax	943	673	-262	177	599	520	-	-	1 615	1 119
Income tax expense	- 271	-138	22	-9	-136	-144	-	-	-410	-280
Result after tax	671	534	-240	167	463	376	-	-	1 206	839
attributable to minority interests	14	6	8	7	7	5	-	-	20	12
attributable to equity holders of the parent	**658**	**528**	**-248**	**161**	**455**	**372**	**-**	**-**	**1 186**	**827**
Belgium	280	238	32	251	266	226	-	-	518	492
Central & Eastern Europe	123	146	-40	98	118	188	-	-	269	306
Merchant Banking	177	63	-196	-153	42	-65	-	-	240	-23
Group Centre	77	81	-44	-35	30	23	-	-	158	52
Basic earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	-	-	2.61	1.62
Diluted earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	-	-	2.61	1.62

Reconciliation between underlying result and result according to IFRS KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 1H2011	Cumul 1H2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	658	528	-248	161	455	372	-	-	1 186	827
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45	-29	-	-	19	16
+ gains/losses on CDOs	124	-86	-618	164	189	-14	-	-	39	175
+ MTM of CDO guarantee and commitment fee	-10	-22	-10	-10	-40	-18	-	-	-31	-58
+ impairment on goodwill	0	-17	-57	-41	0	-16	-	-	-17	-16
+ result on legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	-	-	57	-19
+ MTM of own debt issued	-16	-25	185	215	-340	41	-	-	-41	-300
+ Results on divestments	-45	-12	-591	8	81	-868	-	-	-56	-787
Result after tax, attributable to equity holders of the parent: IFRS	821	333	-1 579	437	380	-539	-	-	1 154	-160

Other information

Strategy highlights and main events

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

- In 2Q2012, we successfully continued to implement our strategic refocusing plan:
  - On 11 May 2012, the Management Boards of Kredyt Bank and Bank Zachodni WBK signed the Merger Plan and motion to the Financial Supervisory Commission for its approval of the banks' merger. An exchange parity was established at 6.96 Bank Zachodni WBK shares for 100 Kredyt Bank shares. The merger is subject to the approval of the Financial Supervisory Commission. The merger plan was approved by the shareholders of both companies on 30 July 2012.
  - On 14 May 2012, Business Lease Group, a leading expert in full operational service leasing and mobility services in the Netherlands and Central Europe (Poland, the Czech Republic, Slovakia and Hungary) acquired KBC Autolease Polska Sp. z o.o., a wholly-owned subsidiary of KBC Lease Belgium NV. Given the size and nature of the activities involved, the sale had no material impact on KBC Group's earnings and capital.
  - On 2 July 2012, the closure of the sale of Polish insurance company Warta to Talanx International AG was announced. This positively influenced the second-quarter earnings by 0.3 billion euros and had a positive impact on capital of 0.7 billion euros. As a result, core tier-1 capital for the group at the end of the second quarter of 2012 had improved by just under 0.7%, compared to the previous quarter.
  - On 2 July 2012, after very careful and thorough consideration and in consultation with all relevant parties, KBC decided not to participate in the capital increase proposed by NLB and the Republic of Slovenia.
  - On 31 July 2012, KBC finalised the sale, announced on 10 October 2011, of its private banking subsidiary KBL European Private Bankers to Precision Capital S.A. for a total consideration of approximately 1 billion euros. The sale is expected to release a substantial amount of capital (approximately 0.7 billion euros) for KBC, increasing its tier-1 ratio by 0.7 % in the third quarter of 2012.
  - On 31 July 2012, after having received all the necessary regulatory approvals, KBC Bank finalised the sale of 100% of the shares of Żagiel, its consumer finance business in Poland, to Santander Consumer Finance S.A., the Polish consumer finance subsidiary of Santander Group, for a total purchase price of 10 million Polish zloty.
  - A number of companies are still scheduled for divestment. The divestment processes for KBC Bank Deutschland, KBC Banka, Antwerp Diamond Bank and Absolut Bank are in progress.
  - On the basis of the progress made in the respective divestment processes, a thorough assessment was made of the value of the businesses of Absolut Bank (Russia), NLB (Slovenia), KBC Banka (Serbia), KBC Bank Deutschland (Germany) and Antwerp Diamond Bank (Belgium). Given our determination to continue with the divestments, we have decided to reclassify four of these businesses under IFRS5 and record impairment charges for the divestment files. The impact of these charges on total earnings is 1.2 billion euros, after tax. Given that impairment is largely related to goodwill, the impact on regulatory capital is substantially lower at 0.6 billion euros. This negative capital impact will be reversed entirely at the time these divestments are closed, mainly through the release of RWAs (5 billion euros in total).

- Other main events in 1H2012:

  - On 2 January 2012, KBC repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government.
  - KBC's main objective in this respect is and remains to implement the strategic plan approved by the European Commission within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC works toward repaying a substantial part of the federal government state aid before the end of this year and to maintain a regulatory tier-1 capital ratio of 11%, according to Basel II banking capital adequacy rules.

  - Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of FDI and progress in reducing the deficit in public finances. These developments have been reflected in continuing positive assessments by the EU/IMF. While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011, which is also positively impacting NPL trends. There are tentative early signs of house prices stabilising, but local confidence remains fragile. Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market. As a consequence, a loan loss provision of 136 million euros was recorded in 2Q2012. We estimate that full-year impairment charges at KBC Bank Ireland will end between 500 and 600 million euros.
  - As has been the case in previous quarters, KBC has acted to reduce volatility in its results. We almost halved our exposure to Southern European government bonds in the second quarter by reducing our exposure to Spanish and Italian government bonds.

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.
- Downside risks to economic growth in 2012 and 2013 have increased further in the past few months. They are primarily related to the ongoing EMU crisis and the uncertainty about fiscal policy in the US after the November elections (the so-called 'fiscal cliff'). Most importantly, a credible and sustainable solution for the EMU sovereign debt problem remains necessary to restore general confidence and to stabilise the financial sector.

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

Analysis of underlying earnings components

KBC Group, 2Q2012

Unless otherwise specified, all amounts are given in euros

As usual, the underlying figures ***exclude* a number of non-operating or exceptional items**. A full overview of these items is provided in the table 'Reconciliation between underlying result and result according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following section of the report.

For 2Q2012, the main exceptional or non-operating items (recorded under 'Results on divestments' in the relevant tables) are:

- results related to finalised divestments: +0.3 billion in total (after tax) related to closure of the sale of the insurance company Warta in Poland.
- impairment charges for the remaining companies that are up for divestment: -1.2 billion in total (after tax), relating mainly to NLB (Slovenia), Absolut Bank (Russia), KBC Bank Deutschland (Germany), Antwerp Diamond Bank (Belgium) and KBC Banka (Serbia).

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	-	-
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	-	-
Non-life	451	468	477	466	438	442	-	-
Life	691	507	496	567	446	448	-	-
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-	-
Non-life	-234	-245	-259	-258	-234	-243	-	-
Life	-782	-599	-557	-622	-518	-514	-	-
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-	-
Dividend income	8	37	14	15	5	21	-	-
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	-	-
Net realised result from available-for-sale assets	53	42	11	85	31	6	-	-
Net fee and commission income	399	394	367	374	306	310	-	-
Banking	497	488	468	475	396	394	-	-
Insurance	-98	-93	-101	-102	-89	-84	-	-
Other net income	73	72	-210	12	-8	53	-	-
Total income	2 274	2 161	1 673	2 075	1 989	1 786	-	-
Belgium	845	864	692	860	829	795	-	-
Central & Eastern Europe	556	537	538	544	531	531	-	-
Merchant Banking	469	340	105	323	425	248	-	-
Group Centre	404	420	338	348	204	212	-	-

Net interest income in the quarter under review amounted to 1 150 million.
This was down 5% on the figure in the previous quarter and, at first sight, 17% lower than its level in the year-earlier quarter. However, on a comparable basis (i.e. *excluding Centea, Fidea and KBL epb*, all of which have now been deconsolidated), net interest income was down 10% on its 2Q2011 level. The decrease in net interest income was mainly driven by higher senior debt costs and the reduction in the (high-yield) GIIPS government bond portfolio. This also caused the overall net interest margin of the group's banking activities to decrease to 182 basis points in 2Q2012, down 11 basis points quarter-on-quarter.
On a comparable basis (excluding divestments and entities falling under IFRS 5), the group's total loan portfolio increased by 1% quarter-on-quarter and by 3% year-on-year, while total deposit volumes went up 2% quarter-on-quarter and contracted 8% year-on-year (see below). In the Belgium Business Unit, the credit portfolio continued to increase, going up by 2% quarter-on-quarter and by more than 6% year-on-year. In the CEE Business Unit, credit volumes went up by 2% quarter-on-quarter and by 4% year-on-year (in both cases, the decline in Hungary – mainly in FX mortgage loans – was more than offset by the growth of the credit portfolios in the Czech and Slovak Republics). In the Merchant Banking Business Unit, credit volumes were up 1% both quarter-on-quarter and year-on-year.
Deposit volumes in the Belgium Business Unit were up 5% both quarter-on-quarter and year-on-year; in the CEE Business Unit, they remained flat quarter-on-quarter and increased 3% year-on-year (unchanged in Hungary, but increasing in all other countries); in the Merchant Banking Business Unit, they rose by 2% in the quarter under review, and – bearing in mind the significant drop in the last quarter of 2011 – were still down 28% year-on-year.

Earned insurance premiums amounted to 890 million in 2Q2012, which breaks down into 448 million for life insurance and 442 million for non-life insurance.
Non-life premium income was up 1% quarter-on-quarter and down 5% year-on-year. On a comparable basis (excluding deconsolidated entities), however, it was up 3% year-on-year. The non-life combined ratio in 2Q2012 stood at a good 91%, which gives a year-to-date ratio of 89%. The latter ratio breaks down into an excellent 87% for Belgium and a good 95% for CEE.
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (in simplified terms, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to some 1.4 billion in the quarter

under review. On a comparable basis (excluding deconsolidated companies), this figure was up 21% on its 1Q2012 level and 62% on its 2Q2011 level, thanks to very strong sales of unit-linked products in Belgium and the Czech Republic in the quarter under review. As a result, sales of unit-linked life insurance products for the group as a whole accounted for approximately 75% of life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remainder.

Net fee and commission income stood at 310 million in 2Q2012.
Net fee and commission income was up 1% quarter-on-quarter and was 21% lower year-on-year. On a comparable basis (excluding deconsolidated entities), however, it was down 4% year-on-year. Fee and commission income fell somewhat in the CEE and Merchant Banking Business Units, but rose at the Belgium Business Unit, thanks to higher management fees related to investment funds, increased sales of unit-linked insurance products and higher fee income from securities transactions. Total assets under management of the group (excluding KBL epb) stood at 150 billion at the end of June 2012, down 2% on its level three months earlier, essentially due to a negative volume effect (net outflows).

The other income components were as follows. Dividend income amounted to 21 million, a 16 million increase on the figure for the previous quarter as the bulk of dividend income is traditionally received in the second quarter of the year. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') amounted to 113 million, down on the average of 144 million for the four preceding quarters. This income item was negatively impacted by significant credit value adjustments (some -57 million) mainly on OTC derivatives concluded with our corporate clients. The net realised result on available-for-sale assets stood at a low 6 million, down on the average of 42 million for the four preceding quarters, as the quarter under review included a loss of around 53 million realised on the sale of Spanish government bonds (due to the strategy of decreasing the overall exposure to GIIPS government bonds), which was only partially offset by gains on the sale of shares at KBC Insurance (24 million). Other net income amounted to 53 million in 2Q2012, significantly more than in the previous quarter, which had included -56 million related to the 5-5-5-product, -51 million related to the sale of Atomium assets and +41 million in amounts recovered in relation to the fraud case at KBC Lease in 2010.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Staff expenses	-694	-701	-719	-693	-628	-633	-	-
General administrative expenses	-444	-366	-367	-354	-404	-305	-	-
Depreciation and amortisation of fixed assets	-89	-87	-86	-85	-78	-78	-	-
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	-1 016	-	-
Belgium	-429	-446	-462	-453	-458	-425	-	-
Central & Eastern Europe	-350	-302	-297	-243	-349	-290	-	-
Merchant Banking	-152	-142	-143	-132	-147	-148	-	-
Group Centre	-296	-265	-269	-305	-156	-154	-	-

Operating expenses amounted to 1 016 million in the quarter under review.
At first sight, costs were down 8% quarter-on-quarter and 12% year-on-year. However, the comparison is distorted not only by the effect of the deconsolidated entities, but also by the Hungarian bank tax for the full year being booked in 1Q2012 and by an amount recovered under the Belgian deposit guarantee scheme in 2Q2012. Excluding these items, costs were flat quarter-on-quarter and only slightly up (+1%) year-on-year (mainly for inflation-related reasons).
As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at 59% in 2Q2012, or 58% for the first six months of 2012 (1H2012), a slight improvement on the 60% recorded for FY2011. The 1H2012 cost/income ratio breaks down per business unit as follows: 62% for Belgium, 59% for CEE and 44% for Merchant Banking.

Impairment, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Impairment on loans and receivables	-97	-164	-475	-599	-261	-198	-	-
Impairment on available-for-sale assets	-6	-135	-228	-85	-5	-24	-	-
Impairment on goodwill	0	0	0	0	0	0	-	-
Impairment on other	-2	-35	-38	-46	-5	-18	-	-
Impairment	-105	-333	-740	-730	-271	-241	-	-
Belgium	-15	-74	-165	-58	-2	-39	-	-
Central & Eastern Europe	-52	-96	-280	-191	-47	-21	-	-
Merchant Banking	-57	-112	-215	-384	-205	-166	-	-
Group Centre	19	-51	-81	-97	-17	-14	-	-

In 2Q2012, total impairment charges stood at 241 million.
Impairment *on loans and receivables* (loan loss provisions) stood at 198 million. The loan loss provisions in 2Q2012 were lower than the 261 million recorded in the previous quarter, due mainly to a significantly better figure for K&H Bank in Hungary (retail portfolio) and lower (though still significant) provisioning at KBC Bank Ireland (136 million in 2Q2012 compared with 195 million in 1Q2012). Compared to 2Q2011, loan loss provisions in the quarter under review were higher, due to the fact that the year-earlier figure had included only 49 million for Ireland, as opposed to the 136 million in 2Q2012. Overall, this led to an annualised credit cost ratio of 59 basis points for 1H2012, an improvement on the 82 basis points recorded for FY2011. The credit cost ratio for 1H2012 breaks down as follows: a very good 4 basis points for the Belgium Business Unit, 42 basis points for the CEE Business Unit and 138 basis points for the Merchant Banking Business Unit (only 14 basis points excluding Ireland). At the end of June 2012, non-performing loans accounted for some 5.3% of the total loan book, roughly the same as three months earlier.

Up on the 10 million recorded in the previous quarter, other impairment in the quarter under review totalled 42 million, as it included significant impairment on shares (24 million, mainly in relation to Spain and the Telecom sector) and on investment property (14 million). We repeat that impairment related to group companies that have still to be divested is excluded from the underlying results.

Analysis of other earnings components (underlying figures)

Other components of the result, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Share in result of associated companies	1	0	-23	-35	-9	-9	-	-
Income tax expense	-271	-138	22	-9	-136	-144	-	-
Minority interests in profit after tax	14	6	8	7	7	5	-	-

The share in the results of associated companies was -9 million in the quarter under review (this item traditionally includes the result of KBC's minority participation in NLB in Slovenia). Underlying group tax amounted to -144 million in 2Q2012 (in line with both reference quarters) and minority interests in the result amounted to 5 million.

Underlying results per business unit

KBC Group, 2Q2012

Unless otherwise specified, all amounts are given in euros.

In order to create more transparency and to avoid substantial quarter-on-quarter distortion in the results of the business units upon each divestment, all the results of the companies that are earmarked for divestment have been grouped together in the Group Centre. The results of the other business units (Belgium, Central & Eastern Europe (CEE) and Merchant Banking) therefore exclude these companies and the analysis of their result is, in principle, not distorted by the deconsolidation of group companies that have been divested.

Belgium Business Unit (underlying figures)

The Belgium Business Unit encompasses the retail and private bancassurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, KBC Asset Management, part of KBC Lease, KBC Group Re, KBC Consumer Finance and VAB). It should be noted that the entities that are earmarked for divestment under the strategic plan are not included here, but grouped together in the Group Centre (until their sale date).

Income statement, Belgium Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	567	581	581	591	585	561	-	-
Earned premiums, insurance (before reinsurance)	615	512	473	534	490	411	-	-
Technical charges, insurance (before reinsurance)	-593	-507	-436	-488	-468	-393	-	-
Ceded reinsurance result	-8	-1	-11	-5	-8	-6	-	-
Dividend income	6	26	9	11	5	19	-	-
Net result from financial instruments at fair value through profit or loss	10	12	10	13	15	8	-	-
Net realised result from available-for-sale assets	22	24	7	45	41	-16	-	-
Net fee and commission income	186	178	169	166	177	197	-	-
Other net income	41	37	-110	-8	-6	15	-	-
Total income	845	864	692	860	829	795	-	-
Operating expenses	-429	-446	-462	-453	-458	-425	-	-
Impairment	-15	-74	-165	-58	-2	-39	-	-
on loans and receivables	-11	-16	-10	-23	2	-15	-	-
on available-for-sale assets	-4	-53	-142	-31	-4	-24	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	0	-5	-13	-5	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	402	344	65	348	369	332	-	-
Income tax expense	-121	-105	-32	-97	-103	-105	-	-
Result after tax	281	238	33	251	266	227	-	-
attributable to minority interests	1	0	1	0	1	0	-	-
attributable to equity holders of the parent	**280**	**238**	**32**	**251**	**266**	**226**	**-**	**-**
Banking	175	147	64	148	137	159	-	-
Insurance	106	91	-32	103	128	68	-	-
Risk-weighted assets, group (end of period, Basel II)	29 104	29 158	29 161	28 929	29 101	25 273	-	-
of which banking	18 086	18 013	17 988	18 038	18 179	14 519	-	-
Allocated equity (end of period, Basel II)	2 775	2 786	2 787	2 746	2 763	2 453	-	-
Return on allocated equity (ROAC, Basel II)	39%	32%	3%	34%	37%	33%	-	-
Cost/income ratio, banking	57%	60%	77%	60%	65%	58%	-	-
Combined ratio, non-life insurance	74%	89%	95%	106%	82%	92%	-	-

These underlying figures exclude exceptional and non-operating items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS Belgium Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	280	238	32	251	266	226	-	-
+ MTM of derivatives for ALM hedging	57	-56	-213	-38	68	-26	-	-
+ gains/losses on CDOs	49	-20	-165	18	161	7	-	-
+ MTM of CDO guarantee and commitment fee	-1	-4	-2	-2	-6	-3	-	-
+ impairment on goodwill	0	0	0	-4	0	0	-	-
+ results on divestments	0	0	0	0	2	0	-	-
+ other	0	0	0	0	0	0	-	-
Result after tax, attributable to equity holders of the parent: IFRS	385	158	-348	226	489	204	-	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 226 million, above the average of 197 million for the four preceding quarters. The quarter under review was characterised by lower net interest income, strong sales of unit-linked life insurance products, increased net fee and commission income, a loss on the sale of Spanish government bonds, lower costs due to an amount being recovered under the deposit guarantee scheme, low impairment on loans, but higher impairment on shares. Banking activities accounted for 70% of the underlying result of the Belgium Business Unit in the quarter under review, and insurance activities for 30%.

Net interest income down; credit and deposit volumes increase

Net interest income stood at 561 million in the quarter under review, a 4% decrease both year-on-year and quarter-on-quarter, which is partly due to the lower income on savings accounts (lower reinvestment yield only partially offset by lower external rate) and less income generated by the insurer's bond portfolio (owing to the sale of GIIPS government bonds with a high return). Moreover, the previous quarter had benefitted from interest corrections on Greek bonds.

At 128 basis points, the net interest margin of KBC Bank in Belgium narrowed by 15 basis points quarter-on-quarter and by 14 basis points year-on-year. The Belgian retail loan book continued to increase, expanding by almost 2% quarter-on-quarter and by more than 6% year-on-year, in line with the group's focus on its home markets. Mortgage loans remained an important driver of this volume growth (up 8% year-on-year). Customers' deposits likewise increased, going up by 5% both quarter-on-quarter and year-on-year.

Non-life combined ratio remains very good; very strong sales of unit-linked products

Earned insurance premiums in the quarter under review amounted to 411 million and break down into 184 million for life insurance and 226 million for non-life insurance.

Non-life premium income continued its upward trend, increasing by 1% compared to the previous quarter and by as much as 5% on the year-earlier quarter (increases in, *inter alia*, the Fire Insurance class). As regards claims, the relatively high amount of major claims in the quarter under review was partially offset by a relatively low amount of normal claims. The combined ratio moved up 10 basis point quarter-on-quarter, but on the whole remained at an excellent 87% in 1H2012.

Life sales, including unit-linked products (which – in simplified terms – are not included in the premium figures under IFRS), amounted to 1 047 million in 2Q2012, up 14% on the already high level in the previous quarter and almost 80% compared to the year-earlier quarter. As was the case in the previous quarters, life insurance sales related primarily to unit-linked products, which accounted for over 80% of such sales in 2Q2012, the remainder being accounted for by interest-guaranteed products (which were negatively affected by the reduced guaranteed interest rate on life savings products from May onwards). At the end of June 2012, the life reserves of this business unit amounted to 23 billion.

Fee and commission income increases for the second quarter in a row

Total net fee and commission income amounted to a satisfying 197 million in the quarter under review, up 11% on the previous quarter and 10% on the year-earlier quarter, and hence continuing its gradual recovery. Net fee and commission income was positively impacted by robust sales of unit-linked insurance products (the margin on those products is included in net fee and commission income), a satisfactory level of management fee income from mutual funds, and increased fees related to securities transactions, among other things. Assets under management of this business unit stood at 140 billion at the end of June 2012, slightly lower (-1%) than three months earlier, due essentially to a small net outflow not entirely being offset by a positive price effect.

Other income components: traditional seasonal dividend peak and loss on sale of Spanish government bonds

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') came to 8 million in the quarter under review, slightly down on the average of 13 million for the four preceding quarters (the quarter under review includes negative credit value adjustments, among other factors). Dividend income stood at 19 million, somewhat less than a year earlier (smaller share portfolio) but clearly higher than the previous quarter, since dividends are traditionally received in the second quarter of the year. The realised result on available-for-sale assets amounted to a negative 16 million and included, *inter alia*, a loss of 49 million on the sale of Spanish government bonds, which more than offset the 24 million gain on the sale of shares at the insurance company. Other net income came to 15 million in 2Q2012, including several small items (it should be noted that the previous quarter had been significantly impacted by a -29 million charge for the 5-5-5 product and that the year-earlier quarter had benefitted from a 15 million gain on the sale of a building).

Costs down due to an amount recovered in relation to the deposit guarantee scheme

The operating expenses of the Belgium Business Unit stood at 425 million in the quarter under review, down 7% on the previous quarter and 5% on the year-earlier quarter, in both cases the decline was almost entirely related to a recuperation of funds from the former deposit guarantee scheme. Excluding this item, costs were slightly up on their level in the previous quarter (+2%) and the year-earlier quarter (1%), with increased staff costs only partially being offset by decreased ICT expenses. The cost/income ratio in the quarter under review amounted to 58%, or 62% for 1H2012, more or less comparable to the 63% recorded for FY2011.

Low impairment on loans, increased impairment on shares

Impairment on loans and receivables (loan loss provisions) was again quite limited (only 15 million) in the quarter under review and as a consequence, the annualised credit cost ratio for 1H2012 remained at an excellent 4 basis points, compared to an already very favourable 10 basis points for FY2011. At the end of 2Q2012, some 1.5% of the Belgian retail loan book was non-performing, the same low level as three months earlier.

Other impairment charges amounted to 24 million in the quarter under review and related solely to shares in portfolio (mainly Spanish and telecom shares).

CEE Business Unit (underlying figures)

The CEE Business Unit encompasses the banking and insurance activities in the Czech Republic (ČSOB Bank and ČSOB Insurance), Slovakia (ČSOB Bank and ČSOB Insurance), Hungary (K&H Bank and K&H Insurance) and Bulgaria (CIBANK and DZI Insurance). Since they are earmarked for divestment, Absolut Bank in Russia, KBC Banka in Serbia, NLB and NLB Vita in Slovenia, and Kredyt Bank and Warta (both Poland) are not included here, but grouped together in the Group Centre (until they are sold).

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	385	381	388	370	357	347	-	-
Earned premiums, insurance (before reinsurance)	241	163	182	159	173	264	-	-
Technical charges, insurance (before reinsurance)	-189	-115	-135	-108	-127	-216	-	-
Ceded reinsurance result	-5	-4	-6	-6	-3	-4	-	-
Dividend income	0	1	1	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	33	14	5	22	55	49	-	-
Net realised result from available-for-sale assets	6	3	6	17	-11	8	-	-
Net fee and commission income	76	86	84	83	77	71	-	-
Other net income	9	9	13	7	11	11	-	-
Total income	556	537	538	544	531	531	-	-
Operating expenses	-350	-302	-297	-243	-349	-290	-	-
Impairment	-52	-96	-280	-191	-47	-21	-	-
on loans and receivables	-51	-42	-234	-151	-46	-18	-	-
on available-for-sale assets	0	-52	-45	-30	0	0	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	-1	-2	0	-11	-1	-3	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	154	139	-39	111	136	220	-	-
Income tax expense	-31	8	-1	-14	-19	-32	-	-
Result after tax	123	147	-40	97	118	188	-	-
attributable to minority interests	0	0	0	-1	0	0	-	-
attributable to equity holders of the parent	**123**	**146**	**-40**	**98**	**118**	**188**	**-**	**-**
Banking	113	136	-43	85	112	178	-	-
Insurance	10	11	3	12	6	10	-	-
Risk-weighted assets, group (end of period, Basel II)	25 607	25 810	26 062	26 128	26 260	26 314	-	-
of which banking	24 140	24 300	24 541	24 563	24 742	24 820	-	-
Allocated equity (end of period, Basel II)	2 137	2 155	2 176	2 184	2 192	2 195	-	-
Return on allocated equity (ROAC, Basel II)	19%	22%	-11%	14%	17%	30%	-	-
Cost/income ratio, banking	63%	55%	53%	43%	65%	54%	-	-
Combined ratio, non-life insurance	88%	89%	101%	93%	95%	96%	-	-

These underlying figures exclude exceptional and non-operating items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS CEE Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	123	146	-40	98	118	188	-	-
+ MTM of derivatives for ALM hedging	22	-1	2	21	2	-2	-	-
+ gains/losses on CDOs	2	0	0	-3	0	0	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	-	-
+ impairment on goodwill	0	-1	-53	-21	0	-15	-	-
+ results on divestments	-5	1	0	0	0	0	-	-
+ other	0	0	0	0	0	0	-	-
Result after tax, attributable to equity holders of the parent: IFRS	141	145	-91	94	119	171	-	-

In the quarter under review, the CEE Business Unit generated an underlying net result of 188 million, considerably more than the average figure of 81 million for the four preceding quarters. The quarter under review was characterised by lower interest and fee and commission income, strong sales of unit-linked life insurance products, good trading income, stable costs and a low level of loan loss provisions. The CEE Business Unit's net result for 2Q2012 includes 158 million for the Czech Republic, 16 million for Slovakia, 35 million for Hungary, and 6 million for Bulgaria.

Net interest income down, mainly on account of Hungary
Net interest income generated in this business unit amounted to 347 million in the quarter under review. Excluding the exchange rate impact, this represents a 3% decrease on the previous quarter and a 5% decline on the year-earlier quarter, which was partly related to the decrease in the Hungarian loan book (repayment of FX mortgages as a result of the FX mortgage relief programme, and a reduced corporate loan portfolio). At 304 basis points, the net interest margin narrowed by some 12 and 20 basis points compared to its respective1Q2012 and 2Q2011 levels, though this was partly due to an FX effect. As regards volumes, the combined loan book of the business unit was up almost 2% quarter-on-quarter and more than 4% year-on-year (with the above-mentioned decrease in Hungary being compensated by increases in the loan books of the Czech Republic and Slovakia). As regards customer deposits, the total volume for the CEE-4 was flat quarter-on-quarter, but rose by over 3% year-on-year (flat in Hungary, though increasing in the other countries).

Combined ratio in the non-life business remains good; life sales up significantly
Earned insurance premiums in the quarter under review amounted to 264 million, which breaks down into 182 million for life insurance and 82 million for non-life insurance.
Non-life premium income was more or less in line with its level in both the previous and year-earlier quarters. The combined ratio for the quarter under review stood at a good 96%, resulting in a year-to-date ratio of 95% for 1H2012.
Life sales, including insurance products not booked under earned premiums under IFRS, amounted to 190 million in the quarter under review, around twice the level recorded in both the previous and year-earlier quarters, thanks mainly to the strong sale of unit-linked life products in the Czech Republic. Overall, unit-linked life products accounted for some 83% of life insurance sales in the CEE Business Unit in 2Q2012, with interest-guaranteed products accounting for the remaining 17%. At the end of June 2012, the outstanding life reserves in this business unit stood at 1.7 billion.

Other income components
Net fee and commission income amounted to 71 million in the quarter under review, which is below the average of 83 million for the four preceding quarters. Total assets under management of this business unit amounted to 10 billion at quarter-end, down 7% compared to three months earlier, which was essentially the result of net outflows.Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') came to 49 million, up on the average of 24 million for the four preceding quarters (the quarter under review included good trading results in the Czech Republic, among other factors). The net realised result from available-for-sale assets came to 8 million and related to both bonds and shares (it should be noted that the previous quarter had been negatively impacted by the Greek debt exchange operation). Other net income totalled 11 million.

Excluding the Hungarian bank tax bookings, costs remain roughly the same
The operating expenses of this business unit came to 290 million, which, at first sight, would appear to be significantly lower than the previous quarter. However, the level of costs in 1Q2012 included the negative impact of the special Hungarian bank tax for FY2012 (57 million). When this impact and movements in the exchange rate are excluded, costs were roughly comparable to both the previous and year-earlier quarters. The cost/income ratio of the CEE banking activities stood at 54% in the quarter under review, or 59% for 1H2012, compared to 54% for FY2011.

Loan loss provisions down thanks to Hungary
In the quarter under review, impairment on loans and receivables (loan loss provisions) stood at a low 18 million, even down on the already low levels recorded in both the previous and year-earlier quarters (46 million and 42 million, respectively), thanks mainly to a significant decrease in Hungary (retail segment). As a result, the annualised credit cost ratio of this business unit amounted to a favourable 42 basis points in 1H2012, well below the 159 basis points recorded for FY2011 (which had been impacted by high provisioning for Hungary and Bulgaria). At the end of the quarter under review, non-performing loans accounted for some 5.6% of the CEE loan book, comparable to the level recorded three months earlier.
Impairment on assets other than loans and receivables amounted to a mere 3 million in the quarter under review (please note that the year-earlier quarter had been significantly impacted by impairment on Greek bonds).

Breakdown per country
The underlying income statements for the Czech Republic, Slovakia, Hungary and Bulgaria are given below.

Income statement, Czech Republic, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	259	261	268	257	260	258	-	-
Earned premiums, insurance (before reinsurance)	178	96	119	99	111	201	-	-
Technical charges, insurance (before reinsurance)	-151	-71	-92	-68	-86	-173	-	-
Ceded reinsurance result	-2	-2	-3	-5	-1	-2	-	-
Dividend income	0	1	1	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	26	12	-1	16	31	23	-	-
Net realised result from available-for-sale assets	5	3	6	15	-11	7	-	-
Net fee and commission income	42	49	50	49	45	38	-	-
Other net income	4	2	9	5	10	6	-	-
Total income	361	351	357	368	358	358	-	-
Operating expenses	-158	-165	-169	-182	-160	-160	-	-
Impairment	-18	-65	-52	-70	-13	-14	-	-
Of which on loans and receivables	-18	-13	-9	-33	-13	-12	-	-
Of which on available-for-sale assets	0	-52	-43	-29	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	185	121	136	116	185	184	-	-
Income tax expense	-28	-13	-19	-16	-29	-27	-	-
Result after tax	157	108	116	100	156	158	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	**157**	**108**	**116**	**100**	**156**	**158**	**-**	**-**
banking	148	101	112	91	151	152	-	-
insurance	8	7	5	9	5	5	-	-
Risk-weighted assets, group (end of period, Basel II)	13 854	13 937	14 342	14 869	15 590	15 715	-	-
of which banking	13 015	13 080	13 477	14 013	14 709	14 836	-	-
Allocated equity (end of period, Basel II)	1 159	1 166	1 199	1 241	1 300	1 310	-	-
Return on allocated equity (ROAC, Basel II)	46%	30%	32%	27%	42%	42%	-	-
Cost/income ratio, banking	43%	46%	46%	49%	44%	44%	-	-
Combined ratio, non-life insurance	87%	91%	97%	84%	91%	94%	-	-

Income statement, Slovakia, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	48	46	48	51	46	44	-	-
Earned premiums, insurance (before reinsurance)	19	20	16	15	18	21	-	-
Technical charges, insurance (before reinsurance)	-13	-14	-9	-6	-10	-14	-	-
Ceded reinsurance result	-1	0	-1	-1	-1	0	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	3	1	-3	-7	10	4	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	11	10	9	10	9	9	-	-
Other net income	2	4	1	1	2	2	-	-
Total income	70	67	60	64	75	67	-	-
Operating expenses	-40	-42	-39	-36	-44	-44	-	-
Impairment	-1	-8	-5	0	-3	-2	-	-
Of which on loans and receivables	-1	-7	-3	1	-3	-2	-	-
Of which on available-for-sale assets	0	0	-2	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	29	17	16	27	28	21	-	-
Income tax expense	-5	0	-4	-4	-5	-5	-	-
Result after tax	24	18	13	23	23	16	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	**24**	**18**	**13**	**23**	**23**	**16**	**-**	**-**
banking	19	15	13	20	19	14	-	-
insurance	6	3	0	4	4	3	-	-
Risk-weighted assets, group (end of period, Basel II)	4 208	4 382	4 435	4 261	4 102	4 034	-	-
of which banking	4 038	4 205	4 258	4 084	3 926	3 855	-	-
Allocated equity (end of period, Basel II)	347	361	365	352	339	333	-	-
Return on allocated equity (ROAC, Basel II)	23%	16%	9%	24%	22%	15%	-	-
Cost/income ratio, banking	61%	63%	65%	58%	60%	66%	-	-
Combined ratio, non-life insurance	85%	88%	89%	67%	52%	85%	-	-

Income statement, Hungary, underlying(in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	103	100	95	83	70	65	-	-
Earned premiums, insurance (before reinsurance)	22	23	23	20	19	17	-	-
Technical charges, insurance (before reinsurance)	-11	-17	-18	-16	-15	-13	-	-
Ceded reinsurance result	-1	-1	-1	-1	-1	-1	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	4	12	12	13	15	21	-	-
Net realised result from available-for-sale assets	0	0	0	2	0	0	-	-
Net fee and commission income	24	25	25	24	22	22	-	-
Other net income	1	2	1	0	-2	1	-	-
Total income	143	143	138	125	109	113	-	-
Operating expenses	-130	-71	-68	0	-122	-64	-	-
Impairment	-29	-19	-126	-117	-29	-4	-	-
Of which on loans and receivables	-28	-18	-126	-116	-28	-3	-	-
Of which on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	-15	54	-56	8	-41	45	-	-
Income tax expense	-1	-13	6	-1	5	-10	-	-
Result after tax	-16	40	-50	7	-36	35	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	**-16**	**40**	**-50**	**7**	**-36**	**35**	**-**	**-**
banking	-19	38	-50	5	-35	33	-	-
insurance	3	2	0	2	-1	2	-	-
Risk-weighted assets, group (end of period, Basel II)	6 666	6 587	6 505	6 123	5 759	5 413	-	-
of which banking	6 424	6 335	6 253	5 834	5 513	5 178	-	-
Allocated equity (end of period, Basel II)	548	542	536	507	475	447	-	-
Return on allocated equity (ROAC, Basel II)	-18%	24%	-41%	-1%	-35%	24%	-	-
Cost/income ratio, banking	93%	49%	48%	2%	112%	57%	-	-
Combined ratio, non-life insurance	74%	92%	109%	109%	98%	103%	-	-

Income statement, Bulgaria, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	12	10	8	9	10	9	-	-
Earned premiums, insurance (before reinsurance)	23	25	24	25	25	24	-	-
Technical charges, insurance (before reinsurance)	-15	-14	-16	-19	-18	-15	-	-
Ceded reinsurance result	-2	-1	-1	1	0	0	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	1	0	1	0	0	1	-	-
Other net income	0	0	0	0	1	1	-	-
Total income	19	21	17	17	19	21	-	-
Operating expenses	-14	-14	-14	-15	-14	-14	-	-
Impairment	-4	-3	-2	-8	-2	-1	-	-
Of which on loans and receivables	-4	-3	-2	-6	-2	-1	-	-
Of which on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	2	4	1	-6	3	6	-	-
Income tax expense	0	0	0	0	0	0	-	-
Result after tax	2	5	1	-6	3	6	-	-
attributable to minority interests	0	0	0	-1	0	0	-	-
attributable to equity holders of the parent	**2**	**4**	**1**	**-5**	**3**	**6**	**-**	**-**
banking	0	0	1	-5	2	3	-	-
insurance	1	4	1	0	1	3	-	-
Risk-weighted assets, group (end of period, Basel II)	846	867	750	848	808	817	-	-
of which banking	628	643	523	604	593	614	-	-
Allocated equity (end of period, Basel II)	81	83	74	82	77	78	-	-
Return on allocated equity (ROAC, Basel II)	-17%	-15%	-13%	-49%	-10%	6%	-	-
Cost/income ratio, banking	66%	74%	82%	83%	69%	71%	-	-
Combined ratio, non-life insurance	107%	83%	104%	107%	110%	99%	-	-

Income statement, CEE – other*, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	-36	-36	-31	-31	-29	-29	-	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	0	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	1	0	-	-
Ceded reinsurance result	0	0	0	0	0	0	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	0	-11	-3	0	0	0	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	-2	2	-1	0	0	0	-	-
Other net income	2	1	2	2	0	1	-	-
Total income	-38	-45	-34	-30	-29	-28	-	-
Operating expenses	-9	-11	-8	-9	-9	-8	-	-
Impairment	0	-1	-95	4	0	0	-	-
Of which on loans and receivables	0	0	-96	4	0	0	-	-
Of which on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	-47	-57	-136	-35	-38	-36	-	-
Income tax expense	3	34	17	7	11	9	-	-
Result after tax	-43	-23	-120	-28	-27	-27	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	**-43**	**-23**	**-120**	**-28**	**-27**	**-27**	**-**	**-**
banking	-36	-19	-118	-25	-25	-24	-	-
insurance	-7	-5	-2	-3	-3	-3	-	-

* includes funding costs of goodwill and some other allocations from KBC Bank Belgium and KBC Insurance, among other things.

Merchant Banking Business Unit (underlying figures)

The Merchant Banking Business Unit encompasses the financial services provided to large SMEs & corporate customers and capital market activities (merchant banking activities of the CEE group companies are included in the CEE Business Unit). More specifically, it includes commercial banking and market activities of KBC Bank in Belgium and its branches elsewhere, and the activities of a number of subsidiaries, the main ones being KBC Lease (partial), KBC Securities, KBC Commercial Finance, KBC Credit Investments and KBC Bank Ireland. The entities that are earmarked for divestment under the strategic plan (the main ones being KBC Financial Products, Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre (until they are sold).

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	147	148	125	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Ceded reinsurance result	0	0	0	0	0	0	-	-
Dividend income	0	4	2	0	0	1	-	-
Net result from financial instruments at fair value through profit or loss	213	87	9	97	239	45	-	-
Net realised result from available-for-sale assets	2	11	0	22	-1	5	-	-
Net fee and commission income	51	53	43	55	56	46	-	-
Other net income	22	17	-117	2	-17	27	-	-
Total income	469	340	105	323	425	248	-	-
Operating expenses	-152	-142	-143	-132	-147	-148	-	-
Impairment	-57	-112	-215	-384	-205	-166	-	-
on loans and receivables	-57	-95	-205	-368	-203	-152	-	-
on available-for-sale assets	0	-1	-2	-3	0	0	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	0	-16	-7	-13	-1	-14	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	259	86	-253	-193	74	-66	-	-
Income tax expense	-78	-21	61	44	-27	3	-	-
Result after tax	182	65	-192	-149	46	-63	-	-
attributable to minority interests	5	2	4	4	4	2	-	-
attributable to equity holders of the parent	**177**	**63**	**-196**	**-153**	**42**	**-65**	**-**	**-**
Banking	176	62	-197	-154	41	-66	-	-
Insurance	1	1	1	1	1	1	-	-
Risk-weighted assets, group (end of period, Basel II)	45 945	42 446	39 736	42 126	40 319	40 884	-	-
of which banking	45 945	42 446	39 736	42 126	40 319	40 884	-	-
Allocated equity (end of period, Basel II)	3 676	3 396	3 179	3 370	3 225	3 271	-	-
Return on allocated equity (ROAC, Basel II)	19%	6%	-25%	-19%	6%	-7%	-	-
Cost/income ratio, banking	32%	42%	138%	41%	35%	60%	-	-

These underlying figures exclude exceptional and non-operating items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS Merchant Banking Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	177	63	-196	-153	42	-65	-	-
+ MTM of derivatives for ALM hedging	9	-7	-31	-28	-24	0	-	-
+ gains/losses on CDOs	18	18	-13	-30	-1	1	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	-	-
+ impairment on goodwill	0	-5	-4	-8	0	-1	-	-
+ results on divestments	-1	0	-10	-6	0	0	-	-
+ other	0	0	0	0	0	0	-	-
Result after tax, attributable to equity holders of the parent: IFRS	203	69	-255	-225	17	-65	-	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of -65 million, comparable with the -61 million average for the four preceding quarters. The quarter under review was characterised by lower though still substantial loan impairment in Ireland, and significant negative credit value adjustments affecting total income. The underlying result for 2Q2012 breaks down as follows: 45 million for market activities and -110 million for commercial banking activities (-18 million excluding KBC Bank Ireland).

Total income impacted by negative credit value adjustments

Total income for this business unit amounted to 248 million in the quarter under review. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') amounted to 45 million in the quarter under review, below the average of 108 million for the four preceding quarters. This income item includes, *inter alia*, dealing room income, which was down on the excellent figure for the first quarter. This income item also suffered from significant negative credit value adjustments to the tune of 53 million, as opposed to a positive figure (+35 million) in the previous quarter. Moreover, the previous quarter benefitted from a 21 million gain on the sale of a private equity participation.

Net interest income stood at 125 million in 2Q2012, down on both 1Q2012 and 2Q2011, due in part to increased senior debt costs. The total credit portfolio of the Merchant Banking Business Unit increased slightly (+1%) both year-on-year and quarter-on-quarter. Deposit volume rose 2% in the quarter under review, following the 18% rise in the previous quarter. As a result, part of the large deposit outflow in the last quarter of 2011 has been countered, and the year-on-year decrease in deposits now comes to 28%.

The other income components combined totalled 79 million in the quarter under review and included net fee and commission income of 46 million (slightly down on the 52 million average for the four preceding quarters), a net realised result from available-for-sale assets of 5 million (as opposed to a 8 million average in the four preceding quarters), and other net income of 27 million. The latter figure did not include any significant one-off items, whereas in the previous quarter, it had included -27 million related to the 5-5-5 product, -51 million related to the sale of Atomium assets and +41 million in amounts recovered in relation to the 2010 fraud case at KBC Lease UK.

Costs virtually unchanged quarter-on-quarter

Operating expenses in the quarter under review amounted to 148 million, up 1% quarter-on-quarter and 4% year-on-year, due to various factors (mainly staff expenses, but also deconsolidation of a few small entities, the adjustment relating to the deposit guarantee scheme in Belgium, etc.). The underlying cost/income ratio stood at 60% in 2Q2012, or 44% for 1H2012, more or less in line with the 46% recorded for FY2011.

Loan loss provisions down quarter-on-quarter

Impairment *on loans and receivables* (loan loss provisions) amounted to 152 million in the quarter under review, down on the 203 million registered in the previous quarter, but up on the 95 million recorded in the year-earlier quarter. As was the case in the previous quarter, provisioning related primarily to KBC Bank Ireland, where 136 million was set aside, less than the 195 million booked in the previous quarter, but clearly higher than the 49 million recorded in 2Q2011. Disregarding Ireland, loan loss impairment in the other merchant banking entities was very limited in the quarter under review (a mere 16 million in total). Consequently, the annualised credit cost ratio for the Merchant Banking Business Unit came to 138 basis points in 1H2012, in line with the 136 basis points recorded for FY2011. Excluding Ireland*, the 1H2012 credit cost ratio would have come to just 14 basis points, much better than the 59 basis points recorded for FY2011.

At the end of June 2012, approximately 9.5% of the Merchant Banking Business Unit's loan book was non-performing, compared to the 9.1% recorded three months earlier. Excluding Ireland*, non-performing loans accounted for 3.9% of the unit's loan book at 30 June 2012 (3.8% three months earlier).

Other impairment charges for this business unit amounted to 14 million and related to real estate property.

Breakdown into commercial banking activities and market activities

The underlying figures for the Merchant Banking Business Unit are broken down into 'Commercial Banking' (mainly lending and banking services to large SMEs and corporate customers) and 'Market Activities' (sales and trading on money and capital markets, corporate finance, etc.) on the next page.

** The annualised credit cost ratio for KBC Bank Ireland stood at 400 basis points in 1H2012, compared to 301 basis points for FY2011 (which included 2 quarters of relatively low impairment charges), while the non-performing ratio rose to 21.4% at the end of 2Q2012, up from 20.5% three months earlier.*

Income statement, Commercial Banking, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	148	148	125	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Ceded reinsurance result	0	0	0	0	0	0	-	-
Dividend income	0	4	2	0	0	1	-	-
Net result from financial instruments at fair value through profit or loss	10	-25	-48	0	41	-50	-	-
Net realised result from available-for-sale assets	2	11	0	22	-1	5	-	-
Net fee and commission income	26	29	26	36	36	30	-	-
Other net income	22	24	21	37	61	27	-	-
Total income	242	210	169	242	286	138	-	-
Operating expenses	-87	-88	-90	-86	-92	-102	-	-
Impairment	-72	-100	-208	-385	-202	-172	-	-
Of which on loans and receivables	-72	-83	-200	-368	-201	-157	-	-
Of which on available-for-sale assets	0	-1	-1	-3	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	83	23	-130	-229	-8	-136	-	-
Income tax expense	-28	-6	19	53	-10	28	-	-
Result after tax	55	17	-111	-176	-18	-108	-	-
attributable to minority interests	4	3	4	3	4	2	-	-
attributable to equity holders of the parent	**51**	**14**	**-115**	**-179**	**-22**	**-110**	**-**	**-**
Banking	50	13	-116	-180	-23	-111	-	-
Insurance	1	1	1	1	-1	1	-	-
Risk-weighted assets, group (end of period, Basel II)	32 176	30 934	30 733	31 065	31 300	31 226	-	-
of which banking	32 176	30 934	30 733	31 065	31 300	31 226	-	-
Allocated equity (end of period, Basel II)	2 574	2 475	2 459	2 485	2 504	2 498	-	-
Return on allocated equity (ROAC, Basel II)	7%	2%	-19%	-30%	-3%	-16%	-	-
Cost/income ratio, banking	36%	42%	54%	36%	32%	75%	-	-

Income statement, Market Activities, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	0	0	0	0	0	0	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Ceded reinsurance result	0	0	0	0	0	0	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	203	112	57	96	198	95	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	25	25	17	19	19	16	-	-
Other net income	0	-8	-138	-35	-78	0	-	-
Total income	227	129	-64	80	139	110	-	-
Operating expenses	-65	-53	-53	-46	-55	-46	-	-
Impairment	15	-12	-6	1	-2	5	-	-
Of which on loans and receivables	15	-12	-5	0	-2	5	-	-
Of which on available-for-sale assets	0	0	-1	1	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	177	63	-123	36	82	70	-	-
Income tax expense	-50	-15	42	-9	-17	-25	-	-
Result after tax	127	48	-81	27	64	45	-	-
attributable to minority interests	1	-1	0	1	0	0	-	-
attributable to equity holders of the parent	**126**	**48**	**-81**	**26**	**65**	**45**	**-**	**-**
banking	126	48	-81	26	65	45	-	-
insurance	0	0	0	0	0	0	-	-
Risk-weighted assets, group (end of period, Basel II)	13 769	11 512	9 003	11 061	9 018	9 658	-	-
of which banking	13 769	11 512	9 003	11 061	9 018	9 658	-	-
Allocated equity (end of period, Basel II)	1 102	921	720	885	721	773	-	-
Return on allocated equity (ROAC, Basel II)	46%	18%	-41%	14%	34%	26%	-	-
Cost/income ratio, banking	29%	41%	-	57%	39%	41%	-	-

Group Centre (underlying figures)

The Group Centre comprises the results of the holding company KBC Group NV, KBC Global Services, some results that are not attributable to the other business units and the elimination of the results of intersegment transactions. It also comprises the results of the companies that have been designated as non-core in the group's strategy and are therefore earmarked for divestment (included in the figures until they are sold). The main entities are Centea, Fidea, Absolut Bank, KBC Banka, NLB and NLB Vita, Kredyt Bank, Warta, KBC Financial Products, Antwerp Diamond Bank, KBC Bank Deutschland and the KBL epb group.

Income statement, Group Centre, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	242	261	205	190	121	117	-	-
Earned premiums, insurance (before reinsurance)	284	299	317	341	222	216	-	-
Technical charges, insurance (before reinsurance)	-234	-221	-245	-283	-157	-149	-	-
Ceded reinsurance result	-4	-3	-2	9	-3	9	-	-
Dividend income	2	6	2	3	0	0	-	-
Net result from financial instruments at fair value through profit or loss	4	-11	-14	6	16	11	-	-
Net realised result from available-for-sale assets	22	3	-2	2	3	9	-	-
Net fee and commission income	86	77	72	70	-4	-3	-	-
Other net income	2	9	4	11	5	0	-	-
Total income	404	420	338	348	204	212	-	-
Operating expenses	-296	-265	-269	-305	-156	-154	-	-
Impairment	19	-51	-81	-97	-17	-14	-	-
on loans and receivables	21	-11	-26	-58	-14	-13	-	-
on available-for-sale assets	-2	-29	-38	-21	0	0	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	-1	-12	-17	-18	-3	-1	-	-
Share in results of associated companies	1	0	-23	-35	-10	-10	-	-
Result before tax	127	104	-35	-89	20	34	-	-
Income tax expense	-42	-19	-6	58	12	-9	-	-
Result after tax	85	85	-41	-32	32	25	-	-
attributable to minority interests	8	3	3	3	3	2	-	-
attributable to equity holders of the parent	**77**	**81**	**-44**	**-35**	**30**	**23**	**-**	**-**
Banking	86	57	-19	-29	17	13	-	-
Insurance	20	26	-10	3	12	22	-	-
holding company	-29	-2	-16	-9	1	-12	-	-
Risk-weighted assets, group (end of period, Basel II)	30 933	29 959	25 693	29 149	27 429	25 258	-	-
of which banking	27 732	26 637	22 347	25 814	25 850	25 033	-	-
Allocated equity (end of period, Basel II)	2 628	2 556	2 216	2 491	2 283	2 028	-	-

These underlying figures exclude exceptional and non-operating items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS, Group Centre (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	77	81	-44	-35	30	23	-	-
+ MTM of derivatives for ALM hedging	8	-13	-2	0	1	0	-	-
+ gains/losses on CDOs	55	-84	-439	178	29	-22	-	-
+ MTM of CDO guarantee and commitment fee	-8	-18	-8	-9	-33	-15	-	-
+ impairment on goodwill and other	0	-11	0	-8	0	0	-	-
+ fair value changes of own debt outstanding	-16	-25	185	215	-340	41	-	-
+ legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	-	-
+ Results on divestments	-38	-12	-581	14	80	-868	-	-
+ other	0	0	0	0	0	0	-	-
Result after tax, attributable to equity holders of the parent: IFRS	92	-39	-885	342	-246	-849	-	-

The Group Centre's net result amounted to 23 million in 2Q2012. As mentioned before, this includes a number of group items and the results of the companies that are earmarked for divestment, whose combined net result came to 31 million in 2Q2012, compared to 20 million in 1Q2012.

The net result contribution of the companies up for divestment can be broken down by former business unit as follows:

- Formerly recognised under the Belgium Business Unit: **zero** (the planned divestments – Centea and Fidea – for this business unit have been completed).
- Formerly recognised under the CEE Business Unit: **44 million**, compared with 28 million in the previous quarter. The difference is due mainly to the better contribution to the results made by Absolut Bank in Russia (recognition of deferred taxes, among other things) and by Warta in Poland (please note that the sale agreement for Warta was closed in early July 2012 and, therefore, this Polish entity will be deconsolidated in the results as of 3Q2012).
- Formerly recognised under the Merchant Banking Business Unit: **8 million**, compared with 13 million in the previous quarter.
- Formerly recognised under the European Private Banking Business Unit: **zero** (KBL epb has been excluded from the underlying results since the beginning of the year and the agreement to sell it was finalised at the end July 2012).
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): **-22 million**, in line with the previous quarter.

Consolidated financial statements according to IFRS

KBC Group, 2Q 2012 and 1H 2012

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Net interest income	3	1 406	1 261	1 190	2 801	2 451
Interest income		3 195	2 695	2 563	6 241	5 258
Interest expense		- 1 789	- 1 434	- 1 374	- 3 440	- 2 808
Earned premiums, insurance (before reinsurance)	9	974	884	890	2 115	1 774
Non-life		468	438	442	918	880
Life		506	446	448	1 196	894
Technical charges, insurance (before reinsurance)	9	- 840	- 752	- 757	- 1 852	- 1 509
Non-life		- 245	- 234	- 243	- 479	- 477
Life		- 595	- 518	- 514	- 1 374	- 1 033
Ceded reinsurance result	9	- 8	- 14	- 1	- 25	- 14
Dividend income		41	6	21	53	27
Net result from financial instruments at fair value through profit or loss		- 194	60	43	279	103
Net realised result from available-for-sale assets	6	42	32	9	76	41
Net fee and commission income	7	297	304	309	597	613
Fee and commission income		530	492	479	1 048	970
Fee and commission expense		- 233	- 188	- 170	- 452	- 358
Other net income	8	110	73	368	202	441
TOTAL INCOME		1 829	1 853	2 072	4 245	3 925
Operating expenses	12	- 1 081	- 1 132	- 1 033	- 2 224	- 2 165
Staff expenses		- 648	- 635	- 639	- 1 285	- 1 273
General administrative expenses		- 351	- 416	- 316	- 772	- 732
Depreciation and amortisation of fixed assets		- 83	- 81	- 79	- 167	- 159
Impairment	14	- 332	- 273	- 1 473	- 437	- 1 746
on loans and receivables		- 164	- 261	- 198	- 260	- 459
on available-for-sale assets		- 118	- 5	- 75	- 124	- 79
on goodwill		- 17	0	- 414	- 17	- 414
on other		- 33	- 7	- 786	- 35	- 794
Share in results of associated companies		0	- 9	17	1	8
RESULT BEFORE TAX		416	439	- 417	1 585	22
Income tax expense		- 76	- 93	- 110	- 411	- 202
Net post-tax result from discontinued operations	46	0	40	- 8	0	33
RESULT AFTER TAX		340	387	- 535	1 175	- 148
Attributable to minority interest		6	7	5	20	12
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**333**	**380**	**- 539**	**1 154**	**- 160**
of which relating to discontinued operations		*0*	*40*	*- 8*	*0*	*33*
Earnings per share (in EUR)						
Basic		0,54	0,71	-1,99	2,52	-1,28
Diluted		0,54	0,71	-1,99	2,52	-1,28

Condensed consolidated statement of comprehensive income

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
RESULT AFTER TAX	340	387	- 535	1 175	- 148
attributable to minority interest	6	7	5	20	12
attributable to equity holders of the parent	333	380	- 539	1 154	- 160
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	- 25	38	- 47	- 35	- 10
Net change in revaluation reserve (AFS assets) - Bonds	224	732	93	- 67	825
Net change in revaluation reserve (AFS assets) - Other	0	0	0	- 1	0
Net change in hedging reserve (cash flow hedge)	- 27	- 6	- 118	144	- 123
Net change in translation differences	- 6	107	- 57	13	50
Other movements	- 3	- 2	0	- 2	- 1
TOTAL COMPREHENSIVE INCOME	**502**	**1 256**	**- 663**	**1 226**	**593**
attributable to minority interest	12	19	2	22	22
attributable to equity holders of the parent	490	1 236	- 665	1 204	571

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2011	30-06-2012
Cash and cash balances with central banks		6 218	6 142
Financial assets	18	249 439	240 277
Held for trading		26 936	23 656
Designated at fair value through profit or loss		13 940	18 755
Available for sale		39 491	31 225
Loans and receivables		153 894	141 748
Held to maturity		14 396	23 983
Hedging derivatives		782	911
Reinsurers' share in technical provisions		150	148
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		197	195
Tax assets		2 646	2 293
Current tax assets		201	204
Deferred tax assets		2 445	2 089
Non-current assets held for sale and assets associated with disposal groups	46	19 123	30 214
Investments in associated companies		431	108
Investment property		758	657
Property and equipment		2 651	2 526
Goodwill and other intangible assets		1 898	1 358
Other assets		1 871	1 930
TOTAL ASSETS		285 382	285 848

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2011	30-06-2012
Financial liabilities	18	225 804	220 732
Held for trading		27 355	23 613
Designated at fair value through profit or loss		28 678	26 640
Measured at amortised cost		167 842	168 332
Hedging derivatives		1 929	2 148
Technical provisions, before reinsurance		19 914	19 539
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		4	16
Tax liabilities		545	473
Current tax liabilities		255	171
Deferred tax liabilies		290	302
Liabilities associated with disposal groups	46	18 132	23 488
Provisions for risks and charges		889	523
Other liabilities		3 322	4 361
TOTAL LIABILITIES		268 611	269 131
Total equity	39	16 772	16 717
Parent shareholders' equity	39	9 756	9 687
Non-voting core-capital securities	39	6 500	6 500
Minority interests		516	529
TOTAL LIABILITIES AND EQUITY		285 382	285 848

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments were 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’. Note that reference figures were not adjusted (not required by IFRS 5), however for the financial assets and liabilities pro forma figures for 31 December 2011 are shown in note 18. More information on divestments and all data required by IFRS 5 can be found in a separate note (note 46).

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability).

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
30-06-2011											
Balance at the beginning of the period	1 245	4 340	- 1 529	66	- 443	7 749	- 281	11 147	7 000	527	18 674
Net result for the period	0	0	0	0	0	1 154	0	1 154	0	20	1 175
Other comprehensive income for the period	0	0	0	- 103	144	- 2	11	50	0	2	52
Total comprehensive income	**0**	**0**	**0**	**- 103**	**144**	**1 152**	**11**	**1 204**	**0**	**22**	**1 226**
Dividends	0	0	0	0	0	- 850	0	- 850	0	0	- 850
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	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
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 1	0	- 1	0	0	- 1
Change in minorities	0	0	0	0	0	0	0	0	0	- 29	- 29
Change in scope	0	0	0	0	0	0	0	0	0	0	0
Total change	**0**	**0**	**0**	**- 103**	**144**	**301**	**11**	**353**	**0**	**- 7**	**346**
Balance at the end of the period	**1 245**	**4 340**	**- 1 529**	**- 37**	**- 299**	**8 050**	**- 271**	**11 500**	**7 000**	**520**	**19 020**
of which revaluation reserve for shares				401							
of which revaluation reserve for bonds				- 438							
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				- 17			12	- 5			- 5
30-06-2012											
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	6 831	- 422	9 756	6 500	516	16 772
Net result for the period	0	0	0	0	0	- 160	0	- 160	0	12	- 148
Other comprehensive income for the period	0	0	0	812	- 123	- 1	43	731	0	10	741
Total comprehensive income	**0**	**0**	**0**	**812**	**- 123**	**- 161**	**43**	**571**	**0**	**22**	**593**
Dividends	0	0	0	0	0	- 599	0	- 599	0	0	- 599
Capital increase	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
Results on (derivatives on) treasury shares	0	0	- 5	0	0	0	0	- 5	0	0	- 5
Impact business combinations	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	- 8	- 8
Change in scope	0	0	0	- 53	0	0	23	- 30	0	0	- 30
Total change	**0**	**0**	**- 5**	**759**	**- 123**	**- 766**	**66**	**- 69**	**0**	**14**	**- 55**
Balance at the end of the period	**1 245**	**4 341**	**- 1 534**	**642**	**- 717**	**6 065**	**- 355**	**9 687**	**6 500**	**529**	**16 717**
of which revaluation reserve for shares				220							
of which revaluation reserve for bonds				422							
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				27			- 8	20			20

The changes in equity during 1H 2012 include the accounting of a gross dividend of 0.01 euros per share (3.6 million euros in total) and the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (595 million euros or 8.5% of 7 billion euros). Both paid in the second quarter 2012.

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability).

Condensed consolidated cash flow statement

In millions of EUR	1H 2011	1H 2012
Operating activities		
Net cash from (used in) operating activities	1 923	4 324
Investing activities		
Net cash from (used in) investing activities	- 36	- 10 274
Financing activities		
Net cash from (used in) financing activities	- 882	- 2 061
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	1 004	- 8 012
Cash and cash equivalents at the beginning of the period	17 709	13 997
Effects of exchange rate changes on opening cash and cash equivalents	- 782	166
Cash and cash equivalents at the end of the period	17 930	6 151

As mentioned in note 45, Fidea has been sold in the first half of 2012. The sale of Fidea had a positive impact on the cash flows included in investing activities of +0.2 billion euros. The sale of Warta – as well as the closing of the sale of KBL EPB on 31 July 2012 – will have an impact on the third quarter cash flows from investing activities of +0.8 billion euros and -1.9 billion euros respectively (sale price minus cash and cash equivalents belonging to the disposal group).

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2011)

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 2011.

Summary of significant accounting policies (note 1b in the annual accounts 2011)

A summary of the main accounting policies is provided in the annual report. In the first half of 2012, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2011)

KBC is structured and managed according to a number of segments (called 'business units'). This breakdown is based on a combination of geographic criteria (Belgium and Central and Eastern Europe, being the two core geographic areas the group operates in) and activity criteria (retail bancassurance versus merchant banking). The Shared Services and Operations business unit, which includes a number of divisions that provide support to and serve as a product factory for the other divisions (ICT, leasing, payments, asset management etc.) is not shown as a separate segment, as all costs and income of this business unit are allocated to the other business units and are hence included in their results.
The segment reporting (see below) is based on this breakdown, but also brings together all companies that are up for divestment under the Group Centre.

For reporting purposes, the business units hence are:

- Belgium (retail bancassurance, asset management and private banking in Belgium; companies that are planned for divestment are moved to Group Centre).
- Central & Eastern Europe (retail bancassurance, asset management, private banking and merchant banking in the Czech and Slovak Republics, Hungary and Bulgaria; companies in other countries that are planned for divestment are moved to Group Centre).
- Merchant Banking (commercial banking and market activities in Belgium and selected countries in Europe, America and Southeast Asia; companies that are planned for divestment are moved to Group Centre)
- Group Centre (companies that are planned for divestment, as well as KBC Group NV, KBC Global Services NV and some allocated costs (the allocation of results of KBC Bank Belgium and KBC Insurance NV to the Group Centre are limited to those results that cannot be allocated in a reliable way to other segments).

The basic principle of the segment reporting is that an individual subsidiary is allocated fully to one segment (see note 44 in annual report 2011). Exceptions are made for costs that cannot be allocated reliably to a certain segment (grouped together in a separate Group Centre) and KBC Bank NV (allocated to the different segments and to the Group Centre by means of different allocation keys).

Funding costs of goodwill regarding participations recorded in KBC Bank and KBC Insurance are allocated to the different segments in function of the subsidiaries concerned. As a principle the funding costs regarding leveraging at the level of KBC Group are not allocated.

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). Some adjustments to these accounting policies have been made to better reflect the underlying performance (the resulting figures are called 'underlying results'):

- In order to arrive at the underlying group profit, factors that are not related to the normal course of business are eliminated. These factors also include exceptional losses (and gains), such as those incurred on structured credit investments and on trading positions that were unwound due to the discontinuation of activities of KBC Financial Products. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully. The realised gain or impairment from divestments is considered as non-recurring too.
- Fair value changes (due to marking-to-market) of a large part of KBC's ALM derivatives (who are treated as 'trading instruments') are recognised under 'net result from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.

- 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 underlying figures, all trading income components within the investment banking division are recognised under ‘net result from financial instruments at fair value’, without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the ‘underlying figures’.
- In the IFRS accounts, discontinued operations (this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P/L lines towards one line 'Net post-tax result from discontinued operations’, as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P/L lines relating to the divestment or discontinued operation are moved to Group Centre). Given the nearby closing of the sale of KBL EPB, no results of KBL EPB have been included anymore in the underlying results as of 1 January 2012. The sale was closed on 31 July 2012 (for more information see note 48).

A table reconciling the net profit and the underlying net profit is provided below.

Reconciliation between underlying result and result according to IFRS * KBC Group, in millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	528	455	372	1 186	827
+ MTM of derivatives for ALM hedging	-77	45	-29	19	16
+ gains and losses on CDOs	-86	189	-14	39	175
+ MTM of CDO guarantee and commitment fee	-22	-40	-18	-31	-58
+ impairment on goodwill	-17	0	-16	-17	-16
+ result on legacy structured derivative business (KBC FP)	43	-11	-7	57	-19
+ change in fair value of own debt instruments (due to own credit risk)	-25	-340	41	-41	-300
+ Results on divestments	-12	81	-868	-56	-787
Result after tax, attributable to equity holders of the parent: IFRS	333	380	-539	1 154	-160

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

Gains and losses on CDO’s:
In the second quarter of 2012, the market price for corporate credit increased, as reflected in credit default swap spreads, generating a value mark-down of KBC’s CDO exposure (including the impact of the government guarantee, but excluding the related fee and including the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2011, namely 70%). Remark that the first quarter of 2012 experienced a value mark-up which was offset by a negative P/L impact of approximately 0.1 billion euros from collapsing two CDOs in January 2012, which reduced the total nominal value of the CDO portfolio with 1.7 billion euros.

Changes in fair value of own debt instruments:
The positive impact on the results of the second quarter of 2012 can be explained by an increase of the senior and subordinated credit spreads of KBC, leading to a lower MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss. Remark that during the first quarter of 2012, the credit spreads of KBC declined substantially.

Results on divestments:
In the second quarter of 2012, the results on divestments include mainly:

- the realised gain on Warta (+0.3 billion euros)
- impairments to the tune of 1.2 billion euros (after tax) on remaining companies to be divested. These mainly include impairments on 'goodwill' and 'other', for a.o. following companies: Absolut Bank, Antwerp Diamond Bank, KBC Bank Germany, KBC Banka and NLB (for NLB also impairments on available for sale assets are included). For more information see note 14 on impairments and note 46 on IFRS 5.

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding intersegment eliminations	Inter-segment eliminations	KBC Group
UNDERLYING INCOME STATEMENT - 1H 2011						
Net interest income	1 148	766	348	502	0	2 764
Earned premiums, insurance (before reinsurance)	1 128	404	0	629	- 46	2 116
Non-life	428	163	0	344	- 18	918
Life	699	241	0	285	- 28	1 197
Technical charges, insurance (before reinsurance)	- 1 100	- 304	0	- 487	32	- 1 859
Non-life	- 208	- 79	0	- 194	3	- 479
Life	- 892	- 225	0	- 293	29	- 1 381
Ceded reinsurance result	- 9	- 9	0	- 14	7	- 26
Dividend income	32	1	4	8	0	45
Net result from financial instruments at fair value through profit or loss	22	47	300	- 7	0	361
Net realised result from available-for-sale assets	46	9	14	26	0	95
Net fee and commission income	365	162	104	163	0	794
Other net income	78	18	39	19	- 8	145
TOTAL INCOME	**1 709**	**1 093**	**809**	**838**	**- 15**	**4 434**
Operating expenses	- 875	- 652	- 294	- 575	15	- 2 382
Impairment	- 89	- 148	- 169	- 32	0	- 439
on loans and receivables	- 27	- 92	- 152	10	0	- 261
on available-for-sale assets	- 57	- 52	- 1	- 30	0	- 141
on goodwill	0	0	0	0	0	0
on other	- 5	- 4	- 16	- 13	0	- 37
Share in results of associated companies	0	1	0	1	0	1
RESULT BEFORE TAX	**745**	**293**	**345**	**231**	**0**	**1 615**
Income tax expense	- 226	- 24	- 99	- 61	0	- 410
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**520**	**270**	**247**	**170**	**0**	**1 206**
attributable to minority interests	1	1	7	12	0	20
attributable to equity holders of the parent	**518**	**269**	**240**	**158**	**0**	**1 186**
UNDERLYING INCOME STATEMENT 1H 2012						
Net interest income	1 145	705	273	238	0	2 361
Earned premiums, insurance (before reinsurance)	900	436	0	452	- 15	1 774
Non-life	452	163	0	280	- 14	880
Life	449	273	0	173	0	894
Technical charges, insurance (before reinsurance)	- 860	- 343	0	- 311	5	- 1 509
Non-life	- 227	- 88	0	- 167	5	- 477
Life	- 633	- 255	0	- 144	0	- 1 033
Ceded reinsurance result	- 15	- 6	0	1	6	- 14
Dividend income	24	0	1	1	0	26
Net result from financial instruments at fair value through profit or loss	23	105	284	28	0	439
Net realised result from available-for-sale assets	25	- 3	4	12	0	37
Net fee and commission income	374	148	102	- 7	0	616
Other net income	9	21	9	7	- 1	46
TOTAL INCOME	**1 625**	**1 062**	**673**	**420**	**- 5**	**3 776**
Operating expenses	- 883	- 639	- 294	- 316	5	- 2 126
Impairment	- 41	- 68	- 371	- 32	0	- 512
on loans and receivables	- 13	- 64	- 355	- 27	0	- 459
on available-for-sale assets	- 28	0	0	0	0	- 29
on goodwill	0	0	0	0	0	0
on other	0	- 4	- 16	- 4	0	- 24
Share in results of associated companies	0	1	0	- 19	0	- 19
RESULT BEFORE TAX	**701**	**357**	**8**	**54**	**0**	**1 119**
Income tax expense	- 208	- 51	- 25	4	0	- 280
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**493**	**306**	**- 17**	**57**	**0**	**839**
attributable to minority interests	1	0	6	5	0	12
attributable to equity holders of the parent	**492**	**306**	**- 23**	**52**	**0**	**827**

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31-12-2011					
Total loans to customers	55 254	25 648	43 832	13 550	138 284
Of which mortgage loans	29 417	10 533	12 288	5 194	57 431
Of which reverse repos	0	16	1 413	0	1 429
Customer deposits	71 156	38 216	46 168	9 687	165 226
Of which repos	0	3 209	12 633	0	15 841
Balance sheet information 30-06-2012					
Total loans to customers	56 798	26 462	48 247	1 819	133 326
Of which mortgage loans	30 131	10 791	11 933	29	52 884
Of which reverse repos	0	297	5 708	0	6 005
Customer deposits	74 593	38 838	49 720	534	163 685
Of which repos	0	3 717	9 640	0	13 357

Segment reporting according to geographic segment (note 2b in the annual accounts 2011)

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
1H 2011				
Total income from external customers (underlying)	2 077	1 566	790	4 434
31-12-2011				
Total assets (period-end)	181 036	60 898	43 448	285 382
Total liabilities (period-end)	171 262	55 189	42 159	268 611
1H 2012				
Total income from external customers (underlying)	1 930	1 397	449	3 776
30-06-2012				
Total assets (period-end)	184 542	61 700	39 605	285 848
Total liabilities (period-end)	175 431	55 775	37 925	269 131

The geographical information is based on geographic areas, and reflects KBC's focus on Belgium (land of domicile) and Central and Eastern Europe (including Russia) – and its selective presence in other countries ('rest of the world', i.e. mainly the US, Southeast Asia and Western Europe excluding Belgium). The geographic segmentation is based on the location where the services are rendered. Since at least 95% of the customers are local customers, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement. The geographic segmentation differs significantly from the business unit breakdown, due to, inter alia, a different allocation methodology and the fact that the geographic segment 'Belgium' includes not only the Belgium business unit, but also the Belgian part of the Merchant Banking Business unit.

Other notes

Net interest income (note 3 in the annual accounts 2011)

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Total	**1 406**	**1 261**	**1 190**	**2 801**	**2 451**
Interest income	**3 195**	**2 695**	**2 563**	**6 241**	**5 258**
Available-for-sale assets	481	350	311	948	661
Loans and receivables	1 671	1 580	1 540	3 299	3 120
Held-to-maturity investments	160	184	229	299	412
Other assets not at fair value	8	8	7	17	15
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 321	*2 122*	*2 086*	*4 563*	*4 209*
Financial assets held for trading	620	344	313	1 167	657
Hedging derivatives	134	161	135	242	296
Other financial assets at fair value through profit or loss	121	67	29	270	96
Interest expense	**- 1 789**	**- 1 434**	**- 1 374**	**- 3 440**	**- 2 808**
Financial liabilities measured at amortised cost	- 828	- 761	- 776	- 1 601	- 1 538
Other	0	- 1	- 6	- 1	- 7
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 828*	*- 762*	*- 782*	*- 1 601*	*- 1 545*
Financial liabilities held for trading	- 667	- 392	- 381	- 1 283	- 772
Hedging derivatives	- 215	- 220	- 169	- 411	- 389
Other financial liabilities at fair value through profit or loss	- 79	- 60	- 42	- 144	- 102

Net realised result from available-for-sale assets (note 6 in the annual accounts 2011)

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Total	42	32	9	76	41
Breakdown by portfolio					
Fixed-income securities	3	- 30	- 22	10	- 51
Shares	39	61	31	66	93

In 1Q 2012, a net realised loss from available for sale assets of -39 million euros stemming from the finalisation of the events regarding Greece was incurred.

In 2Q 2012, further reductions of Spanish, Italian and Portuguese government bonds led to net realised losses from available for sale assets to the tune of -53 million euros, -8 million euros and -6 million euros (before tax) respectively. These were partly compensated by gains on the sale of other securities.

More information is presented in note 47.

Net fee and commission income (note 7 in the annual accounts 2011)

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Total	297	304	309	597	613
Fee and commission income	530	492	479	1 048	970
Securities and asset management	235	201	202	480	403
Margin on deposit accounting (life insurance investment contracts without DPF)	10	24	33	19	57
Commitment credit	73	77	70	143	146
Payments	137	137	139	273	276
Other	76	54	35	134	89
Fee and commission expense	- 233	- 188	- 170	- 452	- 358
Commission paid to intermediaries	- 120	- 101	- 105	- 242	- 205
Other	- 113	- 87	- 65	- 210	- 153

Other net income (note 8 in the annual accounts 2011)

	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Total	110	73	368	202	441
Of which net realised result following					
The sale of loans and receivables	- 10	- 49	- 3	- 12	- 52
The sale of held-to-maturity investments	0	- 4	- 5	0	- 9
The repurchase of financial liabilities measured at amortised cost	- 1	0	0	- 1	- 1
Other: of which:	121	126	376	215	502
KBC Lease UK	2	41	0	2	41
Income concerning leasing at the KBC Lease-group	23	20	19	44	40
Income from consolidated private equity participations	12	4	5	28	9
Income from Group VAB	15	18	15	32	33
5/5/5 loans	0	- 56	0	0	- 56
Realised gains or losses on divestments	20	72	334	15	406

In 1Q 2012:

- the net realized result following the sale of loans and receivables includes -51 million euros related to assets formerly assigned to Atomium, leading to a reduction in risk weighted assets of roughly 2 billion euros.
- the realised results relating to the sale of held to maturity investments includes mainly the exchange operation regarding Greek bonds (more information in note 47).
- there were further recuperations to the tune of 41 million euros in light of the fraud case at KBC Lease UK.
- KBC also recorded a negative P/L impact of 37 million euros after tax (56 million, pre-tax) as a result of KBC's voluntary compensation with respect to the 5/5/5 bonds (KBC IFIMA 5/5/5 and KBC Group 5-5-5) sold to retail customers.
- the closing of the divestments of Fidea and Dynaco (KBC Private Equity participation), resulted in a gain of respectively 51 and 21 million euros.

In 2Q 2012 there was significant impact in realised gains or losses on divestments. This results mainly from closing the divestment of Warta, which resulted in a gain of 0.3 billion euros in 2Q 2012.

Breakdown of the insurance results (note 9 in the annual accounts 2011)

In millions of EUR

	Life	Non-life	Non-technical account	TOTAL
1H 2011				
Technical result	- 233	262	22	51
Earned premiums, insurance (before reinsurance)	1 199	929	0	2 128
Technical charges, insurance (before reinsurance)	- 1 376	- 479	0	- 1 855
Net fee and commission income	- 54	- 164	22	- 196
Ceded reinsurance result	- 1	- 24	0	- 25
Financial result	438	92	57	587
Net interest income			512	512
Dividend income			34	34
Net result from financial instruments at fair value			- 8	- 8
Net realised result from AFS assets			49	49
Allocation to the technical accounts	438	92	- 530	0
Operating expenses	- 73	- 180	- 4	- 256
Internal costs claim paid	- 4	- 37	0	- 41
Administration costs related to acquisitions	- 20	- 48	0	- 69
Administration costs	- 49	- 94	0	- 143
Management costs investments	0	0	- 4	- 4
Other net income			28	28
Impairments			- 83	- 83
Share in results of associated companies			0	0
RESULT BEFORE TAX	132	174	20	327
Income tax expense				- 96
Net post-tax result from discontinued operations				4
RESULT AFTER TAX				235
attributable to minority interest				2
attributable to equity holders of the parent				233
1H 2012				
Technical result	- 191	239	36	84
Earned premiums, insurance (before reinsurance)	895	890	0	1 785
Technical charges, insurance (before reinsurance)	- 1 032	- 482	0	- 1 513
Net fee and commission income	- 53	- 156	36	- 174
Ceded reinsurance result	- 1	- 14	0	- 14
Financial result	378	77	299	754
Net interest income			444	444
Dividend income			24	24
Net result from financial instruments at fair value			231	231
Net realised result from AFS assets			55	55
Allocation to the technical accounts	378	77	- 455	0
Operating expenses	- 69	- 174	0	- 243
Internal costs claim paid	- 4	- 40	0	- 44
Administration costs related to acquisitions	- 21	- 47	0	- 68
Administration costs	- 44	- 87	0	- 131
Management costs investments	0	0	0	0
Other net income			370	370
Impairments			- 153	- 153
Share in results of associated companies			0	0
RESULT BEFORE TAX	118	142	552	811
Income tax expense				- 129
Net post-tax result from discontinued operations				1
RESULT AFTER TAX				684
attributable to minority interest				1
attributable to equity holders of the parent				**683**

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 2011 annual report).

Operating expenses (note 12 in the annual accounts 2011)

The operating expenses for the first quarter of 2011 and 2012 include the expenses related to the special tax imposed on financial institutions in Hungary (62 million euros cost in 2011 fully booked in the first quarter of 2011, 57 million euros cost in 2012 fully booked in the first quarter of 2012; deductible expense).

The first half of 2012, includes the new Belgian banking tax which is composed of mainly the following two elements which are taken up pro rata in the results: the contribution to the deposit guarantee scheme (82 million euros in 1H 2012) and the financial stability contribution (19 million euros in 1 H 2012).

The second quarter of 2012 includes a recuperation from the Belgian deposit guarantee fund to the tune of 51 million euros following the finalisation of governmental agreement regarding the recuperation of the non-recurring contribution of the deposit guarantee scheme.

Impairment – income statement (note 14 in the annual accounts 2011)

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
Total	- 332	- 273	- 1 473	- 437	- 1 746
Impairment on loans and receivables	- 164	- 261	- 198	- 260	- 459
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 182	- 300	- 182	- 301	- 481
Provisions for off-balance-sheet credit commitments	- 1	- 4	- 1	7	- 6
Portfolio-based impairments	19	44	- 16	34	28
Breakdown by business unit					
Belgium	- 16	2	- 15	- 27	- 13
Central and Eastern Europe	- 42	- 46	- 18	- 92	- 64
Merchant Banking	- 95	- 203	- 152	- 152	- 355
Group Centre	- 11	- 14	- 13	11	- 27
Impairment on available-for-sale assets	- 118	- 5	- 75	- 124	- 79
Breakdown by type					
Shares	- 14	- 5	- 24	- 20	- 29
Other	- 104	0	- 50	- 104	- 50
Impairment on goodwill	- 17	0	- 414	- 17	- 414
Impairment on other	- 33	- 7	- 786	- 35	- 794
Intangible assets, other than goodwill	0	0	0	0	0
Property and equipment and investment property	- 13	0	- 14	- 12	- 15
Held-to-maturity assets	- 16	0	0	- 16	0
Associated companies	0	0	- 334	0	- 334
Other	- 4	- 7	- 438	- 7	- 445

The impairment on loans and receivables for the business unit Merchant Banking, includes an impairment on loans & receivables in Ireland of -136 million euros in 2Q 2012 (-331 million euros for the first half of 2012).

The impairment on other available for sale assets includes the impairment on subordinated securities of NLB, which were repurchased by NLB at the beginning of July 2012 at 45% of their nominal value. Remark that the share in results of associated companies of 2Q 2012 includes +26 million euros which are also related to repurchases of subordinated securities at NLB .

The impairment on goodwill includes for a large part impairments booked on companies included in the scope of IFRS 5 as at 30 June 2012 (see further note 46).

The impairment on associated companies is calculated as the difference between the carrying amount of the shares in NLB (using the equity method) and the estimated recoverable amount. The recoverable amount is based on the fair value used in the most recent capital increase. Previously, the recoverable value was based on a value-in-use calculation, but considering the lack of reliable business plans available to KBC and taking into account the uncertainty of the future stake of KBC in NLB (given NLB has issued a substantial convertible loan towards the Republic of Slovenia), a value-in-use calculation is no longer considered appropriate.

The impairment on other (other) include – as is the case for the impairment on goodwill - for a large part impairments booked on companies included in the scope of IFRS 5 as at 30 June 2012 (see further note 46).

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2011)

Whereas in previous years, ‘accrued interest income’ and ‘accrued interest expense’ were disclosed separately in note 18, they are as of 30 June 2012 included in the corresponding products in the breakdown of the financial assets and financial liabilities. The reference figures were not adjusted retroactively.

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	Total excluding IFRS 5 companies*
FINANCIAL ASSETS, 31-12-2011									
Loans and advances to credit institutions and investment firms [a]	4 600	305	0	14 253	-	-	-	19 158	18 700
Loans and advances to customers [b]	203	1 879	0	136 201	-	-	-	138 284	126 323
Excluding reverse repos								*136 855*	*124 894*
Discount and acceptance credit	0	0	0	137	-	-	-	137	136
Consumer credit	0	0	0	3 910	-	-	-	3 910	3 268
Mortgage loans	0	178	0	57 253	-	-	-	57 431	52 265
Term loans	203	1 531	0	61 880	-	-	-	63 614	59 340
Finance leasing	0	11	0	4 647	-	-	-	4 658	4 173
Current account advances	0	0	0	4 876	-	-	-	4 876	3 598
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	159	0	3 499	-	-	-	3 659	3 543
Equity instruments	1 028	28	1 446	-	-	-	-	2 501	2 491
Investment contracts (insurance)		7 652	-	-	-	-	-	7 652	7 652
Debt instruments issued by	4 286	3 997	37 299	2 890	14 063	-	-	62 535	59 822
Public bodies	3 101	3 594	29 183	224	13 365	-	-	49 467	47 122
Credit institutions and investment firms	647	204	3 862	211	491	-	-	5 415	5 078
Corporates	538	199	4 255	2 455	207	-	-	7 653	7 621
Derivatives	16 750	-	-	-	-	624	-	17 375	17 096
Total carrying value excluding accrued intrest income	26 867	13 861	38 745	153 345	14 063	624	0	247 505	232 083
Accrued interest income	69	79	746	549	334	158	0	1 934	1 824
Total carrying value including accrued interest income	26 936	13 940	39 491	153 894	14 396	782	0	249 439	233 907
[a] *Of which reverse repos*								*5 982*	*5 982*
[b] *Of which reverse repos*								*1 429*	*1 429*
FINANCIAL ASSETS, 30-06-2012									
Loans and advances to credit institutions and investment firms [a]	3 928	801	0	12 539	-	-	-	17 268	
Loans and advances to customers [b]	316	6 146	0	126 864	-	-	-	133 326	
Excluding reverse repos								*127 321*	
Discount and acceptance credit	0	0	0	133	-	-	-	133	
Consumer credit	0	0	0	3 448	-	-	-	3 448	
Mortgage loans	0	156	0	52 728	-	-	-	52 884	
Term loans	316	5 772	0	57 596	-	-	-	63 684	
Finance leasing	0	10	0	4 122	-	-	-	4 132	
Current account advances	0	0	0	4 693	-	-	-	4 693	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	207	0	4 144	-	-	-	4 351	
Equity instruments	580	22	1 215	-	-	-	-	1 816	
Investment contracts (insurance)		9 595	-	-	-	-	-	9 595	
Debt instruments issued by	3 882	2 191	30 010	2 345	23 983	-	-	62 411	
Public bodies	3 169	1 826	21 713	200	22 783	-	-	49 692	
Credit institutions and investment firms	299	198	3 405	10	660	-	-	4 572	
Corporates	414	167	4 892	2 135	539	-	-	8 148	
Derivatives	14 951	-	-	-	-	911	-	15 862	
Total carrying value excluding accrued interest income	23 656	18 755	31 225	141 748	23 983	911	0	240 277	
Accrued interest income	0	0	0	0	0	0	0	0	
Total carrying value including accrued interest income	23 656	18 755	31 225	141 748	23 983	911	0	240 277	
[a] *Of which reverse repos*								*5 062*	
[b] *Of which reverse repos*								*6 005*	

* Absolut Bank, Antwerp Diamond Bank Group, KBC Banka, KBC Bank Deutschland, Kredyt Bank Group

In the first half of 2012, a total amount of 4.1 billion euros of government securities were 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	Total excluding IFRS 5 companies*
FINANCIAL LIABILITIES, 31-12-2011									
Deposits from credit institutions and investment firms [a]	843	3 831	-	-	-	-	21 259	25 934	24 828
Deposits from customers and debt certificates [b]	4 288	17 565	-	-	-	-	143 373	165 226	156 810
Excluding repos								*149 385*	*140 969*
Deposits from customers	3 774	13 277	-	-	-	-	117 410	134 461	126 119
Demand deposits	0	0	-	-	-	-	37 472	37 472	32 909
Time deposits	3 774	13 277	-	-	-	-	42 010	59 061	55 520
Savings deposits	0	0	-	-	-	-	32 624	32 624	32 624
Special deposits	0	0	-	-	-	-	3 887	3 887	3 886
Other deposits	0	0	-	-	-	-	1 417	1 417	1 180
Debt certificates	514	4 288	-	-	-	-	25 963	30 766	30 692
Certificates of deposit	0	20	-	-	-	-	4 597	4 617	4 617
Customer savings certificates	0	0	-	-	-	-	710	710	710
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	514	4 167	-	-	-	-	12 694	17 375	17 316
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	101	-	-	-	-	7 961	8 063	8 048
Liabilities under investment contracts	-	7 014	-	-	-	-	0	7 014	7 014
Derivatives	21 699	0	-	-	-	1 601	-	23 300	23 060
Short positions	497	0	-	-	-	-	-	497	497
in equity instruments	4	0	-	-	-	-	-	4	4
in debt instruments	493	0	-	-	-	-	-	493	493
Other	0	173	-	-	-	-	2 408	2 581	2 581
Total carrying value excluding accrued interest expense	27 327	28 584	-	-	-	1 601	167 041	224 553	214 791
Accrued interest expense	27	94	-	-	-	328	801	1 251	1 222
Total carrying value including accrued interest expense	27 355	28 678	-	-	-	1 929	167 842	225 804	216 013
[a] *Of which repos*								*6 574*	*6 563*
[b] *Of which repos*								*15 841*	*15 841*
FINANCIAL LIABILITIES, 30-06-2012									
Deposits from credit institutions and investment firms [a]	740	2 697	-	-	-	-	21 151	24 587	
Deposits from customers and debt certificates [b]	4 247	15 012	-	-	-	-	144 426	163 685	
Excluding repos								*150 328*	
Deposits from customers	3 757	10 265	-	-	-	-	118 880	132 902	
Demand deposits	0	0	-	-	-	-	36 164	36 164	
Time deposits	3 757	10 265	-	-	-	-	43 722	57 744	
Savings deposits	0	0	-	-	-	-	33 932	33 932	
Special deposits	0	0	-	-	-	-	3 852	3 852	
Other deposits	0	0	-	-	-	-	1 211	1 211	
Debt certificates	489	4 748	-	-	-	-	25 547	30 783	
Certificates of deposit	0	7	-	-	-	-	5 544	5 551	
Customer savings certificates	0	0	-	-	-	-	598	598	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	489	4 517	-	-	-	-	12 062	17 068	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	223	-	-	-	-	7 343	7 566	
Liabilities under investment contracts	-	8 856	-	-	-	-	0	8 856	
Derivatives	18 324	0	-	-	-	2 148	-	20 471	
Short positions	303	0	-	-	-	-	-	303	
in equity instruments	9	0	-	-	-	-	-	9	
in debt instruments	295	0	-	-	-	-	-	295	
Other	0	75	-	-	-	-	2 755	2 829	
Total carrying value excluding accrued interest expense	23 613	26 640	-	-	-	2 148	168 332	220 732	
Accrued interest expense	0	0	-	-	-	0	0	0	
Total carrying value including accrued interest expense	23 613	26 640	-	-	-	2 148	168 332	220 732	
[a] *Of which repos*								*6 986*	
[b] *Of which repos*								*13 357*	

* Absolut Bank, Antwerp Diamond Bank Group, KBC Bank Deutschland, KBC Banka, Kredytbank Group.

Additional information on quarterly time series

Total customer loans excluding reverse repo

In millions of EUR	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012
Total	135 674	136 281	136 855	131 940	127 321
Breakdown per business unit					
Belgium	53 364	54 190	55 254	55 776	56 798
Central and Eastern Europe	25 950	25 826	25 632	26 220	26 164
Merchant Banking	42 389	42 542	42 419	42 561	42 540
Group Centre (*)	13 972	13 723	13 550	7 383	1 819

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank; figures as of 30-06-2012 excluding a.o. Absolut Bank, ADB, KBC Bank Deutschland, KBC Banka

Total mortgage loans

In millions of EUR	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012
Total	56 731	57 081	57 431	53 951	52 884
Breakdown per business unit					
Belgium	27 833	28 457	29 417	29 703	30 131
Central and Eastern Europe	11 045	11 019	10 533	10 871	10 791
Merchant Banking	12 550	12 460	12 288	12 093	11 933
Group Centre (*)	5 303	5 145	5 194	1 284	29

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank; figures as of 30-06-2012 excluding a.o. Absolut Bank, ADB, KBC Bank Deutschland, KBC Banka

Total customer deposits excluding repos

In millions of EUR	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012
Total	171 388	167 683	149 385	149 685	150 328
Breakdown per business unit					
Belgium	70 802	72 687	71 156	71 324	74 593
Central and Eastern Europe	35 692	35 193	35 007	35 874	35 121
Merchant Banking	56 010	51 474	33 535	39 548	40 079
Group Centre (*)	8 884	8 329	9 687	2 940	534

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank; figures as of 30-06-2012 excluding a.o. Absolut Bank, ADB, KBC Bank Deutschland, KBC Banka

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-06-2011		30-09-2011		31-12-2011		31-03-2012		30-06-2012	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 885	7 356	18 860	7 579	18 891	7 936	16 296	8 820	15 651	9 595
Breakdown per business unit										
Belgium	15 374	6 217	15 363	6 466	15 414	6 859	15 240	7 713	14 784	8 687
Central and Eastern Europe	879	803	865	779	836	742	859	796	835	853
Group Centre	2 633	335	2 632	334	2 641	335	197	311	32	56

(*) figures as from 30/09/2011 are excluding Fidea, and as from 31/12/2011 also excluding Warta.

Provisions for risks and charges (note 36 in the annual accounts 2011)

See note 8 (Other net income), for more detail on provision regarding 5/5/5 bonds.

Parent shareholders' equity and non-voting core-capital securities (note 39 in the annual accounts 2011)

in number of shares	31-12-2011	30-06-2012
Ordinary shares	357 980 313	357 980 313
of which ordinary shares that entitle the holder to a dividend payment	*344 619 736*	*344 619 736*
of which treasury shares	*18 169 054*	*18 169 054*
Non-voting core-capital securities	220 338 982	220 338 982
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.

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. As at 30 June 2012, this number includes, *inter alia*:

- the shares that are held to meet requirements under the various employee stock option plans (889 130 shares).
- the shares that were bought in relation to the 2007-2009 3-billion-euro share buyback program (13 360 577 shares).

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State representing 16 949 152 non-voting core-capital securities. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability) and in the number of non-voting core-capital securities as presented in the table above.

Related-party transactions (note 42 in the annual accounts 2011)

In the course of the first half of 2012, there was no significant change in related parties compared to the end of 2011.
In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the 2Q 2012 results is the related cost of 27 million euros (pre-tax) (87 million euros pre tax for 1H 2012), which is recognised in 'Net result from financial instruments at fair value through profit or loss'.
On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability). In the second quarter of 2012, the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments was paid (595 million euros or 8.5% of 7 billion euros).

Main changes in the scope of consolidation (note 45 in the annual accounts 2011)

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison		1H 2011	1H 2012	
Additions				
None				
Exclusions				
Centea	Full	100,00%	------	Sold in 3Q 2011
Fidea NV	Full	100,00%	------	Sold in 1Q 2012
KBC Clearing NV	Full	100,00%	------	Deconsolidated in 2Q12 due to immateriality
Name Changes				
None				
Changes in ownership percentage and internal mergers				
DZI Insurance	Full	90,35%	100,00%	Increase with 9,65% (4Q 2011)
Groep VAB NV	Full	74,81%	79,81%	Increase with 5% (2Q 2012)
For balance sheet comparison		31-12-2011	30-06-2012	
Additions				
None				
Exclusions				
Fidea NV	Full	100,00%	------	Sold in 1Q 2012
KBC Clearing NV	Full	100,00%	------	Deconsolidated in 2Q12 due to immateriality
TUIR WARTA SA	Full	100,00%	------	Deconsolidated on 30 June 2012 due to sale
Name Changes				
None				
Changes in ownership percentage and internal mergers				
Groep VAB NV	Full	74,81%	79,81%	Increase with 5% (2Q 2012)

As compared to 1H 2011 the consolidation scope changed by excluding Centea and Fidea, both contributing 16 million euros and 23 million euros respectively to the consolidated net profit in 1H 2011.

Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2011)

Situation as at 30 June 2012

On 30 June 2012, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation, mainly: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland, KBC Banka and Kredyt Bank. The results of these companies are still included in the income statement's lines.
- as disposal groups which are part of a discontinued operation: KBL EPB-group (including Vitis Life). As required by IFRS 5, the results of a discontinued operation are shown (retroactively) on one line in the income statement: Net post-tax result from discontinued operations.

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.

In comparison with previous quarter mainly Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are added to the scope of IFRS 5 based on:

- ongoing advanced discussions in the concerned divestment files whereby considerable progress is made (including additional insights in prices).
- the due date for these divestment files as included in the EC restructuring plan coming closer
- the intention of KBC's management to implement the divestment plan as soon as possible in order to be able to further focus on KBC's core strategy as integrated bancassurer in its five home markets.

Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 30 June 2012

KBL EPB:

Activity:	Private banking
Segment:	Group Centre
Other information:	On 10 October 2011, the KBC group has reached an agreement with Precision Capital for the sale of its dedicated private banking subsidiary KBL European Private Bankers ('KBL EPB') for a total consideration of approximately 1 billion euros. Note that, the transaction was closed on 31 July 2012 (for more information see note 48).

Kredyt Bank:

Activity:	Banking
Segment:	Group Centre
Other information:	On 28 February 2012, KBC Group has reached an agreement with Santander for the merger of its subsidiary Kredyt Bank and Bank Zachodni WBK. Following the proposed merger, Santander will hold approximately 76.5% of the merged bank and KBC around 16.4%. The rest will be held by other minority shareholders. Banco Santander S.A. has committed to help KBC to lower its stake in the merged bank to below 10% immediately after the merger. Furthermore, KBC's intention is to divest its remaining stake, with a view to maximising value. Based on the market valuations at the time of reaching the agreement, the transaction will have a positive effect on KBC's income statement of approximately +0.1 billion euros at the time of closing the transaction. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. Mid-May a signed merger plan was filed for the approval by the Financial Supervisory Commission. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after a committed reduction of KBC's participation below 10% shortly after the registration of the merger and at the market valuations at the time of reaching the agreement approximately 0.7 billion euros of capital will be released, predominantly based on a reduction of Risk Weighted Assets – corresponding with a pro forma tier-1 impact at KBC-group consolidated level (calculated at year-end 2011) of approximately +0.8%. Assuming a full exit and based on current market valuations, the pro forma tier-1 impact at KBC- group consolidated level (calculated at year-end 2011) is estimated at approximately +0.9%.

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

In millions of EUR	2Q 2011	1Q 2012	2Q 2012	1H 2011	1H 2012
A: DISCONTINUED OPERATIONS					
Income statement					
Income statement KBL EPB (including Vitis Life)					
Net interest income	40	29	26	74	55
Net fee and commission income	89	88	79	187	167
Other income	2	20	14	25	34
Total income	131	137	120	287	257
Operating expenses	- 97	- 110	- 110	- 205	- 220
Impairment	- 18	- 8	- 14	- 19	- 22
Share in results of associated companies	0	0	0	0	0
Result before tax	15	19	- 4	63	15
Income tax expense	- 4	- 6	- 1	- 15	- 8
Result after tax	**11**	**12**	**- 5**	**48**	**7**
Result of sale of KBL EPB (including Vitis Life)			0		
Impairment loss recognised on the remeasurement to fair value less costs to sell	- 11	28	- 3	- 48	25
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0
Result of sale after tax	- 11	28	- 3	- 48	25
Net post-tax result from discontinued operations	**0**	**40**	**- 8**	**0**	**32**

Cashflow statement KBL EPB (including Vitis Life)	1H 2011	1H 2012
Net cash from (used in) operating activities	1 591	- 1 612
Net cash from (used in) investing activities	- 12	8
Net cash from (used in) financing activities	- 400	6
Net cash outflow/inflow	**1 180**	**- 1 597**

B: NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS

Balance sheet	31-12-2011	*of which: Discontinued operations*	30-06-2012	*of which: Discontinued operations*
Assets				
Cash and cash balances with central banks	1 076	*1 076*	946	*479*
Financial assets	16 797	*12 523*	28 074	*11 822*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	12	*12*	14	*14*
Tax assets	110	*95*	209	*72*
Investments in associated companies	13	*13*	12	*12*
Investment property and property and equipment	278	*224*	427	*214*
Goodwill and other intangible assets	352	*196*	323	*225*
Other assets	485	*103*	209	*134*
Total assets	19 123	*14 242*	30 214	*12 972*
Liabilities				
Financial liabilities	12 901	*12 710*	22 548	*11 283*
Technical provisions insurance, before reinsurance	4 533	*424*	400	*400*
Tax liabilities	38	*6*	33	*8*
Provisions for risks and charges	30	*22*	55	*19*
Other liabilities	631	*304*	451	*335*
Total liabilities	18 132	*13 466*	23 488	*12 045*
Other comprehensive income				
Available-for-sale reserve	- 81	*- 72*	92	*78*
Deferred tax on available-for-sale reserve	29	*20*	- 25	*- 22*
Cash flow hedge reserve			1	*0*
Translation differences	7	*7*	22	*- 4*
Total other comprehensive income	- 45	*- 46*	90	*52*

Update government bonds on selected countries (note 47 in the annual accounts 2011)

Sovereign bonds on selected European countries, in millions of euros (carrying amounts), 30-06-2012

	Banking and Insurance book*			Trading book	Total	Banking and insurance book maturity breakdown		
	AFS	HTM	FIV			Maturity date in 2012	Maturity date in 2013	Maturity date in & after 2014
Greece	32	0	1	0	33	1	0	31
Portugal	40	64	4	0	109	0	0	108
Spain	340	0	0	1	341	55	27	258
Italy	948	390	0	23	1 361	14	91	1 255
Ireland	124	307	0	0	432	0	0	432
Total	1 483	761	5	25	2 274	71	118	2 085

* AFS (available-for-sale), HTM (held-to-maturity), FIV (designated at fair value through profit and loss).

Evolution of Sovereign bond portfolio on selected European countries, banking and insurance (carrying amount in billions of EUR)

	End 2Q11	End 3Q11	End 4Q11	End 1Q12	End 2Q12
Greece	0.5	0.3	0.2	0.0	0.0
Portugal	0.3	0.1	0.1	0.1	0.1
Spain	2.2	2.1	1.9	1.9	0.3
Italy	6.1	3.8	2.1	2.0	1.4
Ireland	0.4	0.4	0.4	0.4	0.4
Total	9.6	6.7	4.8	4.4	2.3

During the first quarter of 2012, KBC took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31,5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange end of March 2012 leading to a limited remaining carrying value of 43 million euro and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 42 million euros. At the end of June 2012, the carrying value of these bonds further decreased to 32 million euro. The new Greek government bonds are classified in level 1 (while the former Greek bonds were classified in level 2).

During the second quarter of 2012, KBC further reduced its GIIPS portfolio substantially:

- KBC reduced its Spanish sovereign bond exposure by selling all its HTM positions (0.2 billion euros) as well as a large portion of its AFS bonds (approximately 1.0 billion euros) leading to a realised loss of approximately -53 million euros before tax. More and above, about 0.4 billion euros of Spanish sovereign bonds matured in the course of the quarter.
- Also Italian sovereign bonds were sold. KBC Group’s total exposure on Italian sovereign bonds decreased by a total carrying amount of approx. -0.5 billion euros. These sales resulted in a realised loss of -8 million euros.
- KBC also sold Portuguese government bonds maturing in 2014 and 2015. This resulted in a further reduction of around -14 million euros in carrying value and in an additional realised loss on AFS bonds of -6 million before tax.

At 30 June 2012, the carrying amounts of the AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets for a total amount before tax of
-132 million euros (Italy: -33 million, Portugal: -14 million, Spain: -60 million, Ireland: -10 million, Greece: -15 million).

Post-balance sheet events (note 48 in the annual accounts 2011)

Significant events between the balance sheet date (30 June 2012) and the publication of this report (7 August 2012)

- KBC - after very careful and thorough consideration, and in consultation with all relevant parties – on 29 June decided not to participate in the short-term capital solution proposed by NLB and the Republic of Slovenia. This resulted in a dilution of KBC’s stake in NLB, which was 25% (plus one share) at the time, to 22% after a capital increase which took place on 2 July 2012.

  Every decision taken by KBC should also be in line with the strategic plan KBC agreed with the European Commission. In this strategic plan, KBC repeated that its non-strategic stake in NLB was earmarked for divestment.

- On 31 July 2012, KBC group finalised the sale, announced on 10 October 2011, of its private banking subsidiary KBL European Private Bankers to Precision Capital S.A. for a total consideration of approximately 1 billion euros. The sale is expected to release a substantial amount of capital (approximately 0.7 billion euros) for KBC, increasing its tier-1 ratio by 0.7 %.

Ernst & Young

Ernst & Young
Réviseurs d'Entreprises
Bedrijfsrevisoren
De Kleetlaan 2
B - 1831 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 Group nv on the review of the interim condensed consolidated financial statements as of 30 June 2012 and for the six months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the "Company") as at 30 June 2012 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 six-month period then ended, and explanatory notes. 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/beperkt nazicht" as defined by the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" 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 auditing standards of the "Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" 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.

PY

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 - RPR Brussel - T.V.A. - B.T.W. BE 0446.334.711
Banque - Fortis - Bank 210-0905900-69

Report of the statutory auditor to the shareholders of KBC Group nv on the review of the interim condensed consolidated financial statements as of 30 June 2012 and for the six months then ended

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

Brussels, 7 August 2012

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek	Peter Telders
Partner	Partner

13PVDB0009

2

Risk and capital management

KBC Group, 2Q 2012

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 2011)'.

Credit risk: loan portfolio overview	31-12-2011	*31-12-2011 (pro forma)*[1]	30-06-2012
Total loan portfolio (in billions of EUR)			
Amount granted	186	*169*	168
Amount outstanding[2]	156	*142*	142
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)			
Belgium	34%	*37%*	38%
CEE	19%	*21%*	22%
Merchant Banking	37%	*40%*	39%
Group Centre	10%	*1%*	1%
Total	100%	*100%*	100%
Impaired loans (in millions of EUR or %)			
Amount outstanding	11 234	*9 992*	10 378
Specific loan impairments	4 870	*4 152*	4 344
Portfolio-based loan impairments	371	*317*	293
Credit cost ratio, per business unit			
Belgium	0.10%	*0.10%*	0.04%
CEE	1.59%	*1.59%*	0.42%
Czech Republic	0.37%	*0.37%*	0.24%
Slovakia	0.25%	*0.25%*	0.25%
Hungary	4.38%	*4.38%*	1.08%
Bulgaria	14.73%	*14.73%*	0.86%
Merchant Banking	1.36%	*1.36%*	1.38%
Group Centre	0.36%	0.36%[3]	0.33%[3]
Total	0.83%	0.83%[3]	0.59%[3]
Non-performing (NP) loans (in millions of EUR or %)			
Amount outstanding	7 580	*6 754*	7 509
Specific loan impairments for NP loans	3 875	*3 263*	3 475
Non-performing ratio, per business unit			
Belgium	1.5%	*1.5%*	1.5%
CEE	5.6%	*5.6%*	5.6%
Merchant Banking	7.8%	*7.8%*	9.5%
Group Centre	5.5%	*2.2%*	2.5%
Total	4.9%	*4.8%*	5.3%
Cover ratio			
Specific loan impairments for NP loans / Outstanding NP loans	51%	*48%*	46%
Idem, excluding mortgage loans	62%	*60%*	58%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	69%	*66%*	62%
Idem, excluding mortgage loans	89%	*88%*	83%

1. Figures as from 31-12-2011 excluding entities marked as 'disposal groups' under IFRS 5.
2. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
3. CCR including IFRS 5 entities with the exception of KBL which remains excluded from the CCR ratio. Excluding IFRS 5 entities the CCR would be -0.12% for Group Centre and 0.60% for the Total.

* Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures. KBL EPB has been excluded since 31-12-2011 ; Kredyt Bank as from 31-03-2012 ; Absolut Bank, ADB, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

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

30-06-2012, in millions of EUR	**Belgium**		
Total outstanding amount	57.986		
Counterparty break down		*% outst.*	
SME / corporate	1.589	*2,7%*	
retail	56.398	*97,3%*	
o/w private	31.367	*54,1%*	
o/w companies	25.031	*43,2%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	30.045	*51,8%*	64%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	4.682	*8,1%*	-
o/w LTV > 100%	2.825	*4,9%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	46.831	*80,8%*	
medium risk (pd 5-7; 0.80%-6.40%)	8.040	*13,9%*	
high risk (pd 8-10; 6.40%-100.00%)	2.229	*3,8%*	
non-performing loans (pd 11 - 12)	883	*1,5%*	
unrated	3	*0,0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	883	*1,5%*	
provisions for NPL	447		
all provisions (specific + portfolio based)	537		
cover NPL by all provisions (specific + portfolio)	61%		
2011 Credit cost ratio (CCR)	0,10%		
YTD 2012 CCR	0,04%		

Remark

(*) 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. KBL EPB has been excluded since 31-12-2011 ; Kredyt Bank as from 31-03-2012 ; Absolut Bank, ADB, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

Loan portfolio Business Unit Central & Eastern Europe

30-06-2012, in millions of EUR	**Czech Republic**			**Slovakia**			**Hungary**			**Bulgaria**			**Total CEE**	
Total outstanding amount	20.264			4.332			5.425			686			30.707	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	6.749	*33.3%*		2.303	*53.2%*		2.776	*51.2%*		283	*41.3%*		12.111	*39.4%*
retail	13.515	*66.7%*		2.030	*46.8%*		2.649	*48.8%*		403	*58.7%*		18.596	*60.6%*
o/w private	10.132	*50.0%*		1.702	*39.3%*		2.208	*40.7%*		246	*35.8%*		14.288	*46.5%*
o/w companies	3.383	*16.7%*		328	*7.6%*		440	*8.1%*		157	*22.9%*		4.308	*14.0%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6.679	*33.0%*	67%	1.435	*33.1%*	58%	1.944	*35.8%*	85%	116	*16.9%*	64%	10.175	*33.1%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	1.600	*29.5%*	92%	72	*10.5%*	60%	1.672	*5.4%*
o/w vintage 2007 and 2008	1.983	*9.8%*	-	295	*6.8%*	-	1.010	*18.6%*	-	53	*7.7%*	-	3.341	*10.9%*
o/w LTV > 100%	414	*2.0%*	-	0	*0.0%*	-	633	*11.7%*	-	15	*2.2%*	-	1.062	*3.5%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	11.859	*58.5%*		2.436	*56.2%*		2.326	*42.9%*		9	*1.3%*		16.630	*54.2%*
medium risk (pd 5-7; 0.80%-6.40%)	6.802	*33.6%*		1.183	*27.3%*		1.689	*31.1%*		236	*34.4%*		9.910	*32.3%*
high risk (pd 8-10; 6.40%-100.00%)	915	*4.7%*		294	*6.8%*		723	*13.3%*		167	*24.3%*		2.099	*6.9%*
non-performing loans (pd 11 - 12)	683	*3.2%*		148	*3.4%*		683	*12.6%*		191	*27.8%*		1.704	*5.4%*
unrated	4	*0.0%*		272	*6.3%*		4	*0.1%*		84	*12.2%*		364	*1.2%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	683	*3.4%*		148	*3.4%*		683	*12.6%*		191	*27.8%*		1.704	*5.6%*
provisions for NPL	392			85			374			92			943	
all provisions (specific + portfolio based)	504			118			418			127			1.167	
cover NPL by all provisions (specific + portfolio)	74%			80%			61%			67%			68%	
2011 Credit cost ratio (CCR)	0.37%			0.25%			4.38%			14.73%			1.59%	
YTD 2012 CCR (local currency) (2)	0.24%			0.25%			1.08%			0.86%			0.42%	

Remarks

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

(2) individual CCR's in local currencies.

Loan portfolio Business Unit Merchant Banking

30-06-2012, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA		
Total outstanding amount	20.874			20.952			16.452			3.496		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
SME / corporate	20.874	*100,0%*		8.316	*39,7%*		3.816	*23,2%*		3.496	*100,0%*	
retail	0	*0,0%*		12.636	*60,3%*		12.636	*76,8%*		0	*0,0%*	
o/w private	0	*0,0%*		12.636	*60,3%*		12.636	*76,8%*		0	*0,0%*	
o/w companies	0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	0	*0,0%*	-	12.636	*60,3%*	119%	12.636	*76,8%*	119%	0	*0,0%*	-
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-
o/w vintage 2007 and 2008	0	*0,0%*	-	4.637	*22,1%*	-	4.637	*28,2%*	-	0	*0,0%*	-
o/w LTV > 100%	0	*0,0%*	-	8.442	*40,3%*	-	8.442	*51,3%*	-	0	*0,0%*	-
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	13.181	*63,1%*		8.925	*42,6%*		6.751	*41,0%*		2.765	*79,1%*	
medium risk (pd 5-7; 0.80%-6.40%)	4.749	*22,7%*		3.895	*18,6%*		2.824	*17,2%*		395	*11,3%*	
high risk (pd 8-10; 6.40%-100.00%)	903	*4,3%*		4.315	*20,6%*		3.350	*20,4%*		242	*6,9%*	
non-performing loans (pd 11 - 12)	931	*4,5%*		3.771	*18,0%*		3.526	*21,4%*		94	*2,7%*	
unrated	1.110	*5,3%*		46	*0,2%*		0	*0,0%*		0	*0,0%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	931	*4,5%*		3.771	*18,0%*		3.526	*21,4%*		94	*2,7%*	
provisions for NPL	569			1.349			1.210			84		
all provisions (specific + portfolio based)	777			1.802			1.523			90		
cover NPL by all provisions (specific + portfolio)	83%			48%			43%			96%		
2011 Credit cost ratio (CCR)	n.a.			n.a.			3,01%			n.a.		
YTD 2012 CCR	n.a.			n.a.			4,00%			n.a.		

30-06-2012, in millions of EUR	Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	918			2.023			3.028			51.291	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	918	*100,0%*		2.023	*100,0%*		3.028	*100,0%*		38.655	*75,4%*
retail	0	*0,0%*		0	*0,0%*		0	*0,0%*		12.636	*24,6%*
o/w private	0	*0,0%*		0	*0,0%*		0	*0,0%*		12.636	*24,6%*
o/w companies	0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12.636	*24,6%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*
o/w vintage 2007 and 2008	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4.637	*9,0%*
o/w LTV > 100%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	8.442	*16,5%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	540	*58,8%*		799			1.657	*54,7%*		27.818	*54,2%*
medium risk (pd 5-7; 0.80%-6.40%)	305	*33,2%*		911			1.209	*39,9%*		11.465	*22,4%*
high risk (pd 8-10; 6.40%-100.00%)	50	*5,4%*		256	*12,6%*		162	*5,4%*		5.976	*11,7%*
non-performing loans (pd 11 - 12)	24	*2,6%*		57	*2,8%*		0	*0,0%*		4.877	*9,5%*
unrated	0	*0,0%*		0			0	*0,0%*		1.156	*2,3%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	24	*2,6%*		57	*2,8%*		0	*0,0%*		4.877	*9,5%*
provisions for NPL	15			52			0			2.069	
all provisions (specific + portfolio based)	29			54			44			2.849	
cover NPL by all provisions (specific + portfolio)	124%			95%			-			58%	
2011 Credit cost ratio (CCR)	n.a.			n.a.			n.a.			1,36%	
YTD 2012 CCR	n.a.			n.a.			n.a.			1,38%	

Remarks

Belgium = Belgian Corporate Branches, KBC Lease (Belgium), KBC Commercial Finance, KBC Real Estate

Western Europe = Foreign branches in Western Europe (UK, France, Netherlands); KBC Bank Ireland (incl. former Homeloans), KBC Lease UK, Ex-Atomium assets

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

USA = foreign branch in USA

Southeast Asia = Foreign branches in Asia (Hong Kong, Singapore, China)

Global = Structured Trade Finance, Foreign branch in Dublin (Syndicated loans), KBC Bank Head-office

Credit Investments = KBC Credit Investments

(*) mortgage loans: only KBC Homeloans exposure and only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Group Centre (excl. IFRS 5 scope)

30-06-2012, in millions of EUR	**Global (mainly KBC Finance Ireland)**			***for information: Russia (included in IFRS5 scope)***		
Total outstanding amount	1.786			*1.945*		
Counterparty break down		*% outst.*			*% outst.*	
SME / corporate	1.786	*100.0%*		*955*	*49.1%*	
retail	0	*0.0%*		*990*	*50.9%*	
o/w private	0	*0.0%*		*920*	*47.3%*	
o/w companies	0	*0.0%*		*69*	*3.6%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	*ind. LTV*
total	0	*0.0%*	-	*781*	*40.1%*	*54%*
o/w FX mortgages	0	*0.0%*	-	*179*	*9.2%*	*55%*
o/w vintage 2007 and 2008	0	*0.0%*	-	*372*	*19.1%*	-
o/w LTV > 100%	0	*0.0%*	-	*15*	*0.8%*	-
Probability of default (PD)		*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	446	*24.9%*		*991*	*51.0%*	
medium risk (pd 5-7; 0.80%-6.40%)	1.122	*62.8%*		*698*	*35.9%*	
high risk (pd 8-10; 6.40%-100.00%)	174	*9.7%*		*40*	*2.0%*	
non-performing loans (pd 11 - 12)	45	*2.5%*		*148*	*7.6%*	
unrated	0	*0.0%*		*68*	*3.5%*	
Other risk measures		*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	45	*2.5%*		*148*	*7.6%*	
provisions for NPL	16			*101*		
all provisions (specific + portfolio based)	38			*116*		
cover NPL by all provisions (specific + portfolio)	84%			*79%*		
2011 Credit cost ratio (CCR)	0.70%			*-1.99%*		
YTD 2012 CCR (local currency)	-0.12%			*-1.27%*		

Legend

ind. LTV Indexed Loan to Value: current outstanding loan / current value of property

avg. PD Average Probability of Default

Outstanding* structured credit exposure (banking – including KBL EPB - and insurance activities)

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 ('hedged CDO-linked exposure' in the table).

- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('unhedged CDO exposure' in the table) and in other ABS ('other ABS' 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.

In billions of EUR – 30-06-2012

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*17.9*
o/w hedged CDO exposure	*10.1*
o/w unhedged CDO exposure	*5.5*
o/w other ABS exposure	*2.3*
Cumulative value markdowns (mid 2007 to date)*	-4.8
o/w value markdowns	*-4.0*
for unhedged CDO exposure	*-3.7*
for other ABS exposure	*-0.3*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-0.7*

* 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 second quarter of 2012, there was a total notional reduction of 0.3 billion euros. The reduction of 0.3 billion EUR is attributable to sales and repayments on 'other ABS exposures'.

Since the inception, the outstanding unhedged CDO positions held by KBC experienced net effective losses caused by claimed credit events until 9 July 2012 in the lower tranches of the CDO structure for a total amount of -2.2 billion euros. Of these, -2.0 billion euro's worth of events have been settled. 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 12.2 billion euros of which 10.1 billion euros relates to the exposure insured by MBIA. The remaining 2.1 billion euros of exposure covered by the contract with the Belgian State relates to the unhedged 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.

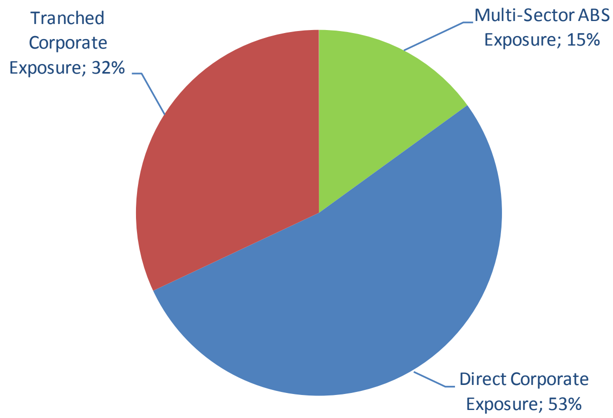
Details on the hedged CDO exposure (insurance for CDO-linked risks received from MBIA), 30-06-2012
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	10.1
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.1
- CVA for counterparty risk, MBIA[2]	-0.7
(as a % of fair value of insurance coverage received)	70%

1 The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).
2 The actual difference in CVA is 10 mln EUR from Q1 2012, it appears different due to rounding

* Figures exclude all expired, unwound and terminated CDO positions.

Details of the underlying assets to KBC's CDOs originated by KBC FP



(Average % as of initial total deal notional exposure; figures as of 9 July 2012)

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, KBL EPB and 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%. The target for the tier-1 capital ratio at group level has been set at 11%.

In millions of EUR	31-12-2011	30-06-2012
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	19 687	19 433
Tier-1 capital	**15 523**	**15 969**
Parent shareholders' equity	9 756	9 687
Non-voting core-capital securities (2)	6 500	6 500
Intangible fixed assets (-)	- 446	- 422
Goodwill on consolidation (-)	- 1 804	- 1 259
Innovative hybrid tier-1 instruments (2)	420	426
Non-innovative hybrid tier-1 instruments (2)	1 690	1 691
Direct & indirect funding of investments in own shares		- 250
Minority interests	145	156
Equity guarantee (Belgian State)	564	382
Revaluation reserve available-for-sale assets (-)	117	- 642
Hedging reserve, cashflow hedges (-)	594	717
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 550	- 251
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	0
Equalization reserve (-)	- 139	- 97
Dividend payout (-) (3)	- 598	- 278
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 384	- 241
Items to be deducted (1) (-)	- 338	- 151
Tier-2 & 3 capital	**4 164**	**3 464**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	246	198
Minority interest in revaluation reserve AFS shares (at 90%)	0	
IRB provision excess (+)	403	378
Subordinated liabilities	3 778	2 965
Tier-3 capital	45	44
IRB provision shortfall (50%) (-)	0	0
Items to be deducted (1) (-)	- 338	- 151
Capital requirement		
Total weighted risks	126 333	117 728
Banking	110 355	104 971
Insurance	15 791	12 474
Holding activities	286	352
Elimination of intercompany transactions between banking and holding activitie	- 100	- 68
Solvency ratios		
Tier-1 ratio	12.29%	13.56%
Core Tier-1 ratio	10.62%	11.77%
CAD ratio	15.58%	16.51%

(1) items to be deducted are split 50/50 over tier-1 and tier-2 capital. Items to be deducted include mainly participations in and subordinated claims on financial institutions in which KBC Bank has between a 10% to 50% share (predominantly NLB).

(2) According to CRD II, these items are considered as grandfathered items.

(3) for 31/12/2011: includes 595 million euros coupon on non-voting core capital securities and 3 million euros dividend on ordinary shares; for 30/06/2012: includes a pro rata of the estimated dividend and coupon for 2012.

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet and hence also in the solvency calculation on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability). Both paid in the second quarter 2012.

The pro forma tier-1 ratio at 30 June 2012 including the impact of the sale of KBL EPB and Kredyt Bank amounts to approximately 15.4%.

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.

In May 2012, KBC received confirmation that it can shift as of 2Q12 reporting from the IRB Foundation approach under Basel II to the IRB Advanced approach for the (credit) portfolios of following entities: KBC Bank (incl. KBC Real Estate), CBC, KBC Lease Belgium, KBC Credit Investments and KBC Finance Ireland. Subject to regulatory approval, CSOB CR is expected to shift as from August 2012.

IRB, since the implementation of Basel II in 2008, is the primary approach (used for somewhat more than 80% of the weighted credit risks, of which approx. 47% according to Advanced and approx. 33% according to Foundation approach). Note that retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (almost 20%) 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 can be found in their consolidated financial statements and in the KBC Risk Report.

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2011	30-06-2012
Total regulatory capital, after profit appropriation	16 364	15 313
Tier-1 capital	12 346	11 929
Tier-2 and tier-3 capital	4 019	3 384
Total weighted risks	106 256	100 530
Credit risk	85 786	81 296
Market risk	9 727	8 490
Operational risk	10 744	10 744
Solvency ratios		
Tier-1 ratio	11.6%	11.9%
of which core tier-1 ratio	9.6%	9.8%
CAD ratio	15.4%	15.2%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2011	30-06-2012
Available capital	2 533	3 132
Required solvency margin (*)	1 263	998
Solvency ratio and surplus		
Solvency ratio (%)	201%	314%
Solvency surplus (in millions of EUR)	1 270	2 134

(*) decrease compared to 31-12-2011 related to the closing of the sale of Fidea in 1Q 2012 and Warta in 2Q 201

Presentation

KBC Group, 2Q 2012

KBC Group

Analyst **tele**-conference

7 August 2012 - 9.30 AM CEST

Dial-in numbers

+44 20 7162 0177
+32 2 290 14 11
+1 334 323 6203

Replay number

Until 17 August
+44 20 7031 4064
(code: 919537)

KBC

More information www.kbc.com
on your mobile m.kbc.com

Important information for investors

This presentation is provided for informational purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC group.

KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC can not be held liable for any damage resulting from the use of the information.

This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. There is a risk that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.

By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

Key Takeaways

Resilient business performance

- Underlying 2Q12 net group profit of 372m EUR, demonstrating resilience of commercial franchise
- Lower loan loss provisions, also at K&H Bank and KBC Bank Ireland
- FY2012 guidance for loan loss provisions in Ireland maintained at 500m-600m EUR

Momentum maintained on divestments and derisking

- Sales of Warta, KBL *epb* and Zagiel have been closed
- Impairments on the remaining divestments further reduce the downside P&L volatility
- GIIPS exposure reduced again, down 52% since the end of 2011

Capital and liquidity positions further strengthened

- Tier-1 ratio of 13.6% in 2Q12 at KBC Group, up from 13.1% in 1Q12, despite impact of impairments on the planned divestments
- Estimated B3 CET at the end of 2013: 10.7% phased in (9.5% fully loaded), factoring in 4.67bn EUR repayment of YES instruments by end 2013
- Continued strong liquidity position, with 2012 funding needs covered

Contents

Section 1

2Q 2012 Financial highlights

2Q 2012 financial highlights

Underlying results

- Strong commercial franchise in all our core markets and core activities, with continued good underlying net group profit of 372m EUR in 2Q12
- Net interest income was negatively impacted by reduced GIIPS exposure and higher senior debt costs, while 1Q12 benefited from interest corrections on Greek bonds
- Good growth in loan and deposit volumes
- Net fee and commission income rose by 1% q-o-q, driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (both at the Belgium BU)
- Written life insurance premiums further increased q-o-q
- The combined ratio (non-life) stood at an excellent 89% YTD
- Performance in life and non-life insurance was impacted by lower investment results (driven by lower realised gains on AFS shares)
- Underlying cost/income ratio of 58% YTD
- Credit cost ratio at a low 0.59% YTD. Excluding Ireland (in line with guidance), this ratio stands at 0.18%

Reported results

- Net reported profit of -539m EUR, affected by the impairments on planned divestments

Capital

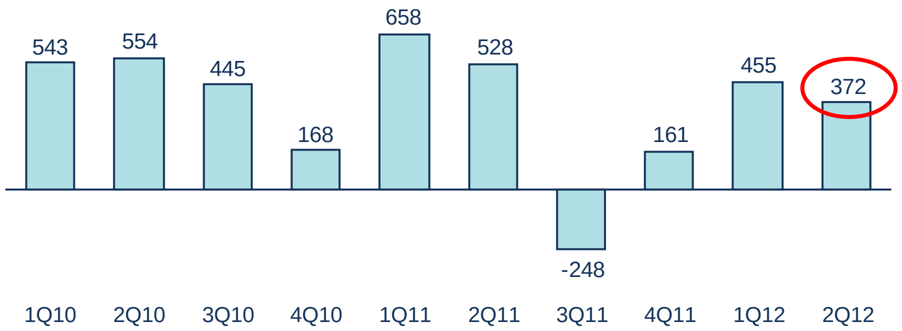
- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 15.4% (with core tier-1 at 13.4%)

Liquidity & Funding

- Strong liquidity position, with a loan-to-deposit ratio of 83% (vs. 90% at the end of 1Q12) Unencumbered assets are double the amount of the net recourse on short-term wholesale funding
- 2012 funding needs covered and additional buffer in place thanks to the issuance of 2.25bn EUR unsecured long-term debt (1.25bn EUR 2y and 1.0bn EUR 5y), and continued growth in customer deposits (+3.1bn EUR q-o-q excluding repos)

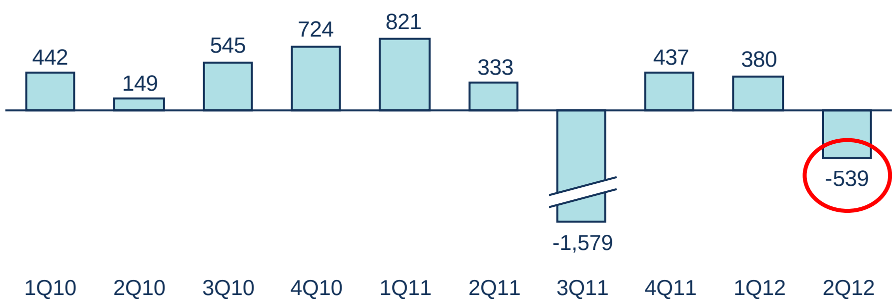
Earnings capacity

Underlying net profit *

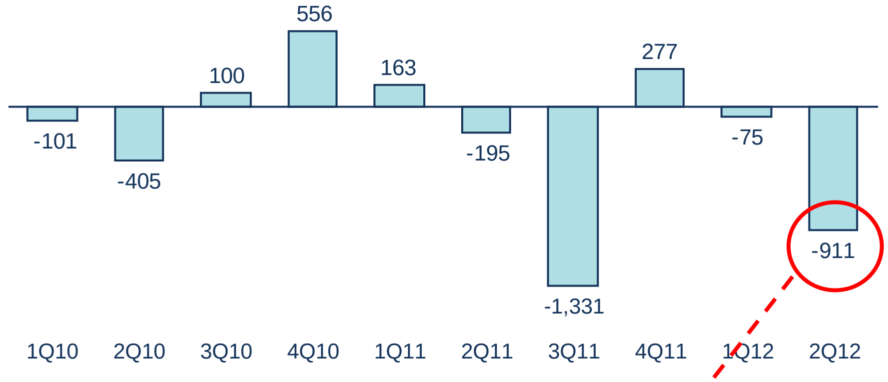


Including exceptional items

Reported net profit *



Exceptional items



Main exceptional items (post-tax)

- Impairments related to divestment portfolio - 0.9bn

Amounts in m EUR

* Note that the consolidation scope has changed over time, partly due to divestments

Specific points of attention in 2Q12

2Q12 underlying profit level includes some small one-off items:

- Realised losses regarding the **sale of Spanish government bonds**: -53m EUR pre-tax (-35m EUR post-tax)
- **Recuperation of funds from the former Belgian Deposit Guarantee Scheme**: +51m EUR pre-tax (+34m EUR post-tax)

2Q12 underlying results were also impacted by market-driven items:

- Widened corporate credit spreads led to a -57m EUR pre-tax **CVA** (-38m EUR post-tax), mainly on OTC derivatives concluded with our corporate banking clients at KBC Bank Belgium (mainly at MEB BU)
- **Impairments on AFS shares**: -24m EUR pre-tax (= post-tax)

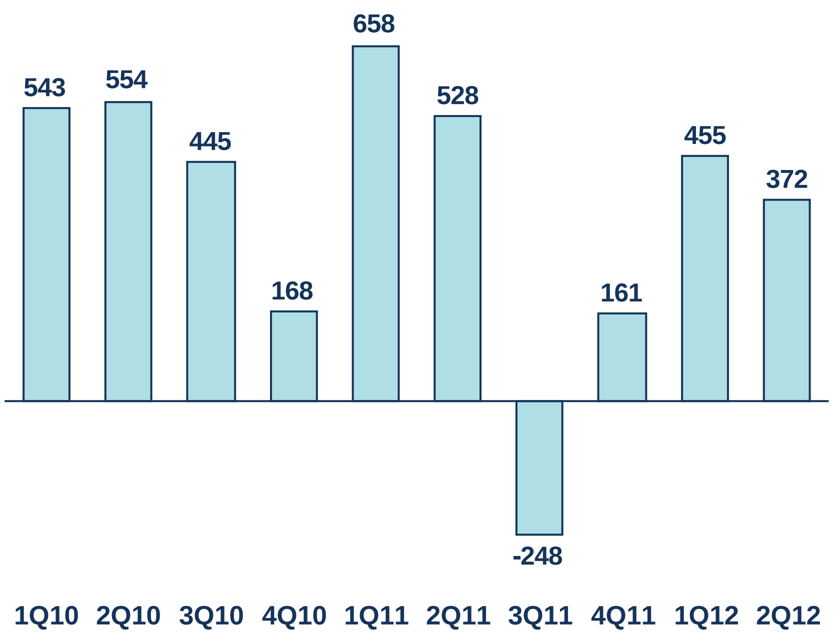
At non-recurring profit level: total impact of -911m EUR (post-tax)

- **Divestments**: -868m EUR post-tax impact
  - The sale of Warta has been closed, leading to 0.3bn EUR realised P&L gains
  - Impairments of 1.2bn EUR taken on to be divested businesses (NLB, Absolut Bank, KBC Banka, KBC Bank Deutschland and Antwerp Diamond Bank) reduce further the downside P&L volatility
  - Impairments are largely related to goodwill. As such, the regulatory capital impact is substantially lower at 0.6bn EUR
  - Negative capital impact will be reversed entirely at closing (spread out over 2012-2013), mainly through the release of RWAs (5bn EUR in total)
- The effect of widening corporate credit spreads during 2Q12 on the value of the **CDOs/MBIA** (-14m EUR post-tax) was not as large as was previously the case, due to distortions in the market
- The remaining amount (-29m EUR) is caused by a range of smaller impacts (M2M ALM derivatives, M2M own credit risk,…)

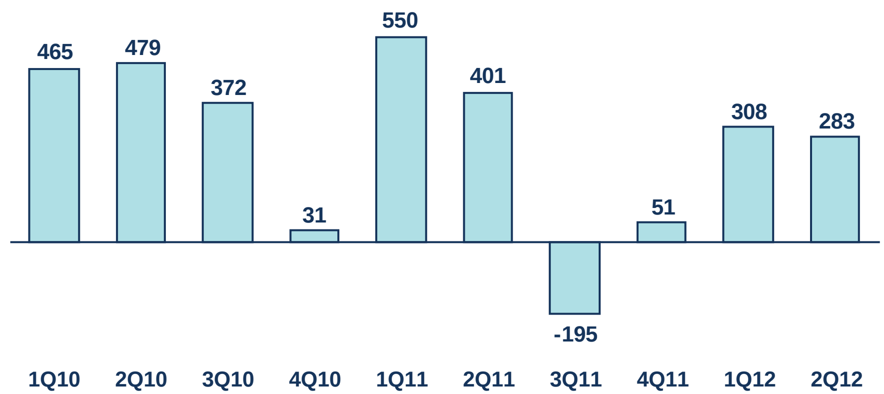
Underlying profit of KBC Group

Amounts in m EUR

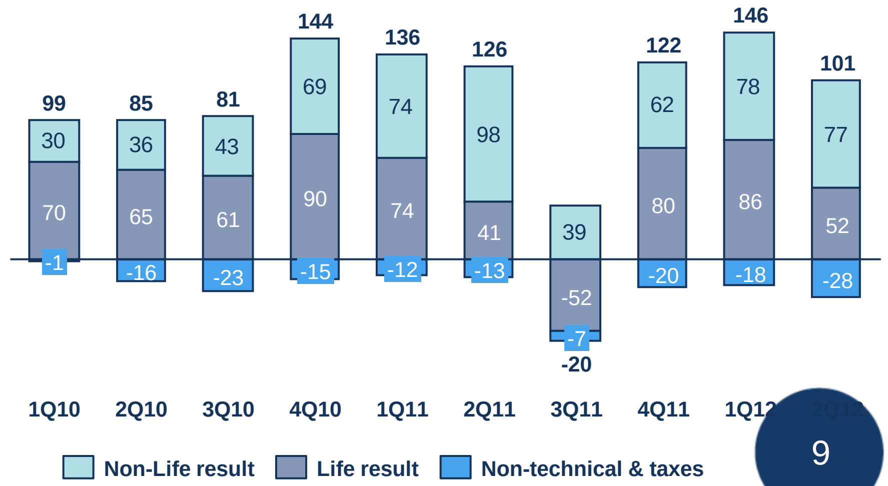
Underlying net profit of KBC Group *



Underlying net profit contribution banking to KBC Group *



Underlying net profit contribution insurance to KBC Group (excl. Vitis) *

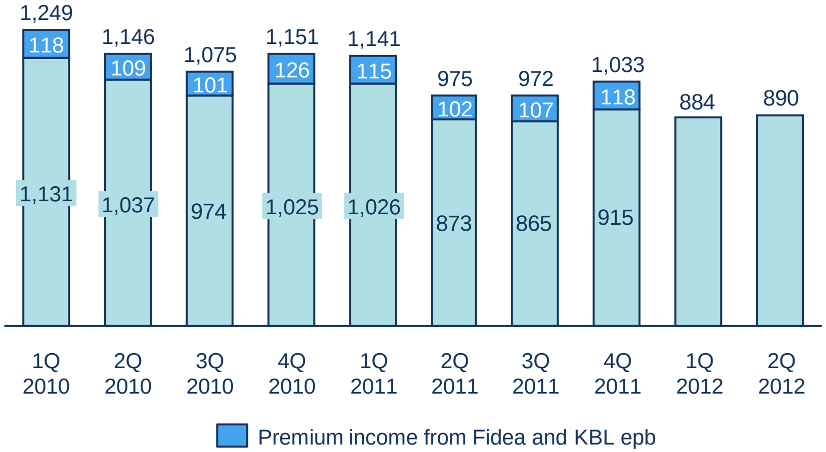


* Difference between underlying net profit of KBC Group and the sum of the banking and insurance contribution are the holding-company/group items and Vitis

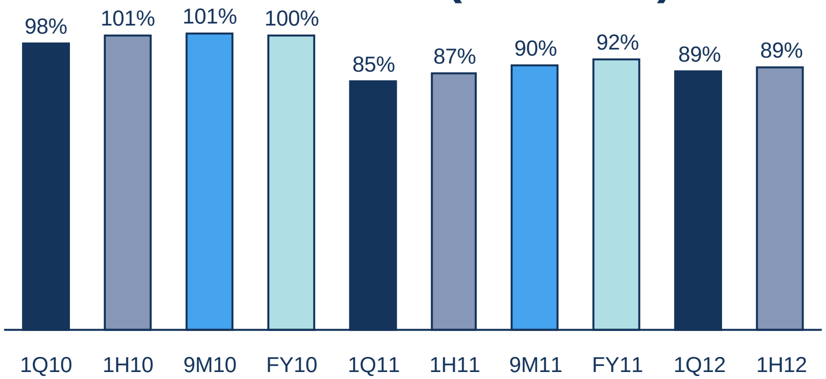
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

Premium income (gross earned premium)



Combined ratio (Non-Life)



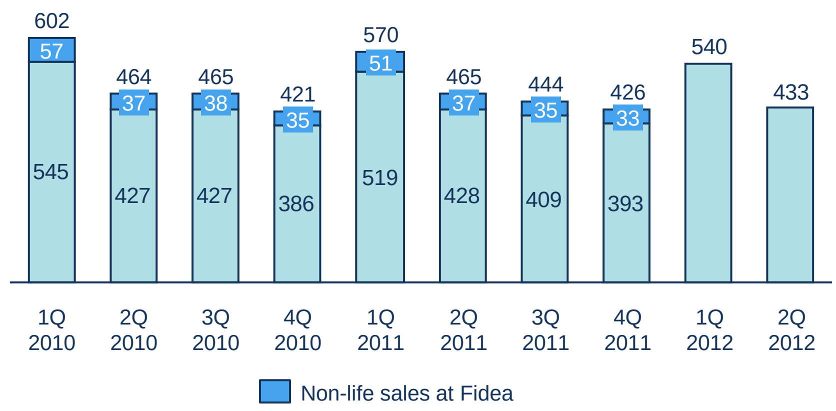
- Excluding deconsolidated entities, insurance premium income (gross earned premium) at 890m EUR
  - Non-life premium income (442m) up 1% q-o-q and 3% y-o-y. The non-life combined ratio in 1H12 stood at a very good 89%
  - Life premium income (448m) flat q-o-q and +1% y-o-y

Amounts in m EUR

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

Non-Life sales (gross written premium)



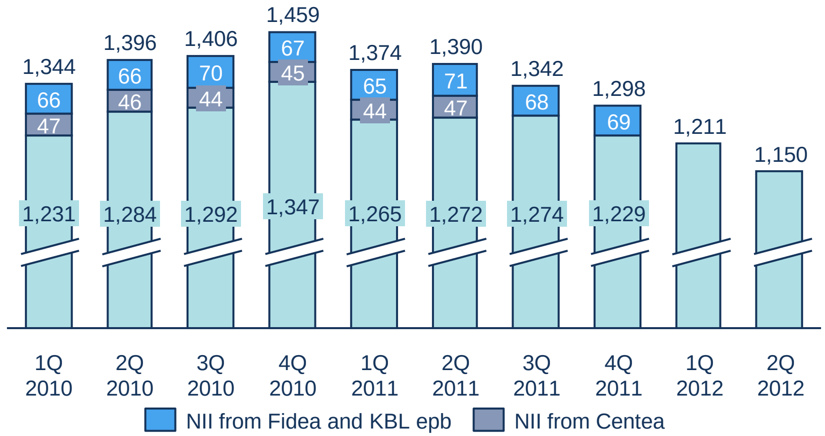
Life sales (gross written premium)

- Sales of Non-Life insurance products:
  - rose by 1% year-on-year excluding the divestment of Fidea
- Sales of Life insurance products:
  - rose by 22% q-o-q and by 48% y-o-y (respectively +21% and +62% excluding deconsolidated entities)
  - Deliberate shift from guaranteed interest products to unit-linked products (mainly in the Belgium Business Unit and the Czech Republic)
  - Sales of unit-linked products already account for more than 75% of total life insurance sales

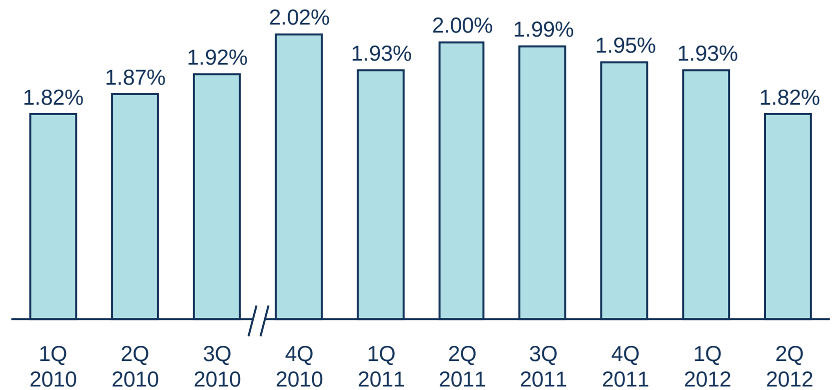
Amounts in m EUR

Underlying revenue trend - Group

NII



NIM (excl. KBL *epb from 4Q10 onwards*)



- Excluding deconsolidated entities, net interest income fell by 5% q-o-q and 10% y-o-y, mainly in the BE and MEB BUs
- Net interest margin (1.82% excluding KBL *epb*): -18bps y-o-y and -11bps q-o-q partly due to reduced GIIPS exposure and higher senior debt costs (mainly visible in the MEB BU). However, commercial margins are not under pressure
  - NIM in Belgium decreased by 15bps quarter-on-quarter to 1.28%, largely attributable to higher average balances with the ECB and the reduced GIIPS exposure during 2Q12, while 1Q12 benefited from interest corrections on Greek bonds
  - NIM in Central & Eastern Europe decreased by 12bps quarter-on-quarter to 3.04%, mainly caused by the FX impact from CZK
- On a comparable basis, loan volumes rose by 3% y-o-y, with continued growth in our home markets (+6% y-o-y in the BE BU and +4% y-o-y in the CEE BU)
- Deposit volumes in our core markets increased (+5% y-o-y in BE BU and +3% y-o-y in CEE BU). Deposit volumes in the MEB BU recovered another 2% q-o-q in 2Q12

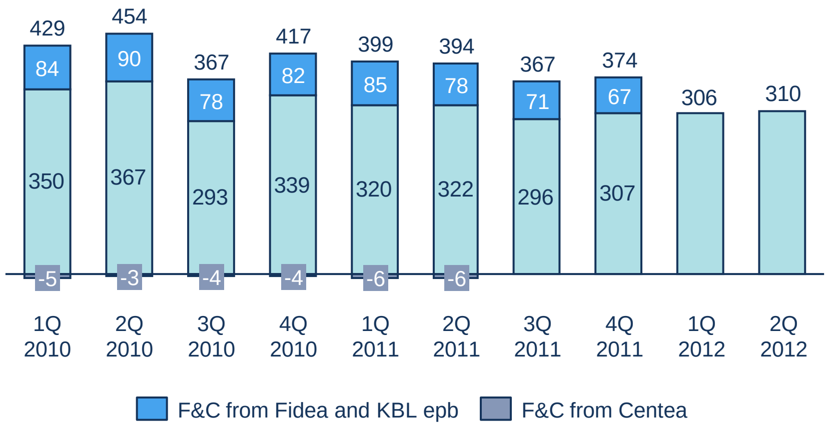
Amounts in m EUR

* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

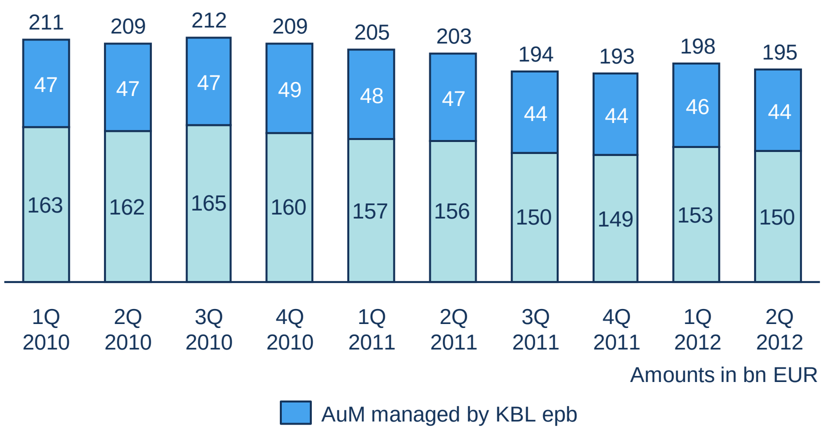
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

F&C



AUM



- Net fee and commission income increased 1% q-o-q, driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (both at the Belgium BU). Excluding deconsolidated entities, net fee and commission income was still down 4% y-o-y

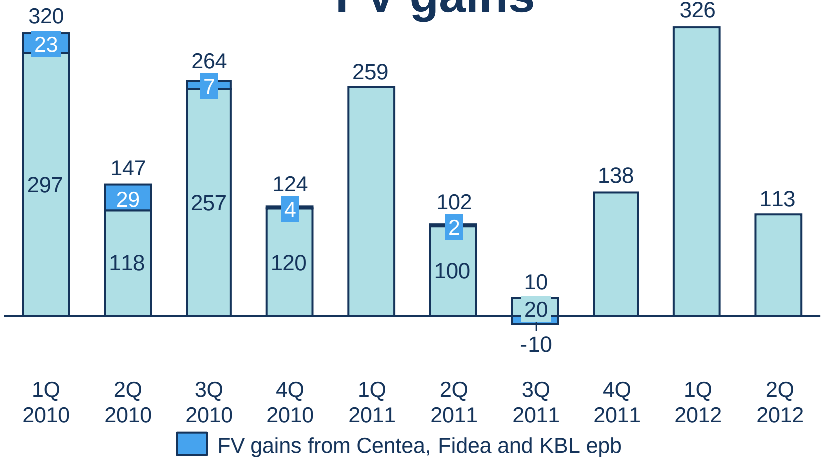
- Excluding KBL *epb*, assets under management decreased by 2% quarter-on-quarter (essentially due to net outflows) to 150bn EUR at the end of 1H12

Amounts in m EUR

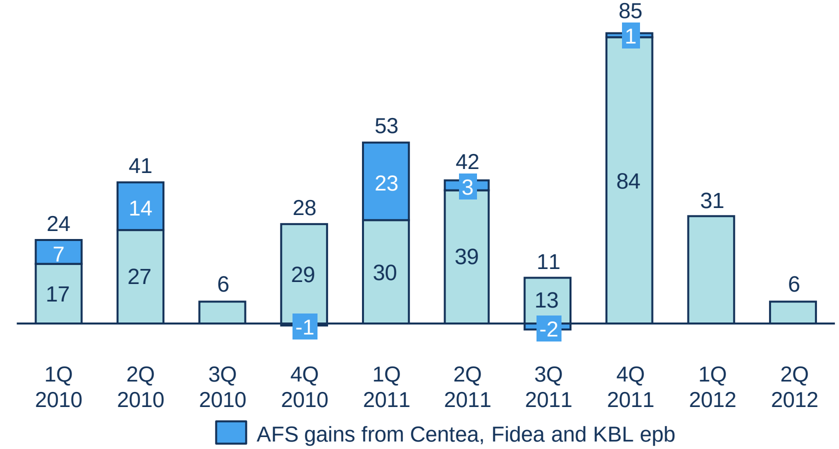
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

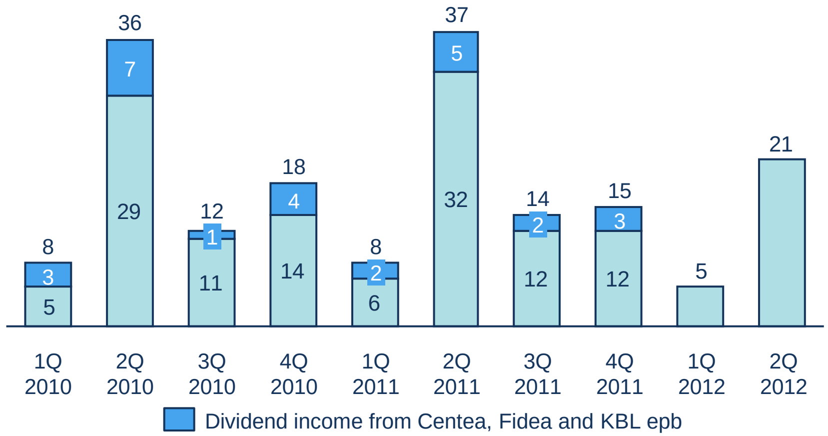
FV gains



Gains realised on AFS



Dividend income



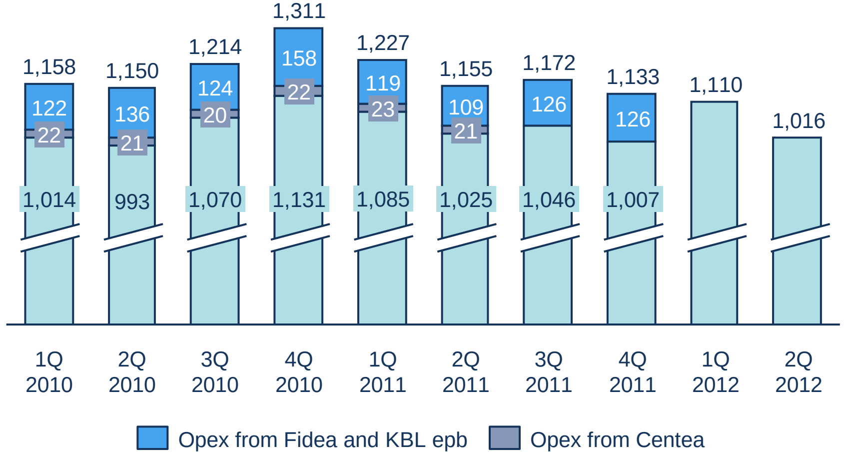
Amounts in m EUR

- The lower q-o-q figure for net gains from financial instruments at fair value (113m EUR) is primarily the result of lower dealing room activity and a negative q-o-q change in the credit value adjustment (CVA), mainly on OTC derivatives concluded with our corporate banking clients
- Gains realised on AFS assets came to 6m EUR, despite 53m EUR pre-tax realised losses on the sale of Spanish government bonds
- Dividend income amounted to 21m EUR, as the bulk of dividend income is traditionally received in 2Q

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying operating expenses - Group

Operating expenses

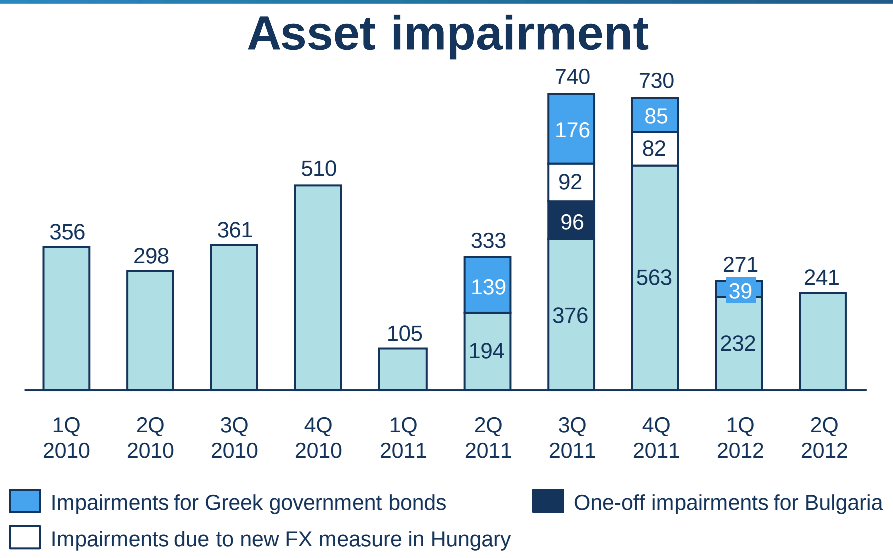


- Excluding deconsolidated entities (KBL *epb*, Fidea and Centea), costs fell by 8% q-o-q and by 1% y-o-y
  - Operating expenses fell by 8% q-o-q to 1,016m EUR in 2Q12, entirely thanks to a recuperation of funds from the former Deposit Guarantee Scheme in Belgium in 2Q12 and the recognition of the FY12 Hungarian bank tax in 1Q12. Excluding these items, operating expenses were flat q-o-q
  - Operating expenses decreased by 1% y-o-y in 2Q12. Excluding one-off items, operating expenses rose by 1% y-o-y, to a large extent due to the impact of inflation on wages (in Belgium)
  - Underlying cost/income ratio for the banking business stood at 58% YTD (57% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

Amounts in m EUR

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying asset impairment - Group



- Continued low impairments (-30m EUR q-o-q to 241m EUR)
  - Quarter-on-quarter decrease of 62m EUR in loan loss provisions, which mainly related to a significantly better figure for K&H Bank in Hungary (retail portfolio) and a lower (though still significant) provisioning amount at KBC Bank Ireland (loan loss provisions in 2Q12 of 136m EUR compared with 195m EUR in 1Q12, fully in line with our previous guidance).
  - Compared with the very low level recorded in 2Q11 (164m EUR), loan loss provisions were up by 35m EUR, due almost entirely to Ireland (136m EUR in 2Q12 compared with only 49m EUR in 2Q11)
  - Impairment of 24m EUR on AFS shares (mainly at KBC Insurance) and 14m EUR on investment property

Amounts in m EUR

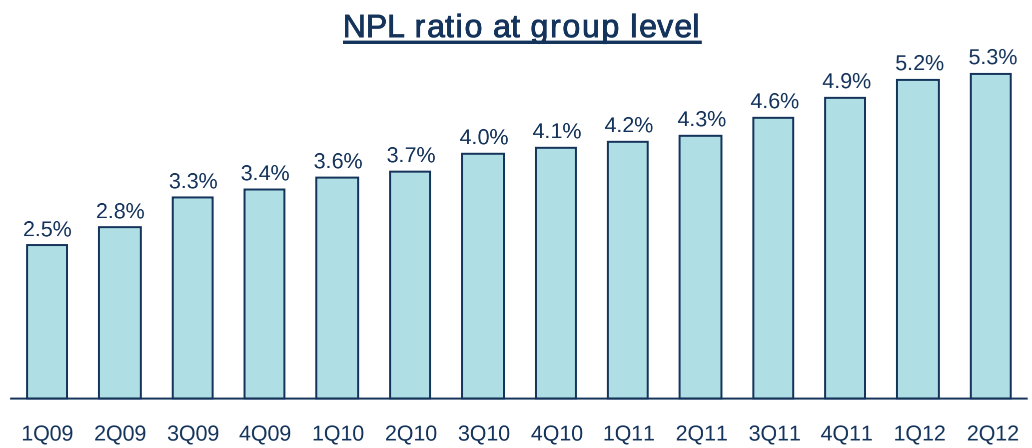
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.59% in 1H12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a very low 0.18% in 1H12. The NPL ratio amounted to 5.3%
- Credit cost ratio in Belgium amounted to only 4bps
- Significantly lower loan losses in CEE (-28m EUR q-o-q) entirely thanks to much lower loan loss provisions at K&H Bank (retail)
- Loan losses significantly lower in Merchant Banking (-52m EUR q-o-q) entirely driven by KBC Bank Ireland (-59m EUR q-o-q). Excluding Ireland, the CCR in Merchant Banking amounted to only 14bps in 1H12

Credit cost ratio (CCR)

	outstanding loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	1H12
		'Old' BU reporting			'New' BU reporting		
Belgium	**58bn**	0.13%	0.09%	0.17%	0.15%	0.10%	0.04%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.59%	0.42%
CEE (excl. one-off items in 2H11)						0.69%	
Merchant B. (incl. Ireland)	**51bn**	0.02%	0.48%	1.32%	1.38%	1.36%	1.38%
Merchant B. (excl. Ireland)	**35bn**	0.02%	0.53%	1.44%	0.67%	0.59%	0.14%
Total Group	**142bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**	**0.59%**

NPL ratio at Group level

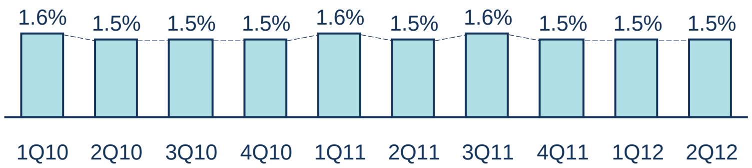


1H 2012	**Non-Performing Loans** (>90 days overdue)	**High risk, excl. restructured loans** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	3.0%	0.8%
CEE BU	5.6%	4.6%	2.3%
MEB BU	9.5%	7.7%	3.9%

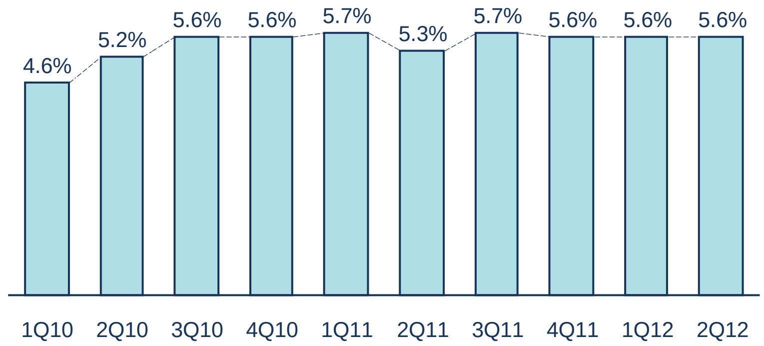
NPL ratios per business unit

non performing loans

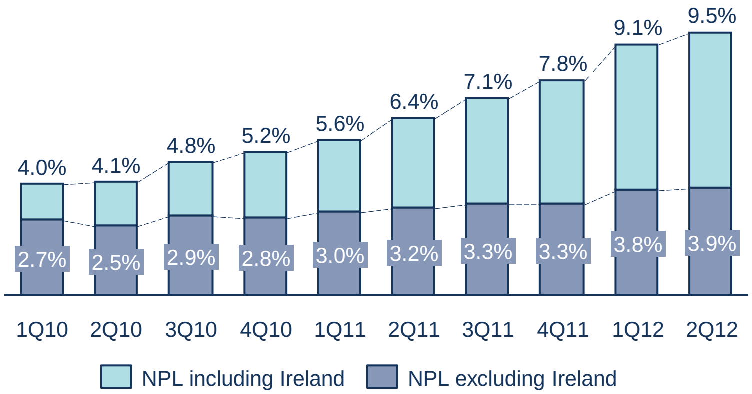
BELGIUM BU



CEE BU



MEB BU



Section 2

Divestments and derisking

Divestment programme: momentum maintained

Closed

- KBL *epb* (closed in 3Q12)
- Zagiel (closed in 3Q12)

Signed

- Kredyt Bank (closing expected in 4Q12)

Capital relief of 1.4bn EUR

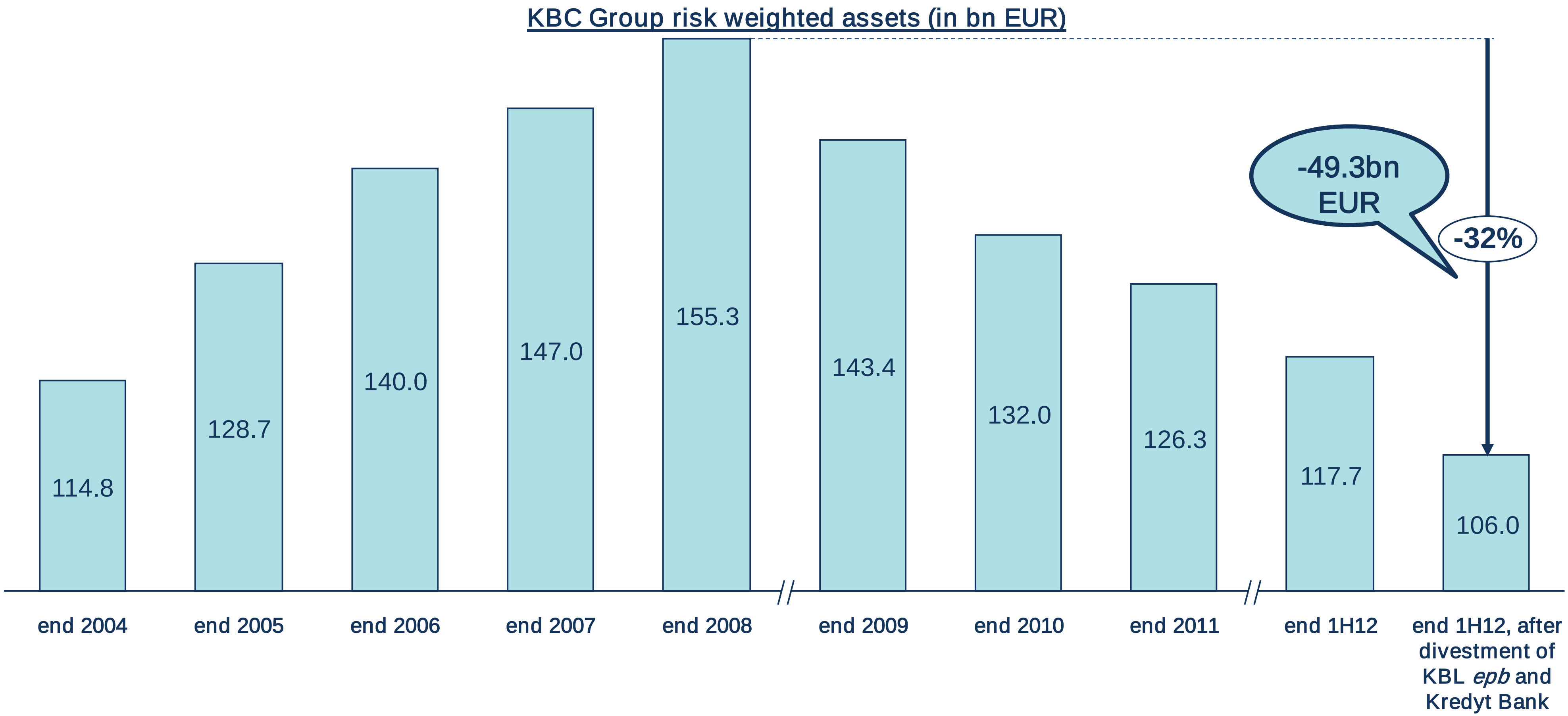
In preparation/work-in-progress for 2012/2013 a.o.

- Absolut Bank
- KBC Banka
- NLB
- Antwerp Diamond Bank
- KBC Bank Deutschland

Expected capital relief of 0.6bn EUR
(mainly from RWA reductions)

- KBC decided to reclassify the remaining planned divestments under IFRS 5
- Impairments of 1.2bn EUR to reflect the current market environment in 2Q12, markedly reducing the downside P&L volatility upon final divestment
- Impairments are largely related to goodwill. As such, the regulatory capital impact is substantially lower at 0.6bn EUR
- Negative capital impact will be reversed entirely at closing (spread out over 2012-2013), mainly through the release of RWAs (5bn EUR in total)

RWA reduction better than initially planned



GIIPS exposure down by 52% since the end of 2011

Breakdown of government bond portfolio, banking and insurance (carrying value in bn EUR)

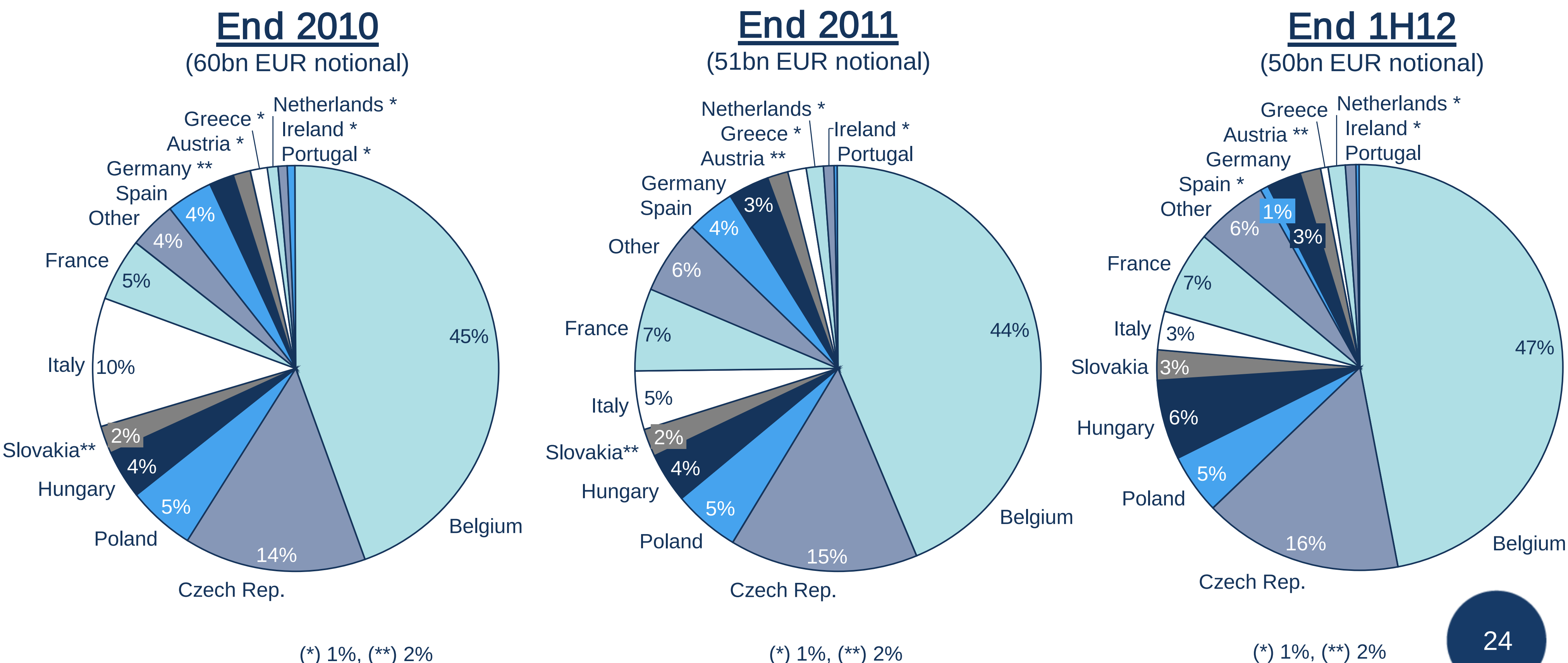
	End 2010	End 1Q11	End 2Q11	End 3Q11	End 2011	End 1Q12	End 1H12
Greece	0.6	0.6	0.5	0.3	0.2	0.0	0.0
Ireland	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Italy	6.4	6.2	6.1	3.8	2.1	2.0	1.4
Portugal	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Spain	2.2	2.2	2.2	2.1	1.9	1.9	0.3
TOTAL	**10.0**	**9.7**	**9.6**	**6.7**	**4.8**	**4.4**	**2.3**

Year-to-date, KBC reduced its GIIPS exposure (carrying amount) by roughly 52%:

- Greece: reduction of 0.2bn EUR
- Italy: reduction of 0.7bn EUR
- Spain: reduction of 1.6bn EUR
- **TOTAL** **reduction of 2.5bn EUR**

Government bond portfolio

- Notional investment of 50bn EUR in government bonds (excl trading book) at end 1H12, primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments

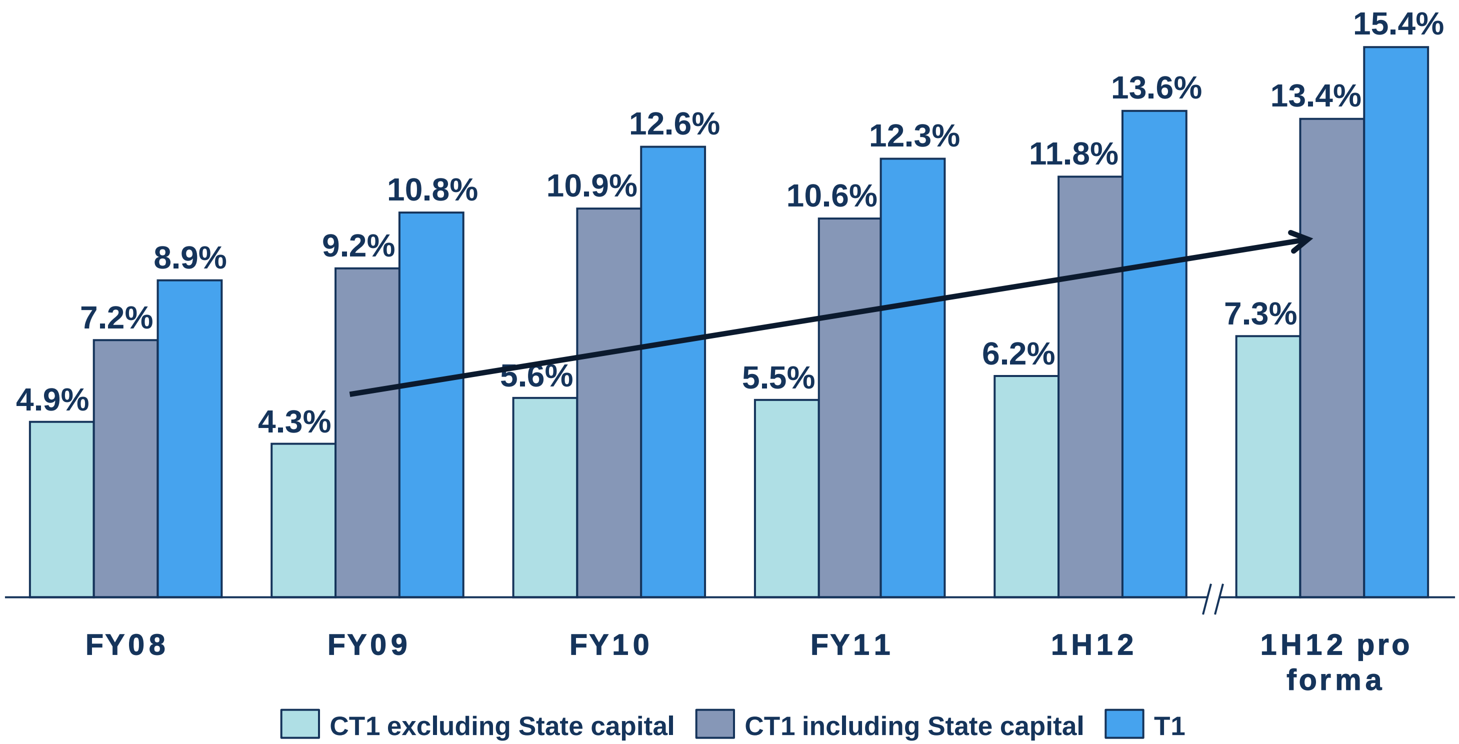


Section 3

Strong solvency and Solid liquidity

Strong capital position (1)

- Strong tier-1 ratio of 13.6% (15.4% pro forma) at KBC Group as at end 1H12 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)
- Pro forma core tier-1 ratio – including the effect of divestments already signed – of 13.4% at KBC Group



* 1H12 pro forma CT1 includes the impact of divestments already signed, but not yet closed (Kredyt Bank)

Strong capital position (2)

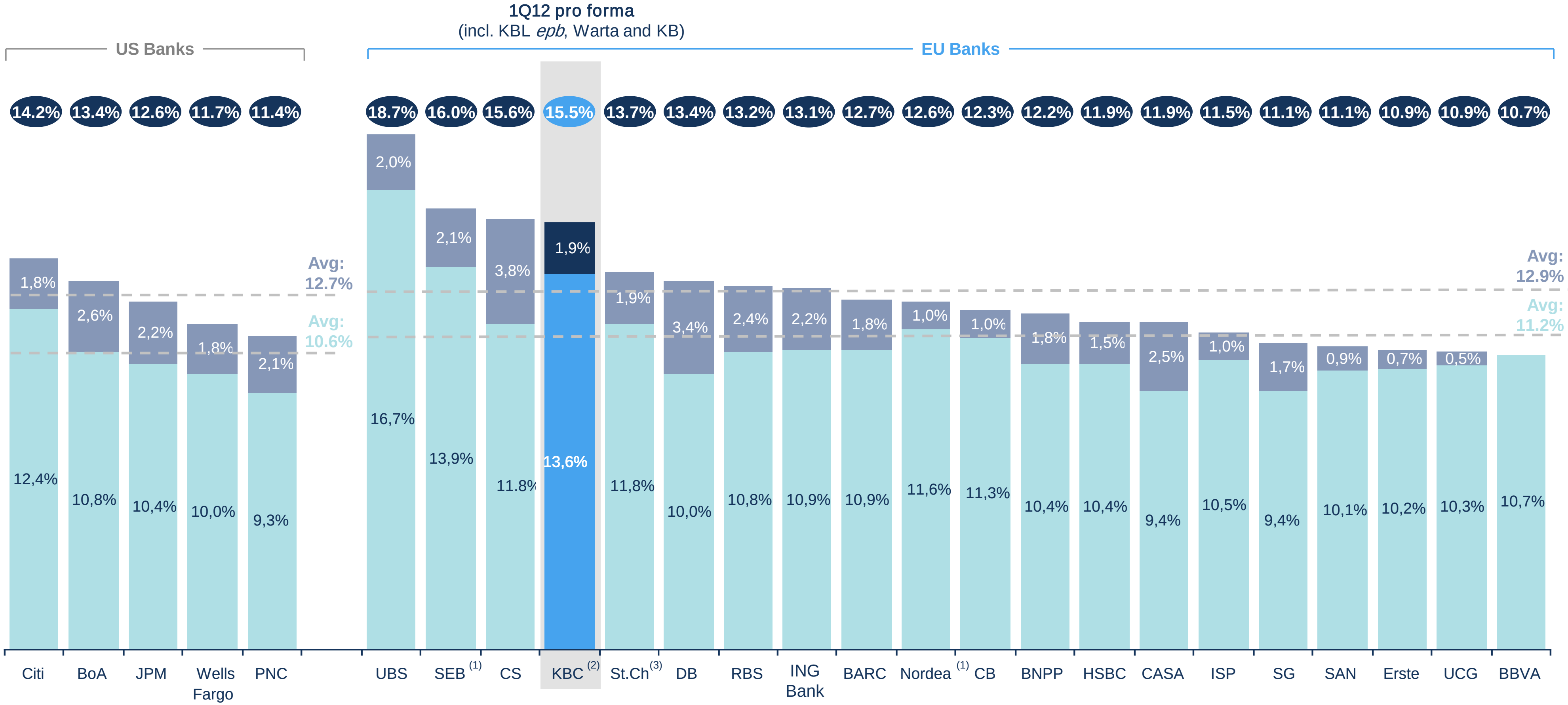
- Strong capital position maintained despite capital impact of impairments on planned divestments, thanks to good underlying profit generation, the closing of Warta and further reduction of RWAs (driven by shift from IRB Foundation to IRB Advanced)

- First repayment of 500m EUR to the Federal Government in January 2012 at 15% premium

- Next reimbursement will be made once common equity target has been decided by the National Bank of Belgium

- We are continuing our efforts to ensure that 4.67bn EUR in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan, of which a substantial part before end of 2012

Favourable peer group comparison

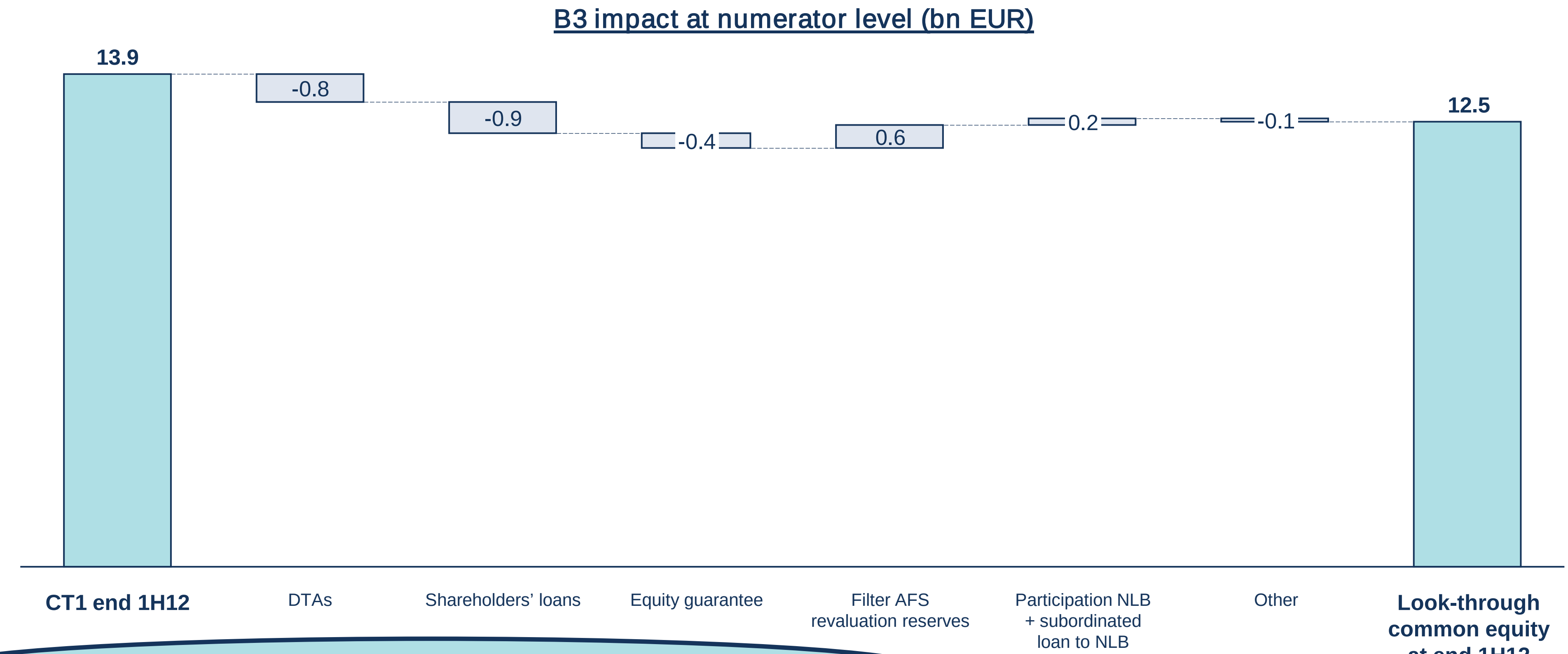


Source: Company filings as of March 2012, BofAML
Note: capital ratios under Basel 2.5 for EU banks and under Basel 1 for US banks
(1) Excluding transition rules
(2) Including state capital and pro-forma of divestments signed as of 1Q12 (KBL epb, Warta and Kredyt Bank)
(3) As of December 2011

Look-through common equity at end 1H12

From phased in to fully loaded B3 at numerator level

(given remaining YES being part of common equity as agreed with local regulator)

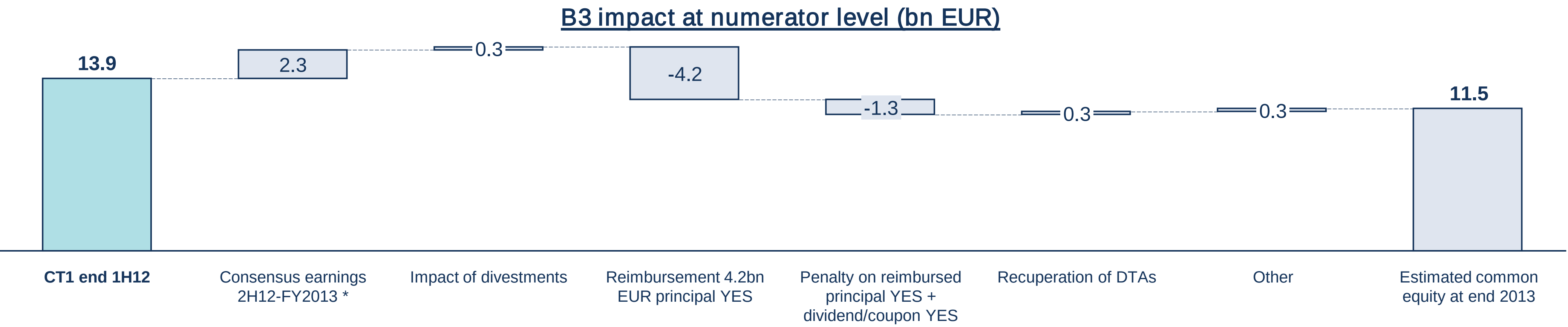


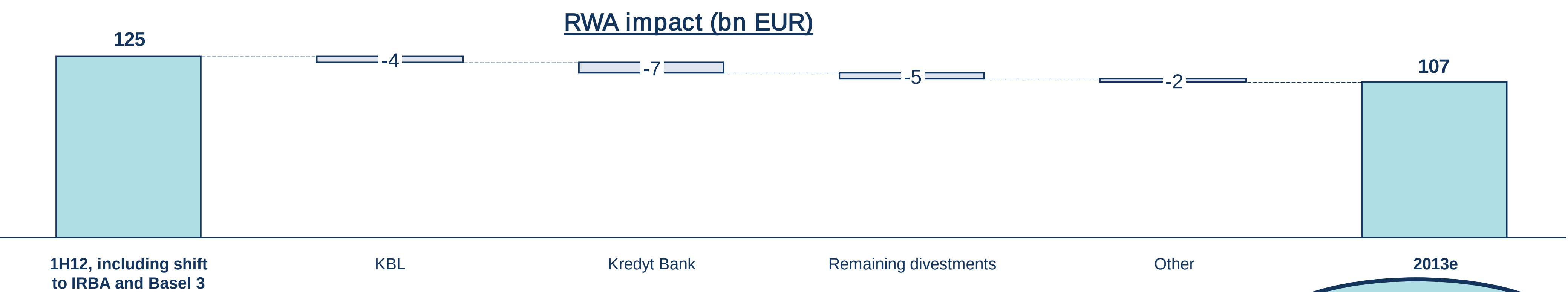
CoreTier 1 capital = phased in B3 Common Equity at end 1H12 (numerator level)

Roughly 11.1% phased in B3 common equity ratio at end 1H12

Roughly 10.0% fully loaded B3 common equity ratio at end 1H12

Estimated common equity at end 2013 Phased in B3 (given remaining YES being part of common equity as agreed with local regulator)





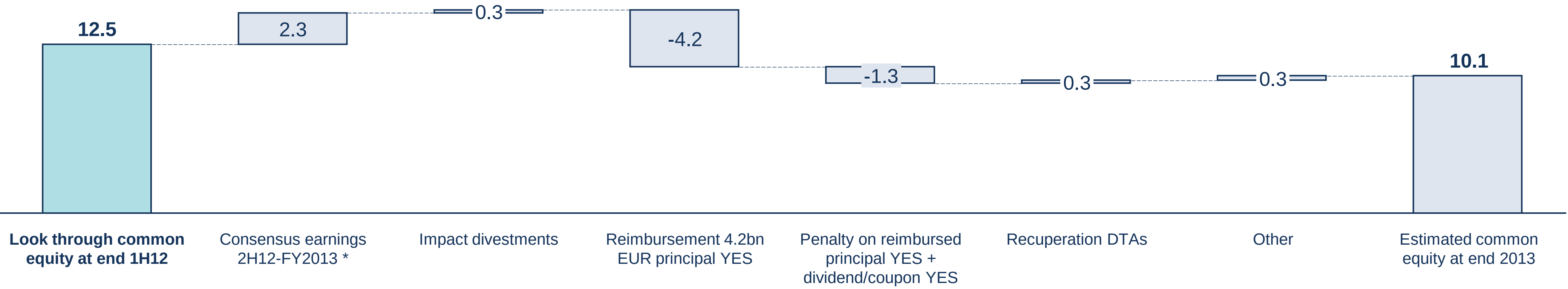
Roughly 11.1% phased in B3 common equity ratio at end 1H12

Roughly 10.7% phased in B3 common equity ratio at end 2013

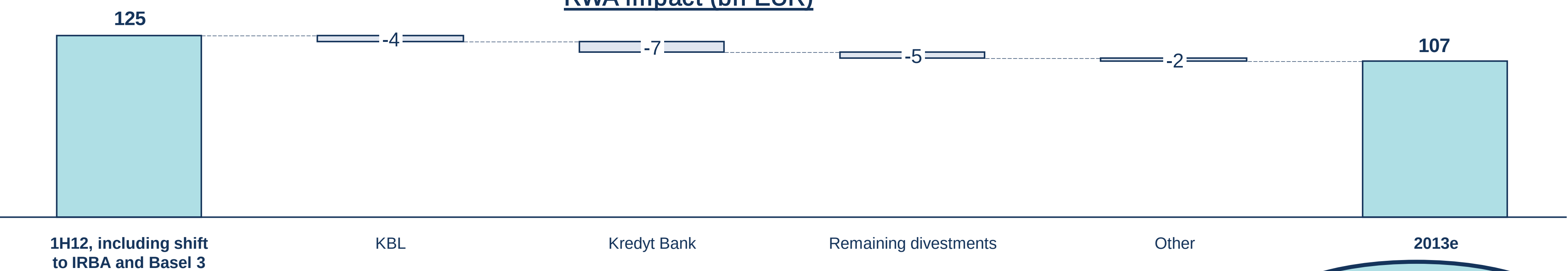
* Based on earnings consensus of sell-side equity analysts
** For indicative purposes only

Estimated common equity at end 2013 Fully loaded B3 (given remaining YES being part of common equity as agreed with local regulator)

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



Roughly 10.0% fully loaded B3 common equity ratio at end 1H12

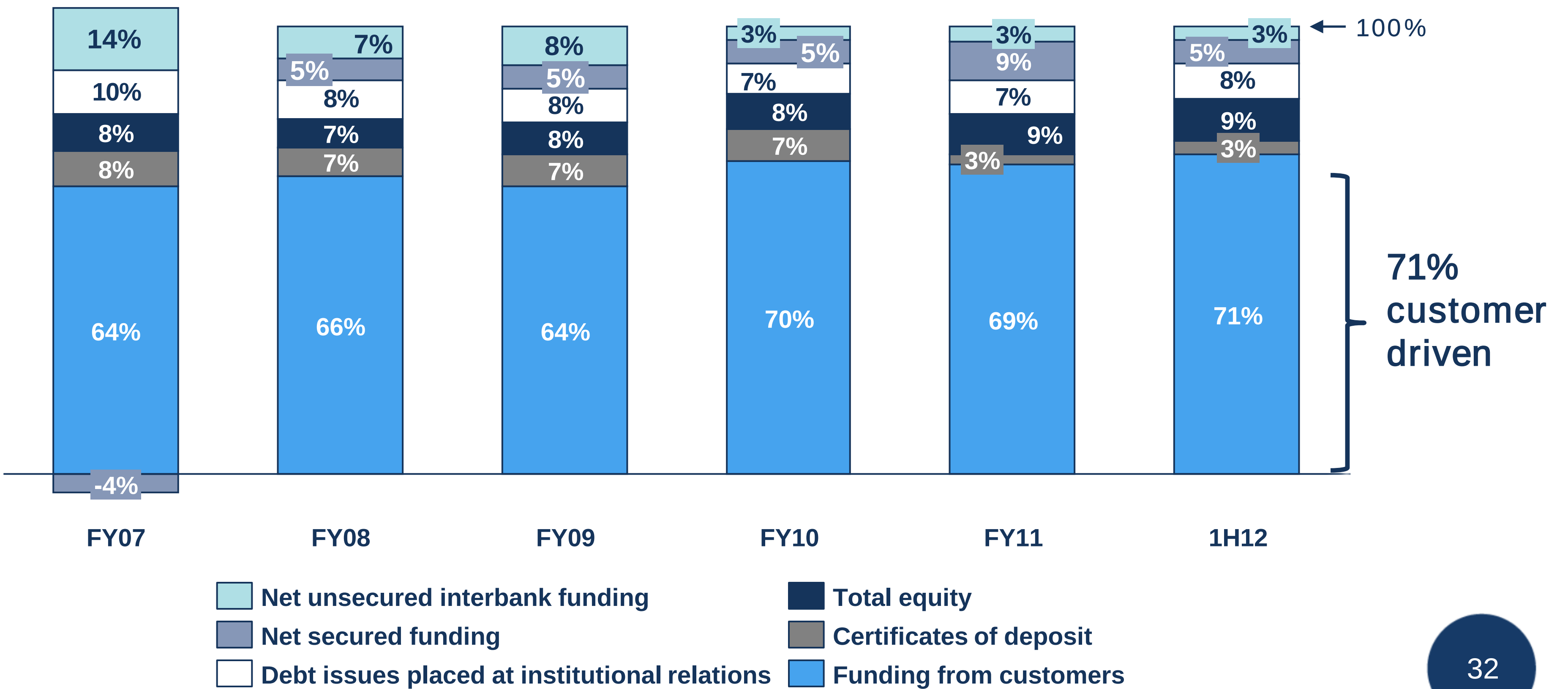
Roughly 9.5% fully loaded B3 common equity ratio at end 2013

* Based on earnings consensus of sell-side equity analysts

** For indicative purposes only

A solid liquidity position (1)

- KBC Bank continues to have a strong retail/corporate deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments & markets



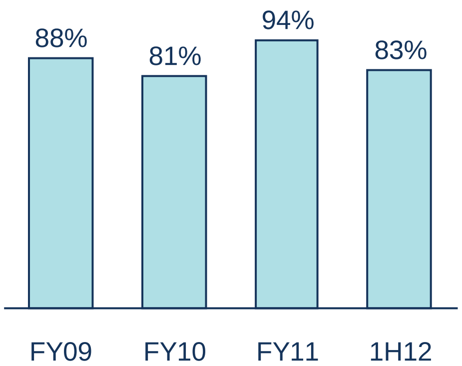
A solid liquidity position (2)

- 2012 funding needs covered and buffer established given:
  - Long-term funding needs decrease as steps to reduce RWA continue
  - Issue of 2.25bn EUR unsecured long-term debt YTD (1.25bn EUR 2y and 1.0bn EUR 5y)
  - Moreover, substantial increases in stable funding have been registered in different entities of the Bank Group.
- Belgian Parliament recently voted a covered bonds law. To diversify further our funding base, KBC plans its first covered bond issue in 4Q12/1Q13

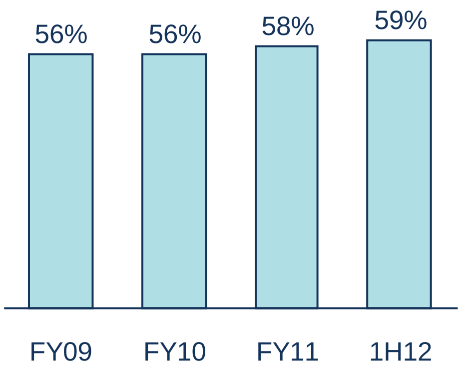
A solid liquidity position (3)

- LTD ratio of 83% at KBC Bank at the end of 1H 2012
- Decrease is the result of strong deposit growth in retail/corporate and a recovery in the more volatile institutional deposits after the decrease in 4Q2011 – (at that time due to a downgrade of our short-term rating by S&P and the risk aversion to the European market in general)
- The downgrade of our Moody’s ST and LT rating in June 2012 has had no substantial impact on the funding profile

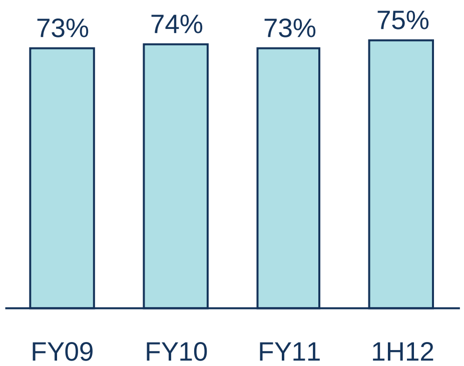
LTD ratio at KBC Bank*



LTD ratio at Belgium BU**

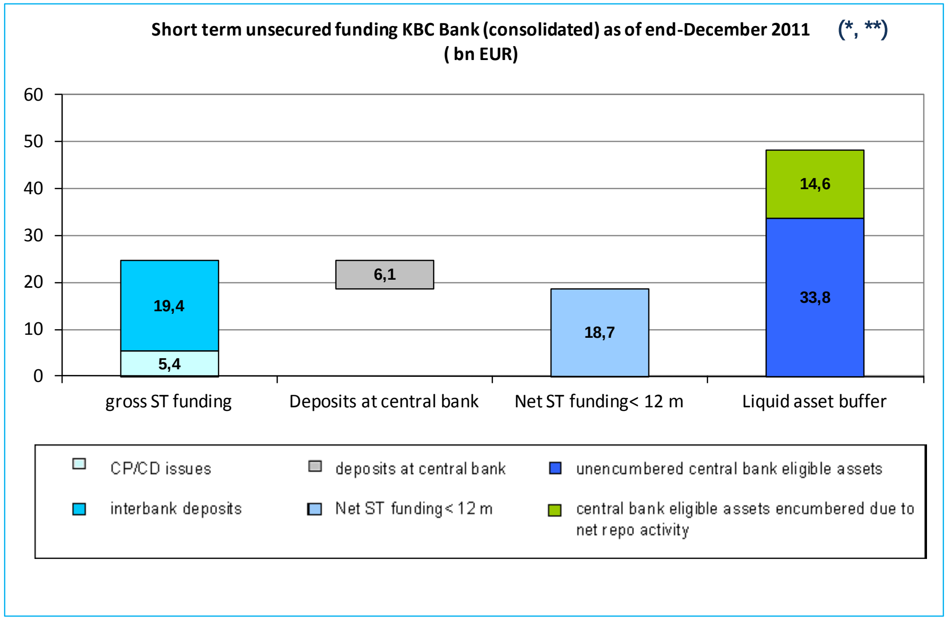


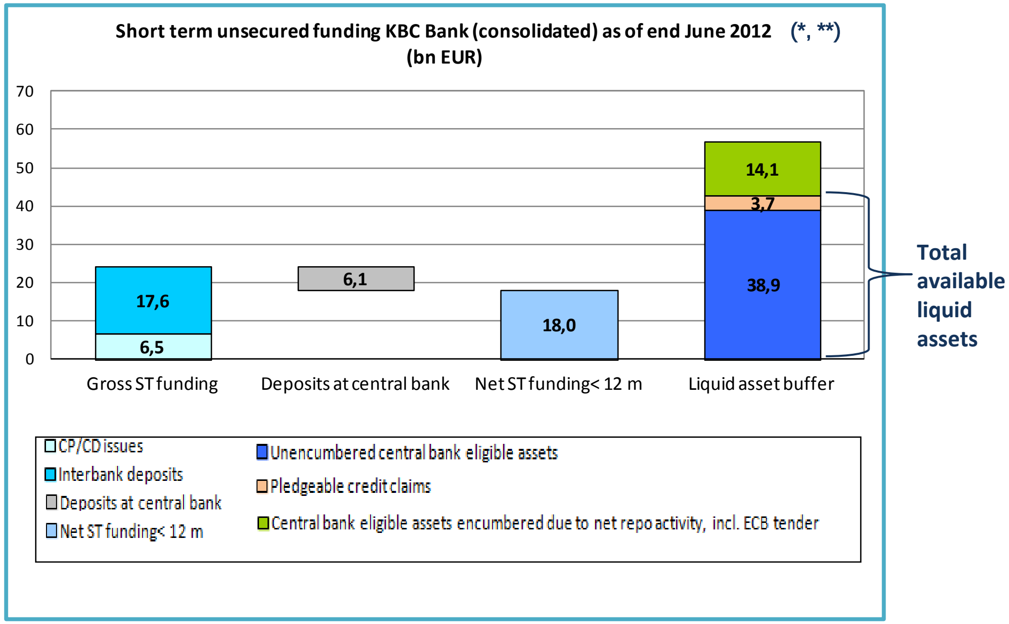
LTD ratio at CEE BU***



*   Excluding all the entities earmarked for divestment in Group Centre: KBL *epb*, ADB, KBC Deutschland, KBC Banka, Absolut Bank and Kredyt Bank
**   Excluding Centea (retroactively adjusted)
*** Excluding Kredyt Bank and Absolut Bank (items earmarked for divestment in Group Centre)

A solid liquidity position (4)





* *According to IFRS5, situation as per 30/06/2012 (right-hand side) excludes the in-divestment entities (Absolut Bank, Kredyt Bank, KBC Deutschland, KBC Banka, ADB, KBL)*
*** Graphs are based on Note 18 of KBC's quarterly report, except for the liquid assets buffer which is based on the Treasury Management Report of KBC Group*

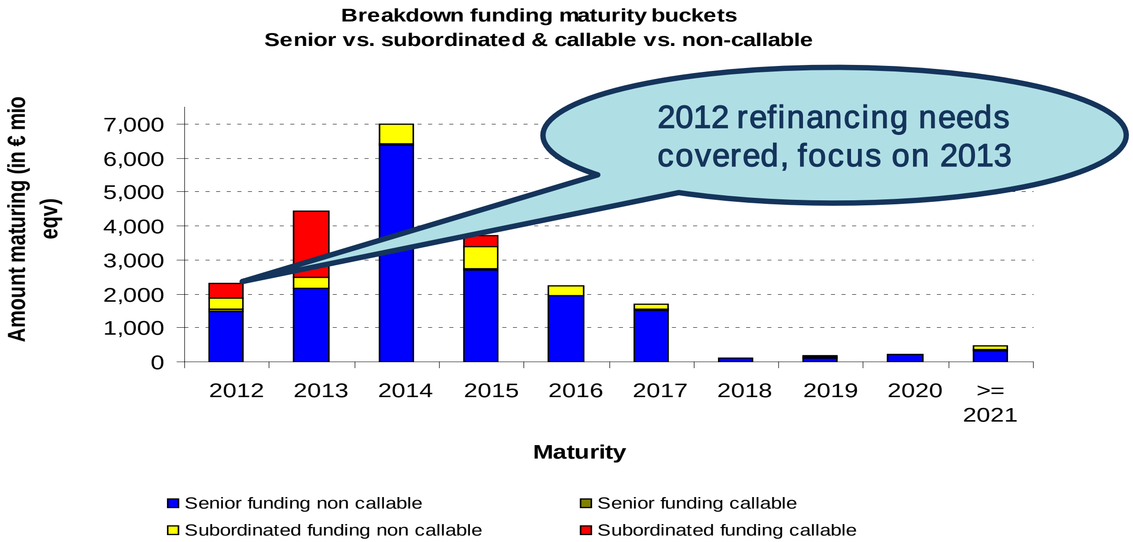
The liquid asset buffer increased in comparison with end 2011, due to the following factors:

- Positive changes in MtM, including on our exposure to Belgian bonds
- The automation of the credit claims pledging process allowed KBC to pledge almost 4bn euro's worth (after haircuts) of loans at NBB
- The total amount of unencumbered assets increased moderately as less secured funding was attracted.

Therefore, the already strong liquidity position improves further as:

- **Unencumbered assets are more than double the amount of the net recourse on short-term wholesale funding**
- **Funding coming from non-wholesale markets is stable funding from our core customer segments in our home markets**

Upcoming mid-term funding maturities



- KBC successfully issued 2 new benchmark senior unsecured deals for a total amount of 2.25bn EUR in 1Q 2012
- KBC Bank NV has 3 solid sources of EMTN Funding:
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Retail EMTN
- Belgian Parliament has recently voted a law for the issuance of covered bonds. To diversify further our funding base, KBC plans its first covered bond issue in 4Q12/1Q13

Note that this graph does not include the ECB LTRO for a total amount of 8.7bn EUR (3y maturity)

Section 4

Wrap up

Wrap up

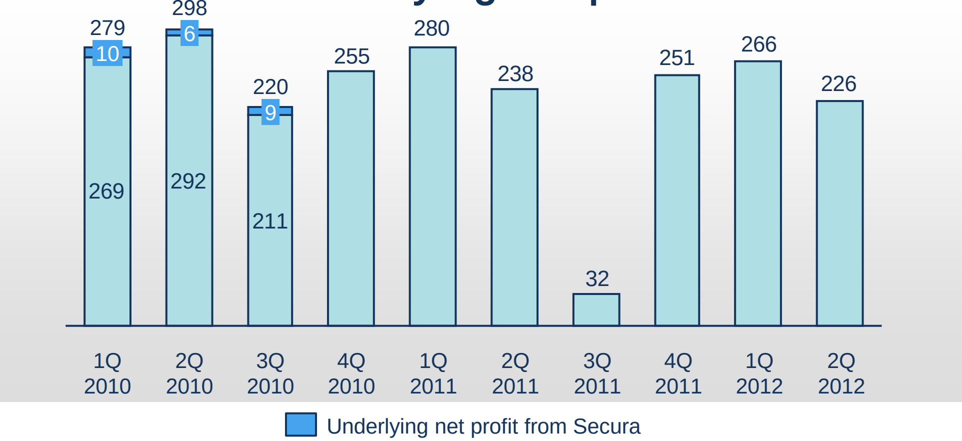
- Resilient business performance in core markets
- Momentum maintained on divestments and derisking
- Capital and liquidity positions further strengthened

Annex 1

2Q 2012 underlying performance of business units

Belgium Business Unit

Underlying net profit



Volume trend

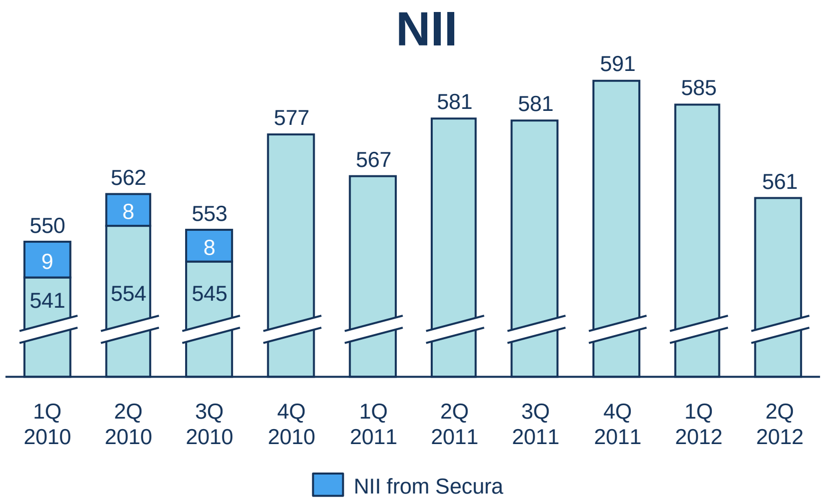
	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	57bn	30bn	75bn	140bn	23bn
Growth q/q*	+2%	+1%	+5%	-1%	+2%
Growth y/y	+6%	+8%	+5%	-2%	+9%

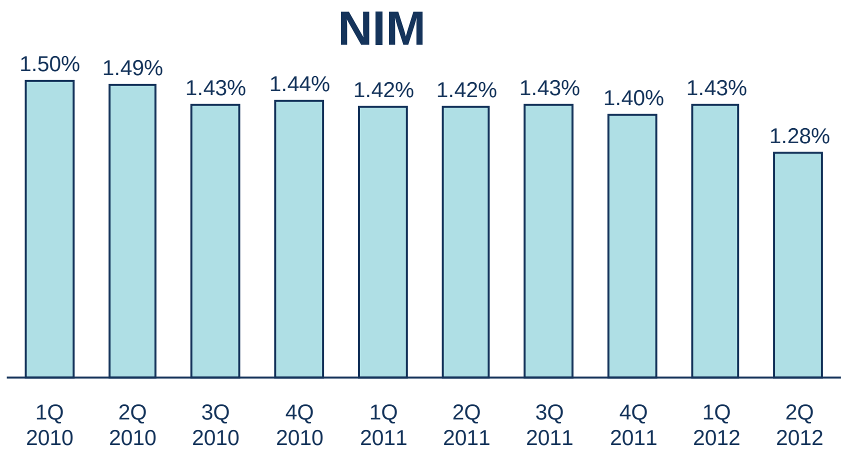
* *Non-annualised*
** *Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net profit of the Belgium Business Unit amounted to 226m EUR
  - The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent combined ratio, increased net fee and commission income, a loss on the sale of Spanish government bonds, lower costs thanks to a recuperation of funds from the Deposit Guarantee Scheme, low impairment on loans but higher impairment on shares
- Increase in quarter-on-quarter and year-on-year loan volume, driven by growth in mortgage loans
- Deposit volumes went up by 5%, both year-on-year and quarter-on-quarter

Amounts in m EUR

Belgium Business Unit (2)

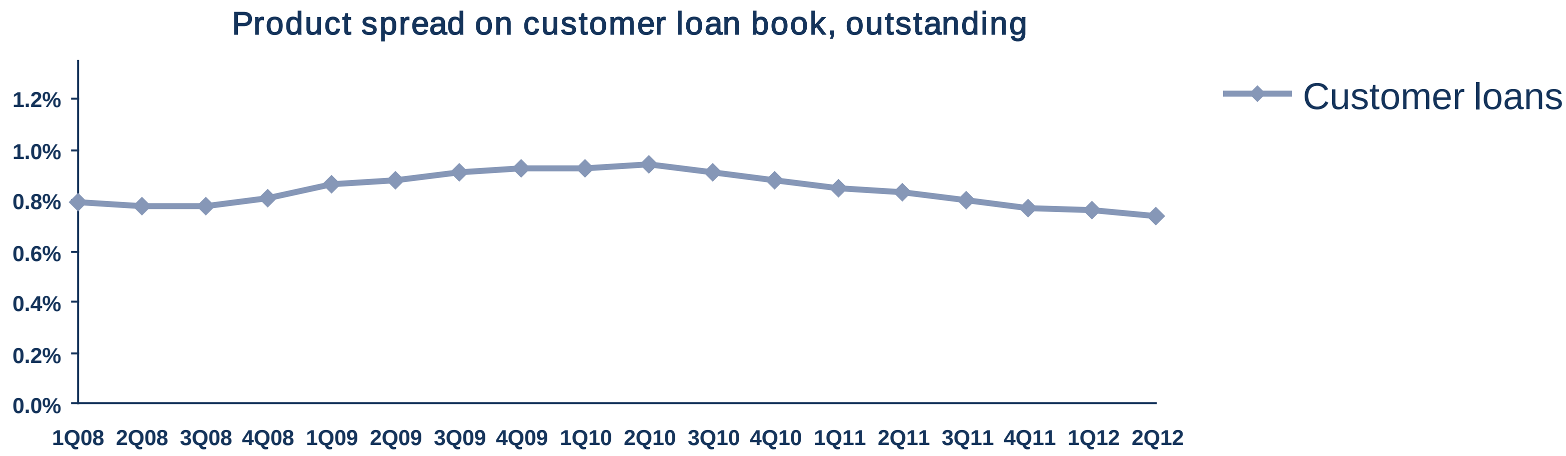


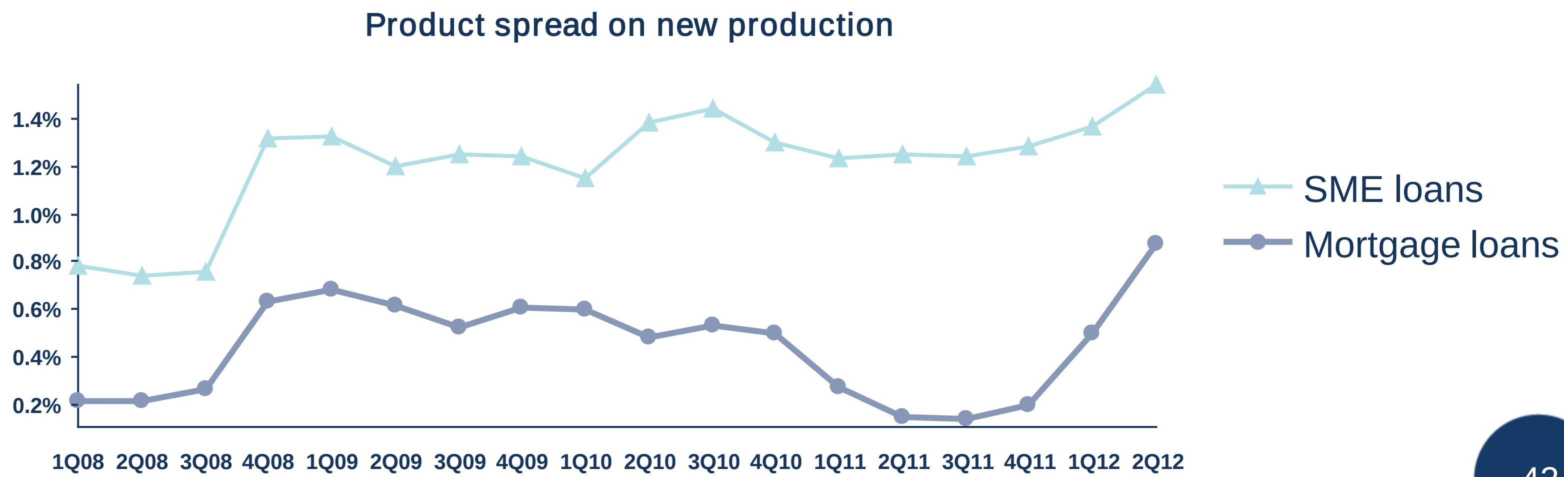


- Net interest income (561m EUR)
  - A decrease of 4% both y-o-y and q-o-q
  - The net interest margin decreased by 15bps quarter-on-quarter to 1.28%, largely attributable to higher average balances with the ECB and the reduced GIIPS exposure during 2Q12, while 1Q12 benefited from interest corrections on Greek bonds

Amounts in m EUR

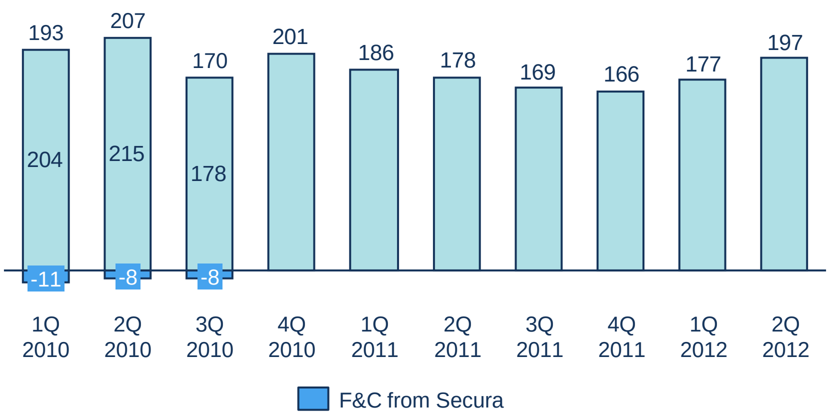
Credit margins in Belgium





Belgium Business Unit (3)

F&C



AUM

- Net fee and commission income (197m EUR) continued its gradual recovery
  - Net fee and commission income increased by 11% q-o-q and 10% y-o-y, mainly driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). Customers' risk appetite remained low

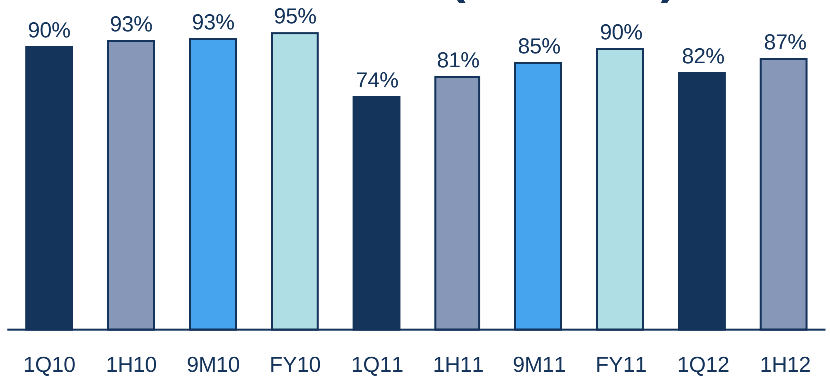
- Assets under management decreased by 1% q-o-q (and -2% y-o-y) to 140bn EUR due to (small) net AuM outflows not being entirely compensated by a positive price effect

Amounts in m EUR

Belgium Business Unit (4)

Premium income (gross earned premium)

Combined ratio (Non-Life)

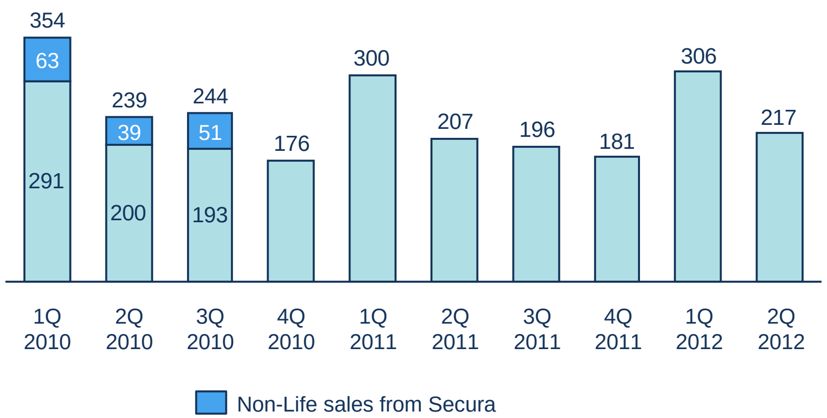


- Insurance premium income (gross earned premium) at 411m EUR
  - Non-life premium income (226m) up 1% q-o-q and 5% y-o-y (increase in most classes, but mainly in Fire insurance)
  - Life premium income (184m) down 30% q-o-q and 38% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a decrease in the guaranteed interest rate on Life savings products from May 2012 onwards (from 2.25% to 2.00%)
- Combined ratio remained at an excellent level of 87% in 1H12

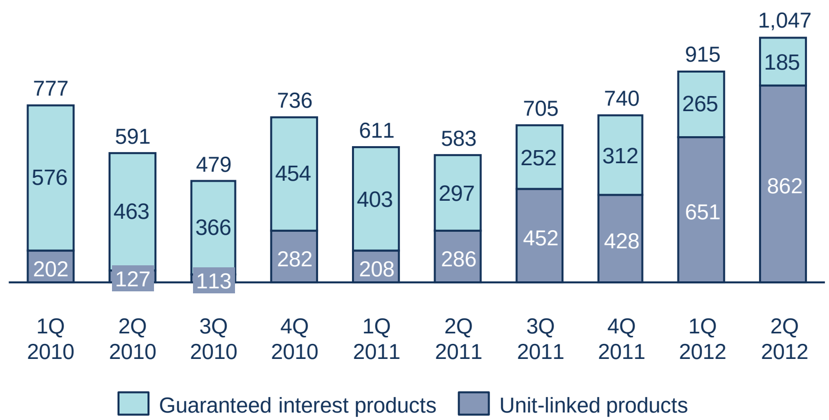
Amounts in m EUR

Belgium Business Unit (5)

Non-Life sales (gross written premium)



Life sales (gross written premium)

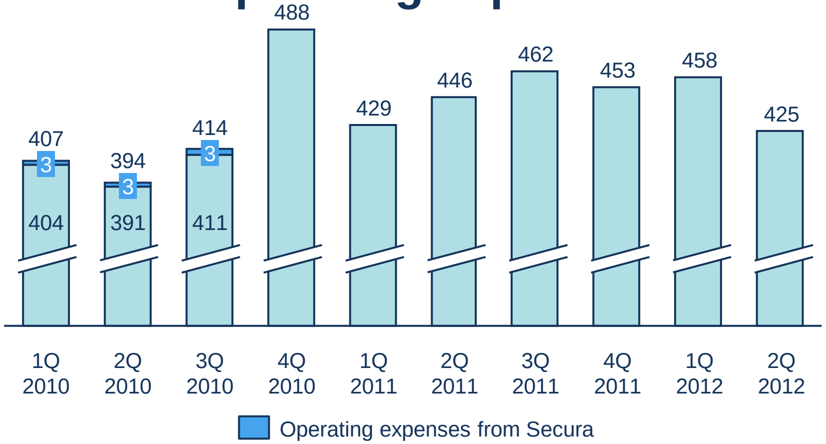


- Sales of Non-Life insurance products:
  - fell by 29% quarter-on-quarter (typical first quarter effect), but rose by 5% year-on-year
- Sales of Life insurance products:
  - rose by 80% year-on-year and 14% quarter-on-quarter. The 14% quarter-on-quarter increase was driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products
  - As a result, guaranteed interest products and unit-linked products accounted for 18% and 82%, respectively, of life insurance sales in 2Q12

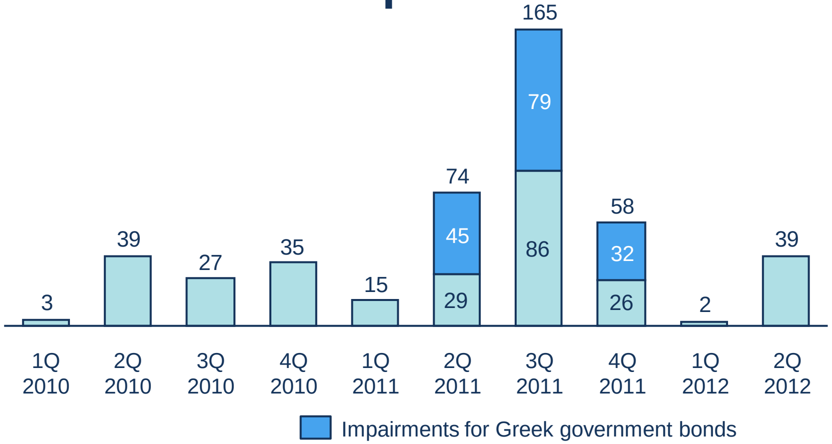
Amounts in m EUR

Belgium Business Unit (6)

Operating expenses



Asset impairment



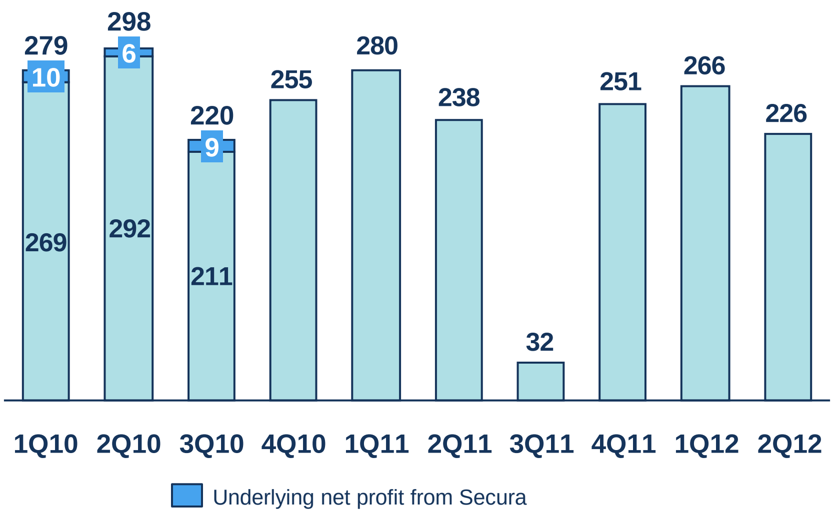
- Operating expenses: -7% quarter-on-quarter and -5% year-on-year
  - Both the q-o-q and the y-o-y decrease is almost entirely related to the +51m EUR pre-tax (and +34m EUR post-tax) recuperation of funds from the former Belgian Deposit Guarantee Scheme.
  - Excluding this recuperation, costs were up 2% q-o-q and 1% y-o-y, whereby increased staff expenses (mainly as a consequence of the wage indexation) were only partially offset by decreased ICT expenses
  - Underlying cost/income ratio: 62% YTD (and 60% YTD excluding the provision for the 5-5-5 product in 1Q12)
- Loan loss provisions were again quite limited in 2Q12 (only 15m EUR). Credit cost ratio of 4 bps in 1H12. NPL ratio at 1.5%. Furthermore, 24m EUR was recognised for impairment on shares at KBC Insurance (mainly related to Spain and to the telecom sector)

Amounts in m EUR

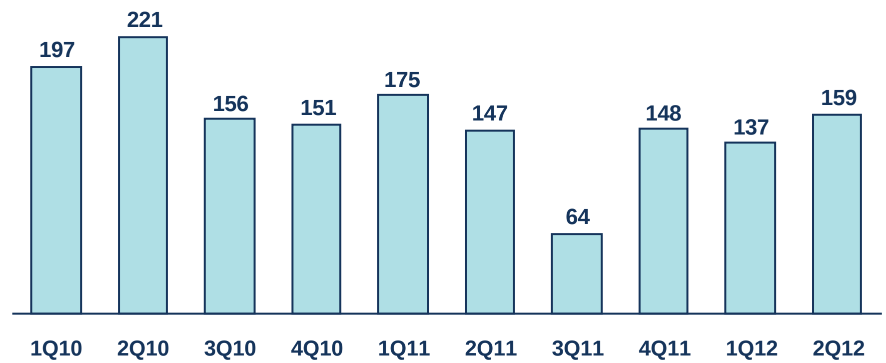
Underlying profit of the Belgium BU

Amounts in m EUR

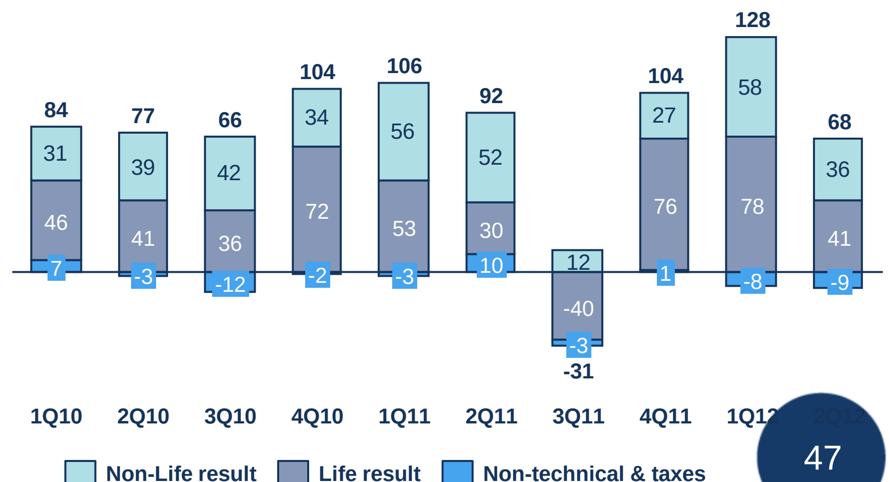
Underlying net profit of the Belgium BU *



Underlying net profit contribution banking to the Belgium BU *



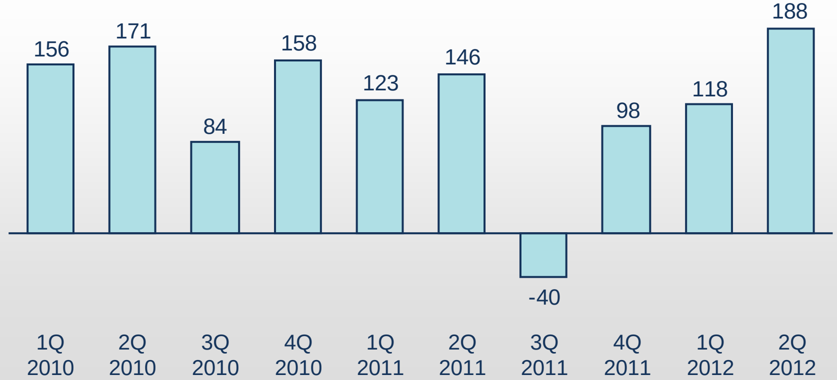
Underlying net profit contribution insurance to the Belgium BU *



* Difference between underlying net profit of the Belgium BU and the sum of the banking and insurance contribution is accounted for by some rounding up or down of figures

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	26bn	11bn	35bn	10bn	2bn
Growth q/q*	+2%	+2%	0%	-7%	+2%
Growth y/y	+4%	-2%	+3%	-15%	0%

** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net profit at CEE Business Unit of 188m EUR
  - CEE profit breakdown: 158m Czech Republic, 16m Slovakia, 35m Hungary, 6m Bulgaria, -27m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
  - Results from the banking business versus 1Q12 were positively impacted by a low level of loan loss provisions in 2Q12 (entirely thanks to much lower loan loss provisions at K&H Bank (retail)), while 1Q12 included the Hungarian bank tax (57m EUR pre-tax and 46m EUR post-tax) and the realised loss following the Greek debt exchange operation
  - Profit contribution from the insurance business remained limited in comparison to the banking business

Amounts in m EUR

CEE Business Unit (2)

Organic growth(*)

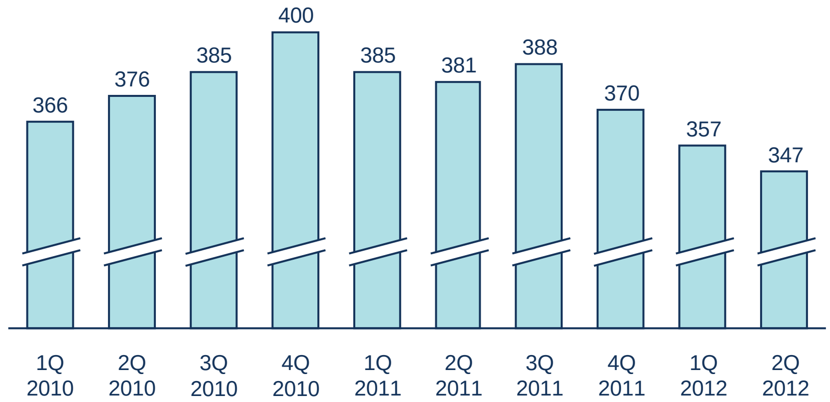
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+3%	+12%	+3%	+11%	+1%	+4%
SK	+1%	+9%	+4%	+13%	+2%	+4%
HU	-2%	-19%	0%	-36%	-3%	0%
BU	+1%	-18%	-18%	-41%	+2%	+9%
TOTAL	**+2%**	**+4%**	**+2%**	**-2%**	**0%**	**+3%**

- The total loan book rose by 2% q-o-q and 4% y-o-y. On a y-o-y basis, the increases in the Czech Republic (+12% y-o-y thanks to a continued increase in mortgage loans, but also an increase in corporate loans) and Slovakia (+9% y-o-y thanks to an increase in mortgage loans) were only partly offset by decreases in Hungary (where trend was impacted by the FX mortgage relief programme, but also a decreased corporate loan portfolio) and Bulgaria (where trend was impacted by 3Q11 impairments, mainly on corporate real estate)
- Total deposits were flat q-o-q, but up 3% y-o-y
- Loan to deposit ratio at 75%

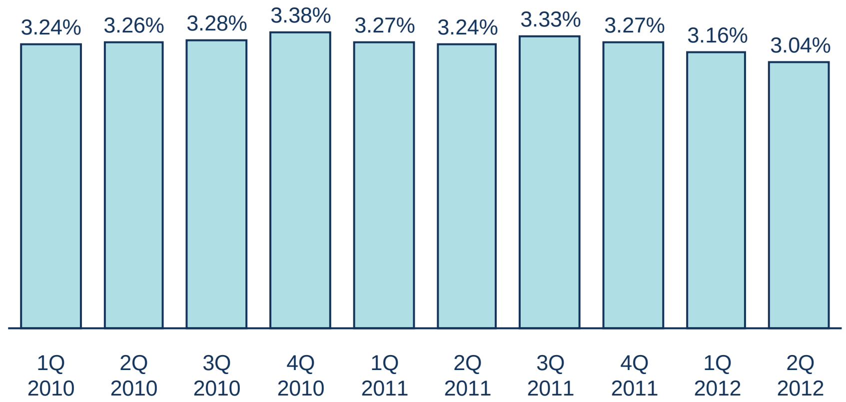
(*) organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairments

CEE Business Unit (3)

NII



NIM



- Excluding the FX effect, net interest income fell by 3% q-o-q and 5% y-o-y to 347m EUR. This can mainly be explained by a decrease in the loan portfolio at K&H Bank (following the repayment of FX mortgages in 2011 and a decreased corporate loan portfolio)

- The net interest margin narrowed by some 12bps quarter-on-quarter to 3.04%, mainly caused by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins) and the FX impact from CZK

Amounts in m EUR

CEE Business Unit (4)

F&C

AUM

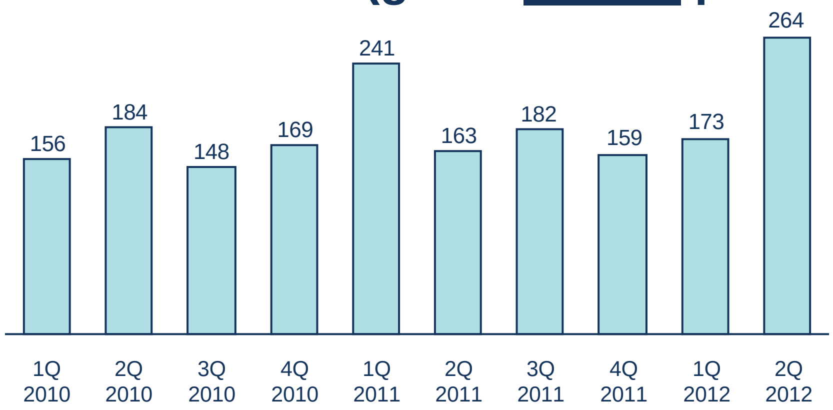
Amounts in bn EUR

- Excluding the FX effect, net fee and commission income (71m EUR) fell by 7% q-o-q and 13% y-o-y. The 7% q-o-q decrease is mainly driven by CSOB Bank CZ
- Assets under management decreased by 7% q-o-q to roughly 10bn EUR, essentially as a result of net outflows (-6% q-o-q). Y-o-y, assets under management fell by 15%, driven by net outflows (-11%) and some negative price effect

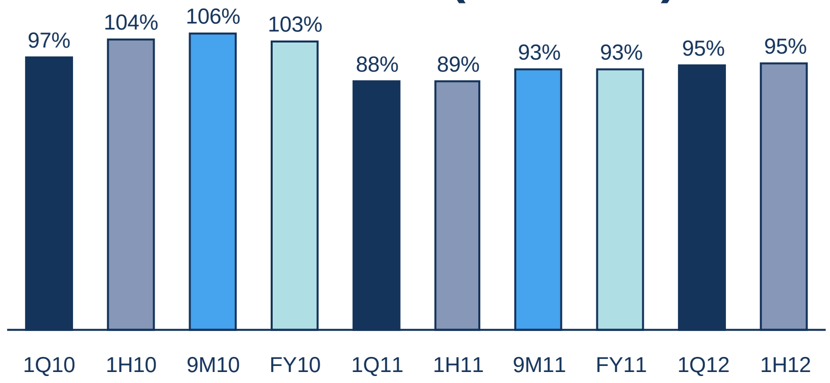
Amounts in m EUR

CEE Business Unit (5)

Premium income (gross earned premium)



Combined ratio (Non-Life)

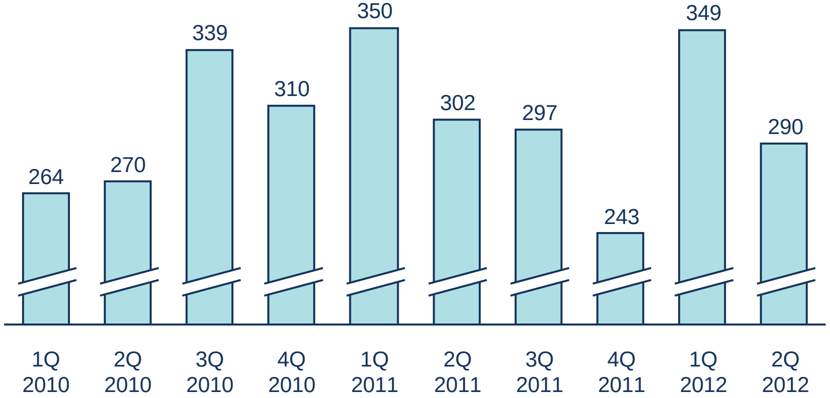


- Insurance premium income (gross earned premium) stood at 264m EUR
  - Non-life premium income (82m) flat q-o-q and down 3% y-o-y
  - Life premium income (182m) doubled q-o-q (as much as +130% y-o-y), mainly thanks to strong sales of unit-linked products in the Czech Republic
- Combined ratio at 95% in 1H12

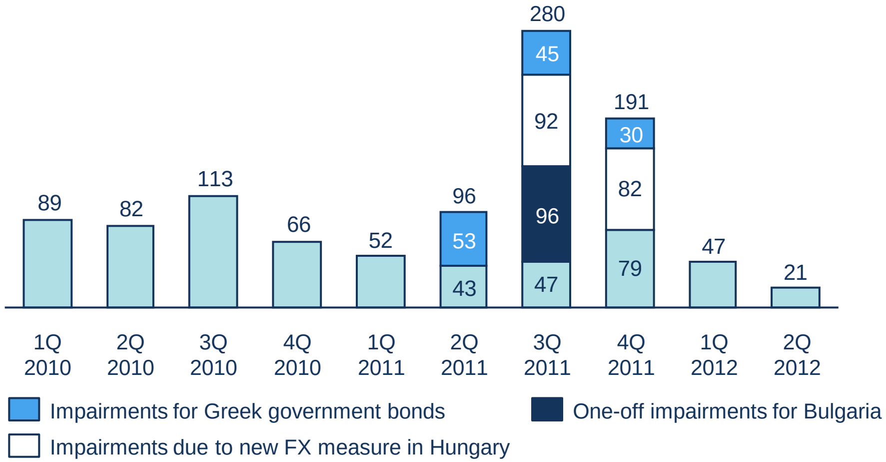
Amounts in m EUR

CEE Business Unit (6)

Operating expenses



Asset impairment



- Opex (290m EUR) fell by 17% q-o-q and 4% y-o-y
  - This q-o-q decrease is due entirely to the recognition of the Hungarian bank tax in 1Q12 (57m EUR pre-tax)
  - Excluding this bank tax and FX changes, opex remained more or less unchanged both q-o-q and y-o-y
  - YTD cost/income ratio at 59% (54% excluding Hung. bank tax)
- Asset impairment at 21m
  - L&R impairments decreased sharply thanks to a significant decline in Hungary (retail), leading to a credit cost ratio of 0.42% YTD (1.59% in FY11). NPL ratio at 5.6%

	Loan book	2009* CCR	2010 CCR	2011 CCR	1H12 CCR
CEE	**31bn**	**2.12%**	**1.16%**	**1.59%**	**0.42%**
- Czech Rep.	20bn	1.12%	0.75%	0.37%	0.24%
- Hungary	5bn	2.01%	1.98%	4.38%	1.08%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.25%
- Bulgaria	1bn	2.22%	2.00%	14.73%	0.86%

** CCR according to ‘old business unit reporting’*

Amounts in m EUR

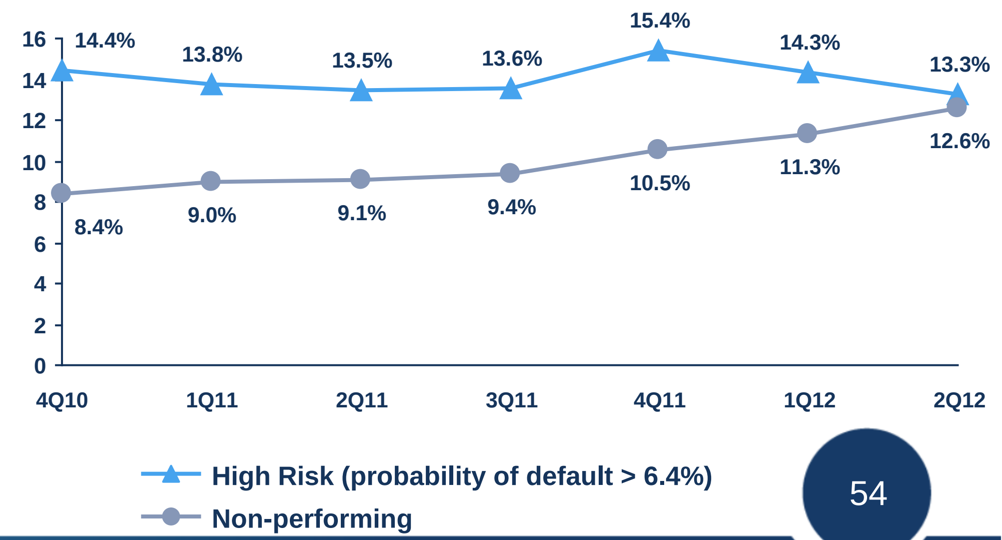
KBC Hungary

- 2Q12 **underlying net profit** of K&H Group amounted to 35m EUR
- 2Q12 **loan loss provisions** amounted to merely 3m EUR (28m EUR in 1Q12). The credit cost ratio came to 1.08% in 1H12 versus 1.39% in 1H11. The favourable figures in 2Q12 versus 1Q12 are due to:
  - Continued stable trends in corporate and SME portfolios
  - new positive signs in the retail customer behaviour due to the re-launch of the earlier temporarily suspended own easement programme
  - positive trends of performing clients signing up for the accumulation loan under the government FX debtor relief program
  - the review of the impairment estimation (one-off impact) on delinquent FX mortgage loans which can be converted into HUF loans under the FX debtor relief program
- **NPL** rose to 12.6% in 2Q12 (11.3% in 1Q12)
  - NPL Retail: 19.4% in 2Q12 (17.0% in 1Q12):
    - In April and May 2012, further increase in retail NPL
    - In June, the rise in delinquencies slowed down primarily due to the re-launch of the bank's own easement programme and first positive signs of the accumulation loan programme
    - The expectation is that the FX debtor relief program will further reduce new NPL formation in 2H12

Hungarian loan book – key figures as at 30 June 2012

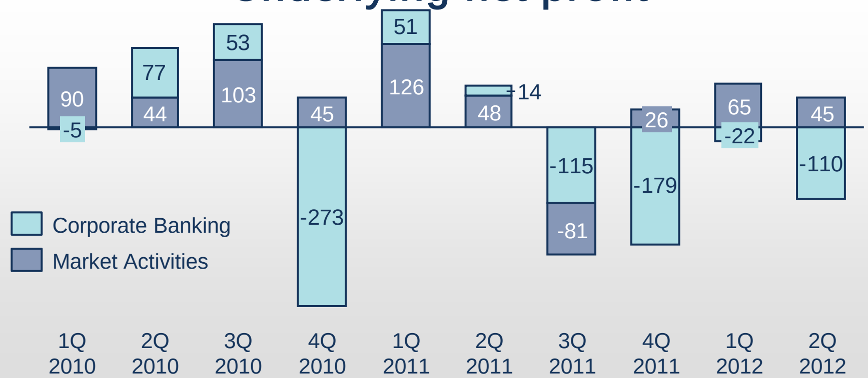
Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	7.7%	64%
Retail	2.6bn	17.8%	60%
o/w private	2.2bn	19.4%	59%
o/w companies	0.4bn	9.5%	73%
	5.4bn	12.6%	61%

Proportion of High Risk and NPLs (new method)



Merchant Banking Business Unit

Underlying net profit



Volume trend

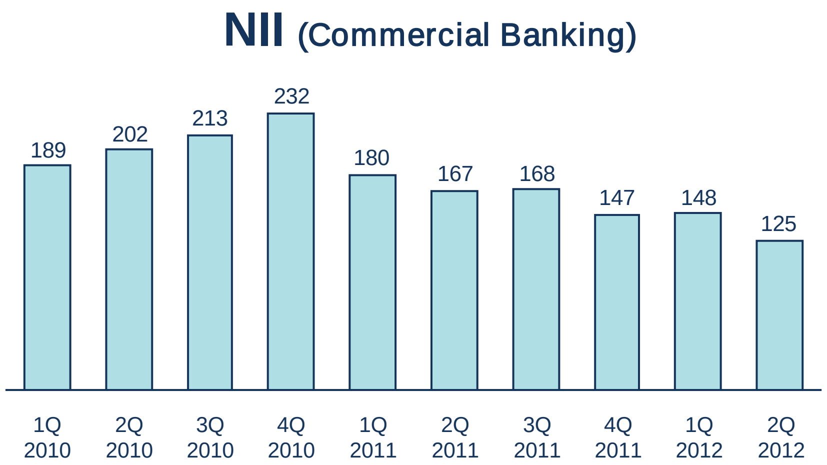
	Total loans	Customer deposits
Volume	**43bn**	**40bn**
Growth q/q*	**+1%**	**+2%**
Growth y/y*	**+1%**	**-28%**

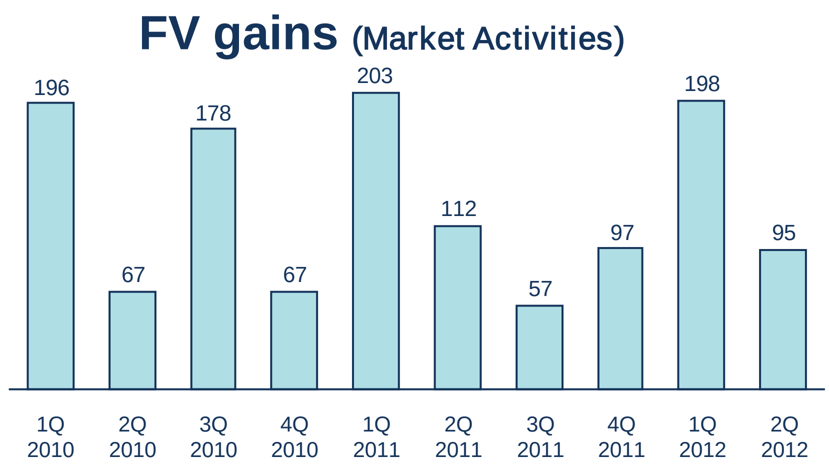
**non-annualised*

- Underlying net profit in the Merchant Banking Business Unit totalled -65m EUR
  - The lower q-o-q result from this business unit's Corporate Banking activities of 88m EUR in 2Q12 was due entirely to higher senior debt costs, a negative counterparty value adjustment (mainly on OTC derivatives concluded with our corporate banking clients at KBC Bank Belgium) and slightly higher loan loss provisions for Belgian corporates. Note that 1Q12 benefited from the 41m EUR reversal regarding the fraud case at KBC Lease UK. The result for 2Q12 was negative partly on account of the high loan impairments at KBC Bank Ireland (136m EUR in 2Q12 versus 195m in 1Q12, fully in line with our guidance). Excluding KBC Bank Ireland, the 2Q12 result would be -18m EUR
  - The result from the unit's Market Activities of 45m EUR was down q-o-q, mainly driven by the lower dealing room result

Amounts in m EUR

Merchant Banking Business Unit (2)



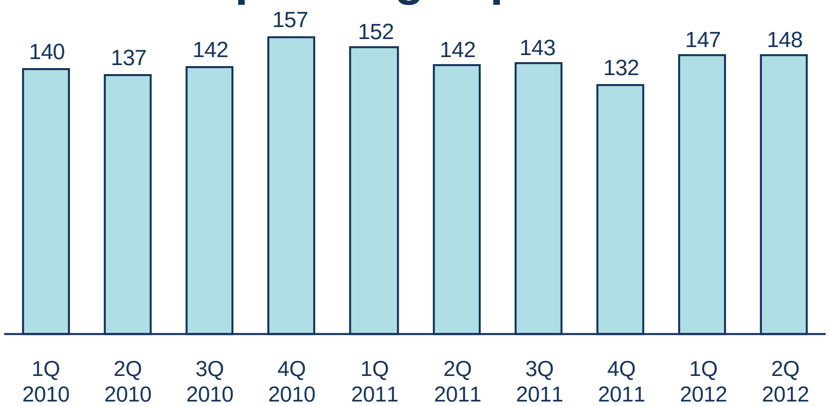


- The 2Q12 net interest income level decreased q-o-q mainly due to higher senior debt costs
- Lower q-o-q fair value gains within the ‘Market Activities’ sub-unit, largely due to lower dealing room results in 2Q12 (compared to excellent performance in 1Q12) and significant negative CVAs in 2Q12, mainly on OTC derivatives concluded with our corporate banking clients (due to widened corporate credit spreads)

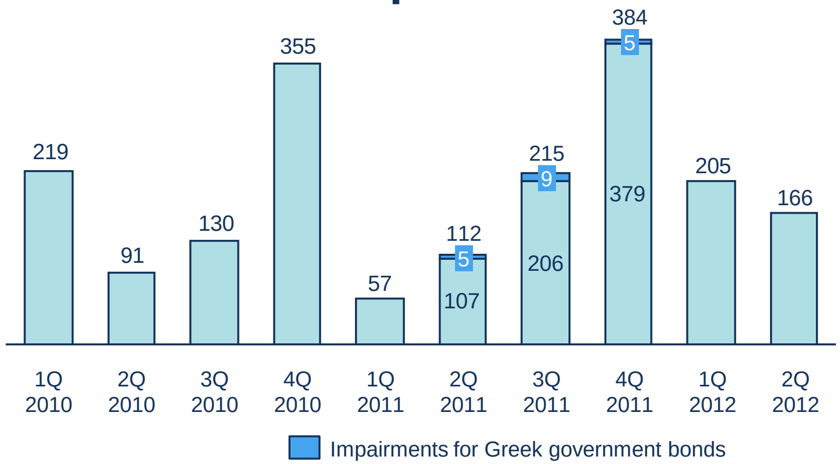
Amounts in m EUR

Merchant Banking Business Unit (3)

Operating expenses



Asset impairment



- Operating expenses increased by 1% quarter-on-quarter and 4% year-on-year to 148m EUR driven by higher staff expenses. Underlying cost/income ratio: 44% in 1H12 (and 42% excluding the provision for the 5-5-5 product in 1Q12)

- Total impairments amounted to 166m EUR in 2Q12
  - The significantly lower q-o-q impairments on L&R were accounted for fully by KBC Bank Ireland (loan loss provisions in 2Q12 of 136m EUR compared with 195m EUR in 1Q12). Credit cost ratio at 1.38% in 1H12 (compared to 1.36% in 2011) and NPL ratio at 9.5% (0.14% and 3.9%, respectively, excluding KBC Bank Ireland)
  - Other impairment charges amounted to 14m EUR, related to real estate investments

Amounts in m EUR

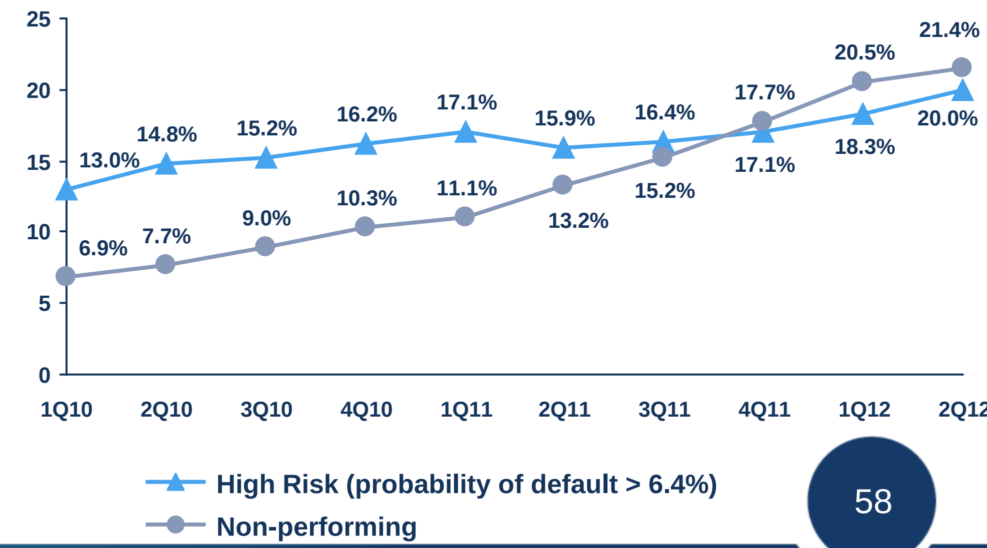
Ireland

- Loan loss provisions in 2Q12 of 136m EUR (195m EUR in 1Q12). The loss after tax in 2Q12 was 72m EUR
- Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of FDI and progress in reducing the deficit in the Public Finances. These developments have been reflected in continuing positive assessments by the EU/IMF
- While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011 which is also positively impacting on NPL trends
- The Personal Insolvency Bill 2012 was published in June 2012. While KBCI has reservations about the Bill, it welcomes the emphasis placed by policy makers on customers firstly engaging with their bank. KBCI is experiencing positive results from its extensive outreach programmes and is confident that its Mortgage Arrears Resolution Strategy will restore a significant number of customers back to financial stability
- Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market
- Successful retail deposit campaign with expanded product offering. Increased gross retail deposit levels of +0.5bn EUR and new customer accounts of 8,000 in 1H12. In addition, new corporate deposit sales increased in 1H12
- Local tier-1 ratio to 11.12% at the end of 2Q12 through a capital increase of 50m EUR (11.16% at the end of 1Q12)

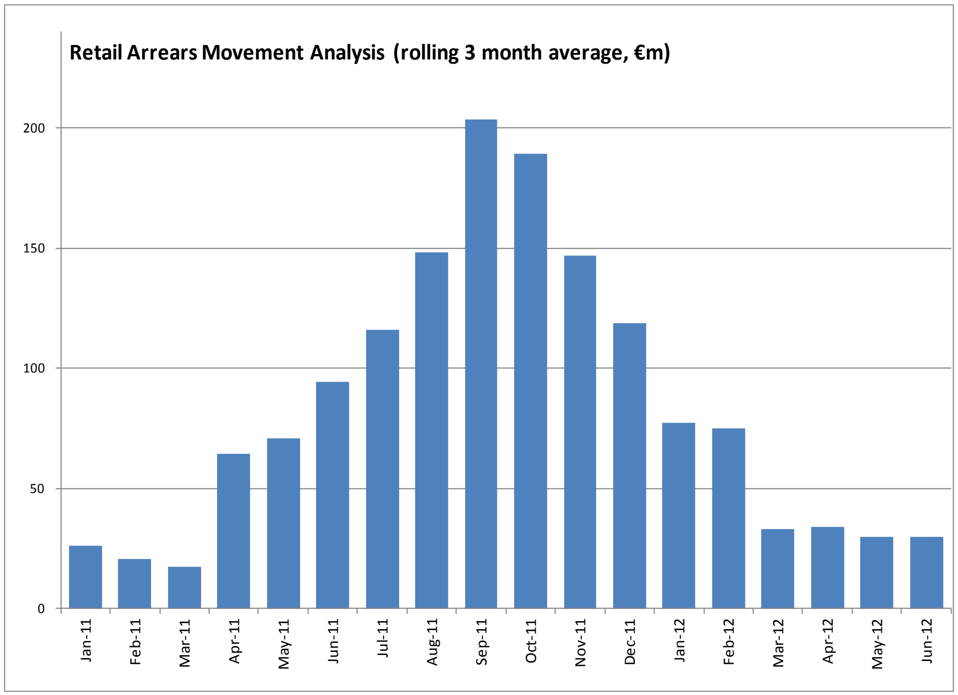
Irish loan book – key figures as at June 2012

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.4bn	15.9%	30%
Buy to let mortgages	3.2bn	26.7%	38%
SME /corporate	1.9bn	19.3%	53%
Real estate investment	1.3bn	27.8%	60%
Real estate development	0.5bn	83.1%	76%
	16.4bn	21.4%	43%

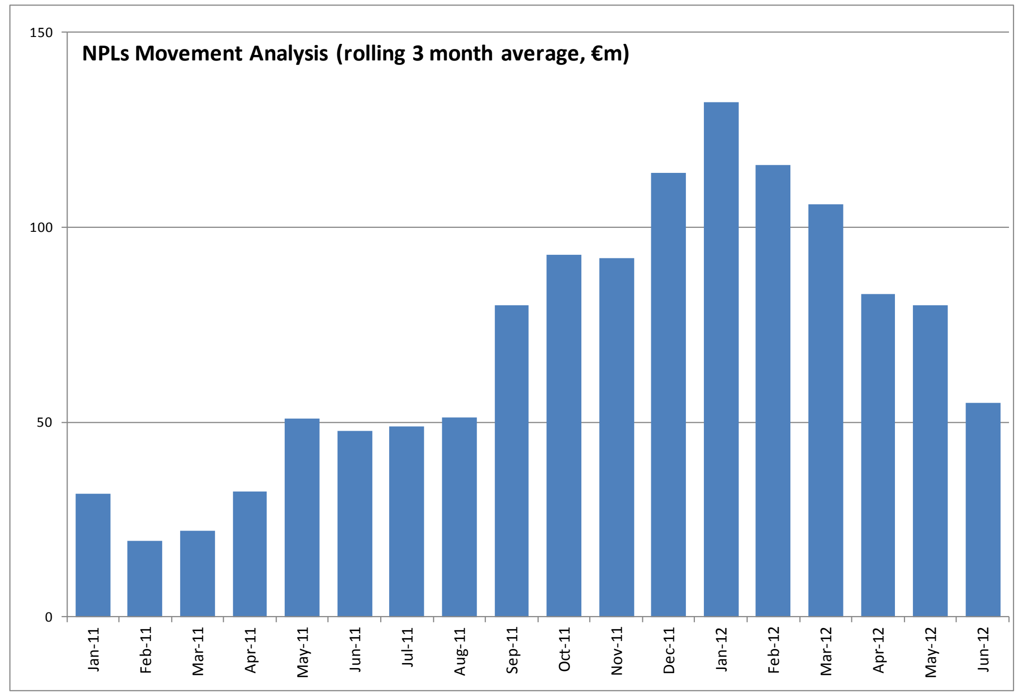
Proportion of High Risk and NPLs



Ireland (2)

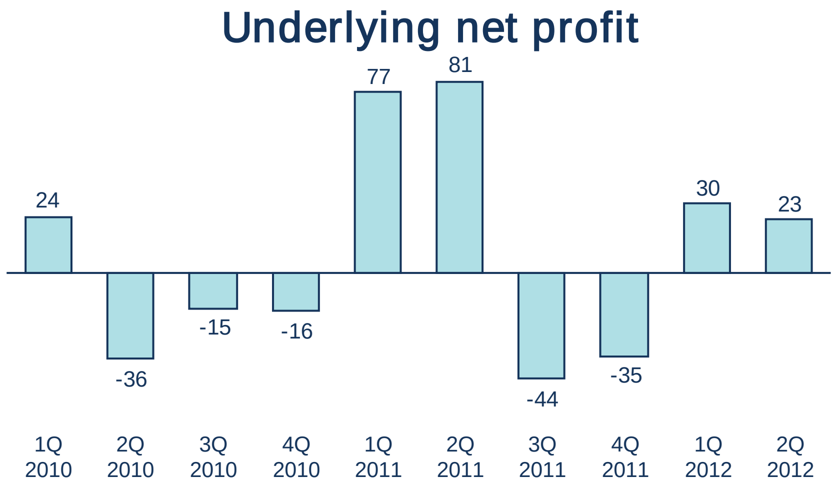


Retail Arrears Movement Analysis (rolling 3 month average, €m)
200
150
100
50
0
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12



NPLs Movement Analysis (rolling 3 month average, €m)
150
100
50
0
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12

Group Centre



- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the ‘Group Centre’ (starting in 1Q10). The Group Centre posted an underlying profit of 23m EUR. Note that the divestment of Fidea was finalised on 31 March 2012 (1Q12), while the sales of Warta and KBL *epb* were finalised during 3Q12 (respectively 2 and 31 July 2012)
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the ‘Group Centre’

Amounts in m EUR

Group Centre (2)

Breakdown of underlying net profit from Group Centre

	2Q12
Group item (ongoing business)	**-8**
Planned divestments	**31**
- Centea	0
- Fidea	0
- Kredyt Bank	8
- Warta	26
- Absolut Bank	19
- ‘old’ Merchant Banking activities	8
- KBL EPB	0
- Other	-30
TOTAL underlying net profit from Group Centre	**23**

NPL, NPL formation and restructured loans in Russia

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%	11.2%	10.3%	7.6%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%	-0.2%	-0.9%	-2.7%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%	3.2%	2.3%	2.3%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8	4	-10	-3

Amounts in m EUR

Annex 2

Other items

Overview of divestment programme

Finalised:	
KBC FP Convertible Bonds	✓
KBC FP Asian Equity Derivatives	✓
KBC FP Insurance Derivatives	✓
KBC FP Reverse Mortgages	✓
KBC Peel Hunt	✓
KBC AM in the UK	✓
KBC AM in Ireland	✓
KBC Securities BIC	✓
KBC Business Capital	✓
Secura	✓
KBC Concord Taiwan	✓
KBC Securities Romania	✓
KBC Securities Serbia	✓
Organic wind-down of international MEB loan book outside home markets	✓
Centea	✓
Fidea	✓
Warta	✓
KBL *European Private Bankers*	✓
Zagiel	✓
Signed:	
Kredyt Bank	✓

In preparation/work-in-progress for 2012/2013 a.o.
Absolut Bank
KBC Banka
NLB
Antwerp Diamond Bank
KBC Bank Deutschland

Update on outstanding* CDO exposure at KBC (2Q 2012)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- Hedged portfolio - Unhedged portfolio	10.1 5.5	-0.7 -3.7
TOTAL	15.6	-4.5

Amounts in bn EUR	Total
Outstanding value adjustments	-4.5
Claimed and settled losses	-2.2
- Of which impact of settled credit events	-2.0

P&L impact** of a shift in corporate and ABS credit spreads (reflecting credit risk)

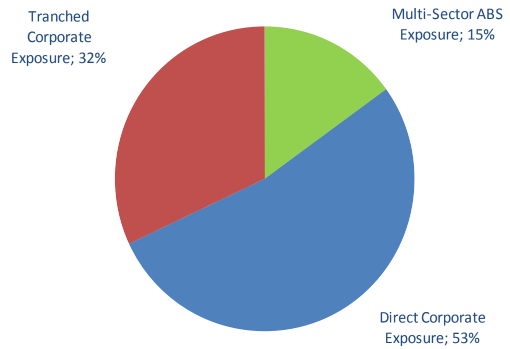
	10%	20%	50%
Spread tightening	+0.1bn	+0.2bn	+0.6bn
Spread widening	-0.1bn	-0.2bn	-0.4bn

- The total notional amount as well as the outstanding markdowns remained stable
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 12.0% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee

* Figures exclude all expired, unwound or terminated CDO positions
** Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA at 70%

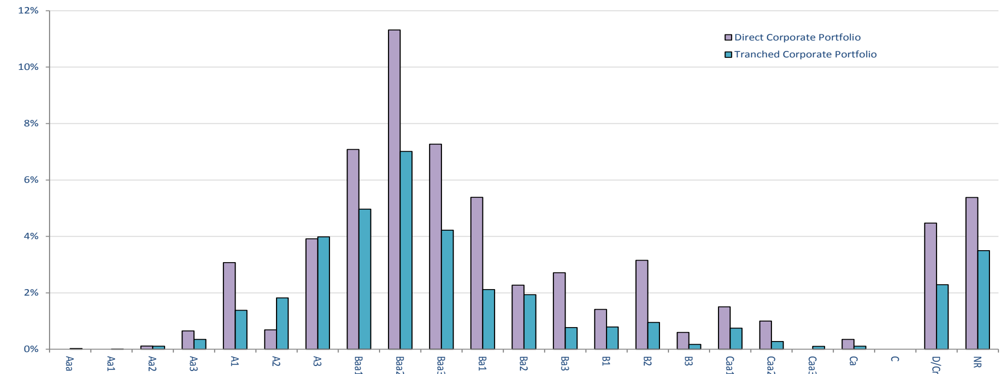
Breakdown of KBC's CDOs originated by KBC FP

Breakdown of assets underlying KBC's CDOs originated by KBC FP*



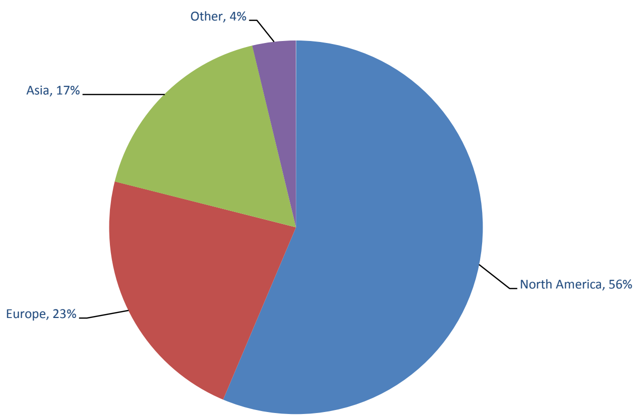
* % of total initial deal exposure; figures at 9 July 2012

Corporate breakdown by ratings *



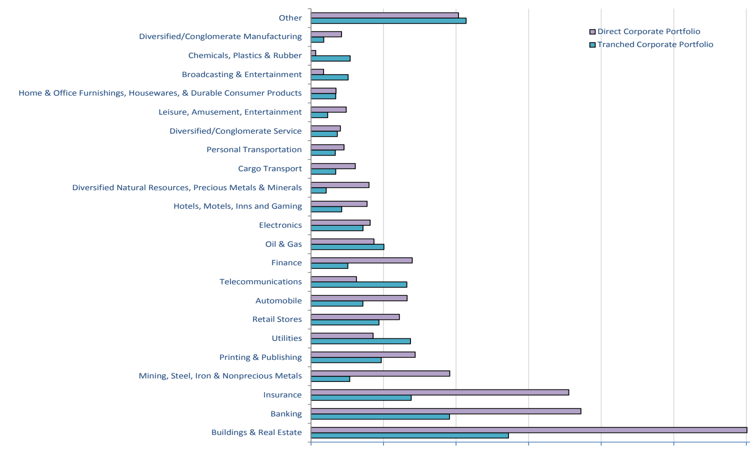
*Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio; Figures as of 9 July 2012, based on Moody's Ratings

Corporate breakdown by region*



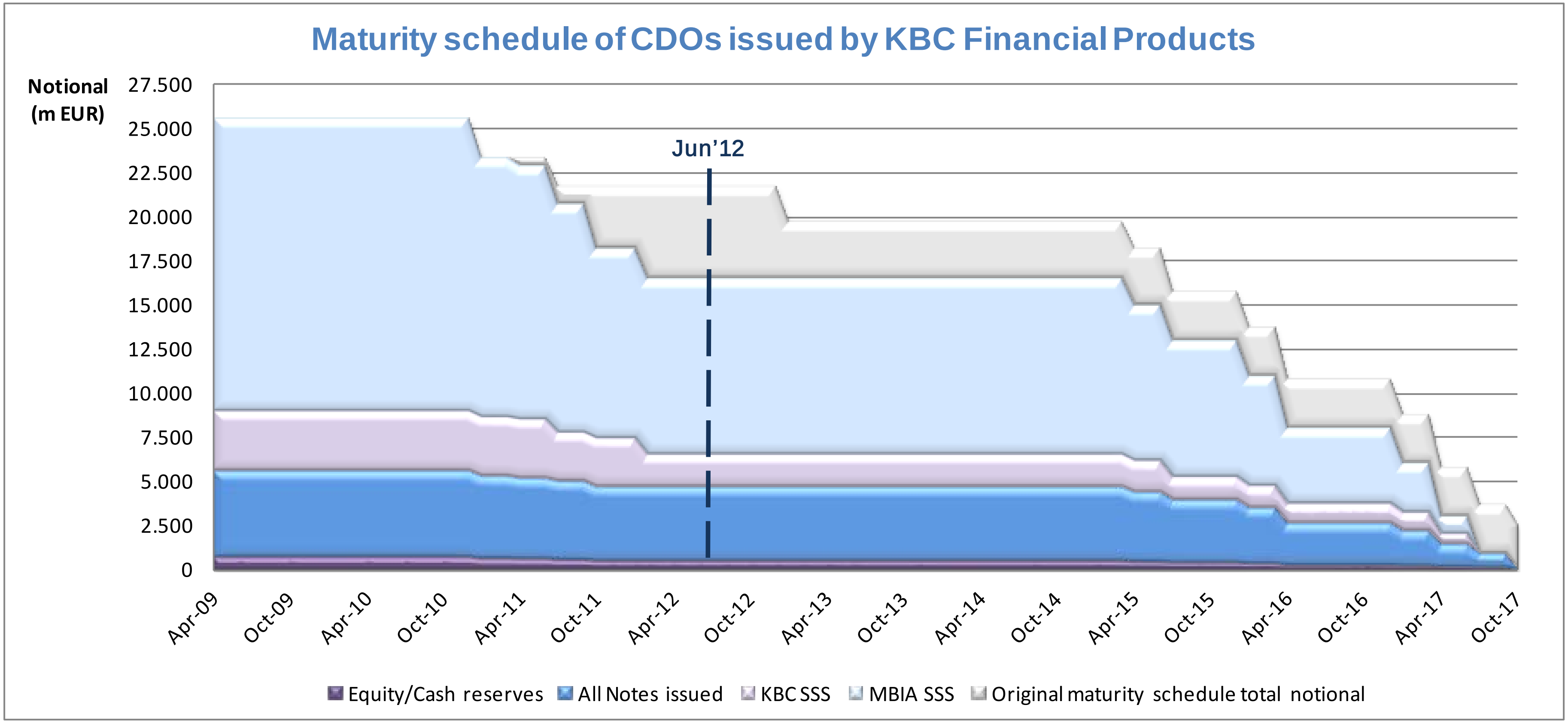
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 July 2012

Corporate breakdown by industry *



***Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 July 2012**

Maturity schedule for CDO portfolio



The total FP CDO exposure includes the 'unhedged' own investment portfolio as well as the 'hedged' portfolio that is insured by MBIA

Summary of government transactions (1)

- State guarantee covering 12.2bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (2.1bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (10.1bn EUR)
  - First and second tranche: 3.2bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.3bn EUR (90% of 1.5bn EUR) from the Belgian State
  - Third tranche: 9.0bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach

		Potential *P&L* impact for KBC	Potential *capital* impact for KBC
12.2bn - 100% 1st tranche	1.7bn	100%	100%
10.5bn - 86% 2nd tranche	1.5bn	100%	10% (90% compensated by equity guarantee)
9.0bn - 74% 3rd tranche	9.0bn	10% (90% compensated by cash guarantee)	10% (90% compensated by cash guarantee)

• Excluding all cover for expired, unwound or terminated CDO positions

Summary of government transactions (2)

Originally, 7bn EUR worth of core capital securities subscribed by the Belgian Federal and Flemish Regional Governments

	Belgian State	Flemish Region
Amount	**3.5bn**	**3.5bn**
Instrument	Perpetual fully paid up new class of non-transferable securities qualifying as core capital	
Ranking	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option KBC	From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year by 5% to the maximum of 150%	No conversion option

Contact information

Investor Relations Office

E-mail: investor.relations@kbc.com

Go to www.kbc.com for the latest update