KBC GROUP

EXTENDED QUARTERLY REPORT

3Q 2011

KBC

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

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Glossary of ratios used

CAD ratio
[consolidated total regulatory capital] / [total risk-weighted volume].

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 risk-weighted volume]. 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
[individual impairment on non-performing loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'. The cover ratio may also include the individual impairment on still performing loans and portfolio-based impairments.

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, plus mandatorily convertible bonds, 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*).

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, plus mandatorily convertible bonds, 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*).

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 and mandatorily convertible bonds, 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).

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

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Report on 3Q and 9M2011

KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 10 November 2011, 7 a.m. CET.

Summary: Considerable progress on execution of strategic plan, 3Q results affected by exceptional and one-off items.

KBC ended the third quarter of 2011 with an underlying net result of -248 million euros but excluding one-off items induced by the prevailing and exceptional market circumstances, the net result would have amounted to 222 million euros. This compares with +528 million euros in 2Q2011 and +445 million euros in 3Q2010. The underlying result for the first nine months of 2011 amounted to +937 million euros, compared to +1 542 million euros for the corresponding period in 2010.

The IFRS-based net result reported for the quarter under review came to a net loss of 1 579 million euros, compared with a net profit of 333 million euros in the previous quarter and 545 million euros in the year-earlier quarter. This means that the group has generated a total net loss of 424 million euros in the first nine months of 2011, as opposed to a net profit of 1 136 million euros for the corresponding period in 2010.

Jan Vanhevel, Group CEO: *'The third quarter for KBC was characterised by a continuing good level of underlying income and considerable progress in both our divestment and de-risking plans. We concluded the sales agreements for KBL EPB and Fidea. We further reduced our CDO and ABS exposure and have already reached our initial target (capital relief of 0.5 billion euros). We have also substantially reduced our exposure to Southern European government bonds.*

Unfortunately, the third quarter results were also affected significantly by exceptional items related to the uncertain macroeconomic climate and challenging, turbulent market conditions. We are disappointed to record a loss in the third quarter, largely on account of these market-driven items.

However, our core strengths remain fundamentally sound and we have a very solid customer base in our core markets of Belgium and Central Europe, where there was further loan and deposit growth, and an excellent underlying insurance performance. Our liquidity profile is robust and supported by a stable and resilient customer deposit base. Moreover, our solvency position is and remains strong and has enabled us to continue to increase lending to our customers.

I would like to add that our already comfortable capital position has been further enhanced by the fact that the Belgian regulator has recognised the Yield Enhanced Securities (YES) as common equity under the current CRD4 proposal. We continue to strive to reimburse 7 billion euros to the state by the end of 2013, in line with the European plan.
KBC has expressed its intention to repay a first tranche of the YES to the amount of 500 million euros by year end to the Federal Government under the conversion mechanism. The Federal Government has confirmed that the 15% penalty will be applicable. The Flemish Government has agreed to waive its "pari passu" rights for this repayment and any further repayments effected before end of 2012.

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. The good results we have observed during October, lead us to guide for a full year underlying net profit of 1.2 billion to 1.4 billion euros.'

Further to a continued strong RWA management (RWA reduction of 6.7 billion euros in the third quarter),
KBC has also acted to reduce volatility in its results.

- **CDO exposure**
  During the third quarter, our CDO exposure was reduced by 2.5 billion euros, which constitutes a 12% decline in the notional amount outstanding. This was achieved by early terminations and sales at limited cost.
- **ABS exposure**
  During the third quarter, our ABS exposure was reduced by 0.7 billion euros, which constitutes a 17% decline in the notional amount outstanding. This was achieved by sales at limited cost.
- **Southern European government bond exposure**
  In the third quarter, we substantially reduced our exposure to Southern European government bonds. The reduction amounted to 2.9 billion euros, or more than 30% compared to the exposure at the end of June. We have further reduced this exposure since the end of September by another 1.6 billion euros.

Main exceptional factors in 3Q2011 that have impacted the reported IFRS result:

- **Divestments: one-off impact**
  Notwithstanding the particularly challenging market circumstances, the execution of our strategic plan has gained further momentum with, for instance, sales agreements being signed for KBL EPB and Fidea. The transactions related to the sale of Centea and KBC Asset Management's stake in KBC Concord Asset Management Co. Ltd. (Taiwan) have been closed, and KBC Securities completed the divestment of its operations in Serbia and Romania. Other planned divestments are well on track. The divestments of KBL EPB and Fidea had a combined negative impact of 0.6 billion euros on KBC's third-quarter net result, but a positive impact on our capital.
- **Impact of the credit spread on CDOs**
  During the third quarter, global economic uncertainty intensified, resulting in volatile markets and significantly wider corporate and ABS credit spreads. This resulted in a valuation markdown of some 0.6 billion euros on the CDO exposure. 30% of the unrealised losses booked in 3Q11 could already be reversed in October 2011.

Main important one-off factors in 3Q2011 that have impacted the underlying result:

- **Greece: one-off impact**

  As a result of the deteriorating credit position of Greece in the financial markets, we recorded an additional impairment of 126 million euros after tax (176 million pre-tax) on our Greek government bond portfolio in this quarter (as a result, the impairment on Greek government bonds at 30 September 2011 was recognised in full at 58% of the nominal amount of these bonds).

  We also recorded a provision of 174 million euros after tax (263 million pre-tax) on the contingent intention to repurchase on a voluntary basis the bonds (KBC IFIMA 5/5/5 and KBC Group 5-5-5) sold to retail customers, conditional on the occurrence of a credit event. These structured bonds were launched in the spring of 2008, have a term to maturity of five years, a gross coupon of 5% (which so far have all been paid) and are linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All holders of these bonds had been informed in March 2011 of this contingent intention. Untill the date of this press release no credit event occurred, but since the probability of a credit event is estimated by the financial markets to be higher than 50% on 30 September 2011, we decided to book the provision in the third quarter results. If no credit event under ISDA definitions occurs, the provision will be reversed.

- **Hungary: one-off impact**

  During September, new legislation designed to help households with foreign-currency-based mortgages was introduced in Hungary. This legislation allows households during a limited period to pay off foreign-currency debts in one lump sum at a fixed, discounted exchange rate. The shortfall between the fixed and market rates is to be covered by the banks. The Hungarian Banking Association has taken the matter to the Constitutional Court in Budapest. Nevertheless, KBC has recorded an impairment of 74 million euros (after tax) on its FX retail mortgage portfolio (92 million euros, pre-tax), reflecting that an estimated 20% of all debtors will pay off their foreign currency loans.

- **Bulgaria: one-off impact**

  KBC performed an in-depth evaluation of its Bulgarian assets for which the Group has recorded an additional impairment of 96 million euros.

Main special items in 3Q2011 that have impacted the underlying result:

- **Share portfolio**

  Following the downturn on the stock market, an impairment of 87 million euros (before and after tax) had to be booked on the share portfolio.

- **Ireland**

  We indicated during the 2Q11 results presentation in August that we had seen some deterioration in the number of payment arrears. The economic situation and the Irish marketplace have not improved in the way we envisaged and the austerity measures put in place by the Irish authorities have had a considerable impact on the financial strength of households. Besides that, we have observed a change in behaviour of some borrowers. As a consequence, a loan loss provision of 164 million euros after tax (187 million euros, pre-tax) was recorded in 3Q2011.

These factors aside, underlying income in the third quarter was characterised by a good level of net interest income, strict cost control, an excellent combined ratio, good life insurance results, and robust liquidity and solvency positions. The credit cost ratio in our core markets remains low (barring the specific situation in Hungary and Bulgaria). Fundamentally, KBC continues to have a strong loan-to-deposit ratio (85% at the end of September 2011) which translates into a robust liquidity position.

With a total tier-1 ratio of 14.4% and a core tier-1 ratio of 12.6% (including the impact of the sale of KBL EPB and Fidea), solvency remains not only firm, but also exceeds the threshold set under the recent EBA stress test.

Under the preliminary EBA exercise based on data as at the end of June (see press release of 27 October 2011), both KBC group and KBC Bank complied with the 9% core tier-1 threshold as determined by the EBA (capital position according to Basel2.5, corrected with the marked-down sovereign exposures based on market prices as at 30 September 2011). The preliminary capital buffer as identified at the end of June is sufficient to cover 3Q11 results. An update of the outcome of the EBA exercise based on positions and market prices as of 30 September is expected to be published in November 2011.

*Jan Vanhevel concludes: 'The operating environment has been harsh in the third quarter and we realise that these are tough times for most economies and for millions of people. KBC has obviously not been immune to this and our results have been severely impacted. However, KBC continues to build on and reap the benefits of its sound customer-driven bancassurance model, as illustrated by the **good results during October**. This resulted in a strong liquidity and robust solvency position, helping us to remain a solid European financial player committed to actively financing our customers' projects, even in extremely difficult conditions. The Executive Committee has decided to forego all variable remuneration for financial year 2011, regardless of how profits develop in the remainder of the year.'*

Overview (consolidated)	3Q2010	2Q2011	3Q2011	Cumul. 9M2010	Cumul. 9M2011
Net result, IFRS (in millions of EUR)	545	333	-1 579	1 136	-424
Earnings per share, basic, IFRS (in EUR)[1]	1.17	0.54	-5.08	2.03	-2.56
Underlying net result (in millions of EUR)	445	528	-248	1 542	937
Underlying earnings per share, basic (in EUR)[1]	0.87	1.11	-1.17	3.23	1.45
Breakdown of underlying net result per business unit (in millions of EUR)[2]					
Belgium	220	238	32	797	551
Central & Eastern Europe	84	146	-40	412	229
Merchant Banking	156	63	-196	361	43
Group Centre	-15	81	-44	-28	114
Parent shareholders' equity per share (in EUR, end of period)	33.1	33.8	28.9	33.1	28.9

1 Note: the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region is deducted from earnings (*pro rata*) in the EPS calculation.
2 The changes in the strategic plan announced in mid-2011 are reflected in the breakdown by business unit; all reference figures have been adjusted retroactively.

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

Financial highlights for 3Q2011 compared to 2Q2011:

- Net loss caused by the impact of a difficult financial climate on several results components.
- Net interest income sustained. Stable margins and volumes up in Belgium and Central Europe.
- Net fee and commission income somewhat lower on account of lower sales of investment products, as Europe's continuing debt crisis and market volatility reduce investors' risk appetite.
- Combined ratio of 90% year-to-date.
- Increased sales of life products and premium income on non-life products.
- Weak dealing room performance.
- Underlying cost/income ratio at 61% year-to-date (58% excluding the impact of the provision for 5-5-5 products).
- Credit cost ratio 0.61% year-to-date.
- Consistently strong liquidity position.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 14.4% (with core tier-1 at 12.6%).

Financial highlights 3Q2011 (underlying)

Jan Vanhevel, Group CEO, summarises the ***underlying*** business performance for 3Q2011 as follows:

Gross income benefits from stable interest income and better technical insurance results, but is affected by lower commission income, weak trading results and the provision set aside for the 5-5-5 products.

- Underlying net interest income stood at 1 342 million euros, at first sight -5% year-on-year and -3% quarter-on-quarter, but this was due mainly to the deconsolidation of Centea (excluding this factor, net interest income was virtually flat). The net interest margin came to 1.98% for the quarter under review, stable compared to the previous quarter and up 6 basis points on its level of 3Q2010. In the Belgium Business Unit, both credit and deposit volumes were up year-on-year and quarter-on-quarter (credit: +5% year-on-year and +2% quarter-on-quarter; deposits +9% year-on-year and +3% quarter-on-quarter). The loan book in the CEE Business Unit increased by 3% year-on-year (thanks to the Czech Republic and Slovakia) and by 1% quarter-on-quarter, while deposits also increased 3% year-on-year and 1% quarter-on-quarter. In line with the strategy to run down the international loan books, the loan portfolio in the Merchant Banking Business Unit fell 4% year-on-year (stable in the last quarter), while the deposit base shrunk by 17% year-on-year (8% in the last quarter), commensurate with the reduction in the international loan book.
- A very good performance was turned in on the technical insurance front during the quarter under review: net of technical charges and ceded reinsurance result, technical insurance income came to 138 million euros in 3Q2011, up 52% year-on-year and 12% quarter-on-quarter. Moreover, non-life premium income increased by 7% year-on-year on a comparable basis, and the year-to-date combined ratio came to an excellent 90%. In life insurance, we witnessed a significant increase in the sale of unit-linked products, both in Belgium and in CEE, which more than offset the decrease in interest-guaranteed products.
- The net result from financial instruments at fair value amounted to 10 million in 3Q2011, significantly below its level both in the previous quarter and a year earlier, due to the weak performance turned in by the dealing room in the quarter under review.
- Net fee and commission income amounted to 367 million euros, unchanged on the year-earlier quarter, but down 7% on the previous quarter. Net fee and commission income was hit by the relatively low level of fees generated by the asset management business (reduced investor risk appetite).
- The other income components came to an aggregate -185 million euros. The 263-million-euro provision set aside for the contingent repayment intention that KBC has provided its retail clients in relation to the 5-5-5 products had a significantly adverse impact in this regard (recorded under 'Other net income').

Operating expenses stable, significant loan loss provisions for Hungary, Bulgaria and Ireland, and additional impairment on Greek government bonds.

- Operating expenses came to 1 172 million euros in the third quarter of 2011. This was in line (+1%) with the previous quarter and – disregarding the booking in 3Q2010 of the Hungarian bank tax for FY2010 – also comparable to its year-earlier level. The year-to-date cost/income ratio came to 61% (58% excluding the impact of the 5-5-5 product), a clear indication that costs remain under control.
- Loan loss impairment stood at 475 million euros in the third quarter, up on the 356 million euros recorded a year ago, and up on the 164 million euros recorded in the previous quarter, due to significant additional provisions being set aside for Ireland, Hungary (following the new legislation on forex loans) and Bulgaria. As a consequence, the annualised credit cost ratio stood at 0.61% for the first nine months of 2011; this breaks down into an excellent 0.09% for the Belgian retail book (down even further on the 0.15% recorded for FY2010), 1.44% in Central and Eastern Europe (up from 1.16% for FY2010) and 0.90% for Merchant Banking (down from 1.38% for FY2010).
- Other impairment charges came to 265 million in the quarter under review and related mainly to shares in the investment portfolio (87 million euros) and an additional impairment on Greek government bonds (176 million euros, over and above the 139 million euros booked in the previous quarter), bringing the fully recognised impairment to 58% of the nominal amount of these bonds.

Strong solvency capital position under Basel II.

- The group's tier-1 ratio (under Basel II) came to a strong 13.6% at 30 September 2011 (core tier-1 ratio of 11.7%). Including the effect of divestments for which a sale agreement has been signed to date (Fidea and KBL EPB), *the pro forma* tier-1 ratio even stands at approximately 14.4% (core tier-1 ratio of 12.6%).

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 32 million euros to profit in 3Q2011. This was 206 million euros less than in 2Q2011. The quarter was characterized by stable net interest income, excellent insurance results and a very low level of loan impairments. The quarter-on-quarter decrease is entirely related to a provision of 132 million euros (pre-tax) on the contingent repayment intention that KBC has provided its retail clients in relation to 5-5-5 products, and to significant impairment on shares and Greek government bonds in the investment portfolio.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a loss of 40 million euros in 3Q2011, as opposed to a profit of 146 million euros in the previous quarter. Good life insurance sales, a favourable combined ratio and a stable net interest income defined this quarter. The decrease was almost entirely due to the impairment taken on the loan portfolios of Hungary (forex mortgages) and Bulgaria, and on Greek government bonds.
- The Merchant Banking Business Unit posted a loss of 196 million euros in 3Q2011, as opposed to 63 million euros in profit recorded in 2Q2011. The decrease is due mainly to the provision of 132 million euros (pre-tax) on the contingent repayment intention the KBC has provided its retail clients in relation to the 5-5-5 products, to higher impairment charges on loans and receivables in Ireland and a weak dealing room result.
- It should be noted that all planned divestments in the KBC group (including those that originated from the change to the strategic plan in mid-2011, i.e. Kredyt Bank and Warta in Poland) 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 3Q2011, the Group Centre's net result came to -44 million euros, compared to 81 million euros in the previous quarter. The result was impacted by the -43-million-euro (pre-tax) impairment on Greek bonds (over and above the -36 million euros recorded in the previous quarter) and the divestment of Centea, among other factors.

Substantial negative value adjustments 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 3Q2011 amounted to a negative 1.3 billion euros. Apart from some smaller items, the main non-operating items in 3Q2011 were:
  - a valuation markdown of 0.6 billion euros on the CDO exposure (resulting mainly from a widening of corporate and ABS credit spreads).
  - a negative 0.2 billion euros marked-to-market change in the value of the position in trading derivatives used for hedging purposes, primarily because of a further widening of government spreads.
  - a positive 0.2 billion euros marked-to-market change regarding KBC's own credit risk.
  - a negative 0.1 billion euros impairment on goodwill for CIBank in Bulgaria.
  - a negative 0.6 billion euros as a result of the sales agreements signed for KBC EPB and Fidea.

First nine months of 2011: results per heading (IFRS)

Explanations per heading of the ***IFRS*** income statement for the first nine months of 2011 (see summary table on the next page):

- The IFRS net result for the first nine months of 2011 (further referred to as 9M2011) amounted to -424 million euros, as opposed to +1 136 million euros recorded in the same period of 2010.
- Net interest income amounted to 4 142 million euros in 9M2011. On an underlying basis and excluding companies that have since been sold, net interest income was up 1% year-on-year. On a comparable basis, the loan book increased by 1% year-on-year. In line with our intention to scale down our international loan book outside our home markets, the loan portfolio contracted by 4% year-on-year in Merchant Banking and by 2% in the Group Centre. On the other hand, the loan books in our core markets of Belgium and CEE, grew by 5% and 3% year-on-year, respectively. Mortgage loans contributed significantly to this growth, with a year-on-year increase of as much as 8% for Belgium and 4% for CEE. Customer deposits rose by 9% in Belgium, by 3% in CEE and fell significantly in Merchant Banking and the Group Centre. The net interest margin remained more or less the same, both in Belgium and in CEE.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 379 million euros, up a good 57% on the year-earlier figure. The first nine months of 2011 were characterised by a relatively low level of claims. The combined ratio for the group's non-life insurance companies came to an excellent 90% for 9M2011 (85% in Belgium, 93% in CEE), a significant improvement on the 100% for FY2010.
- Net fee and commission income amounted to 877 million euros in 9M2011, down 4% on its 9M2010 level. In the period under review, sales of commission-based products remained subdued, and assets under management fell 9% year-on-year to 193 billion euros at the end of September 2011(150 billion euros when excluding KBL EPB), both on account of the negative investment performance and net entry effect.
- The net result from financial instruments at fair value (trading and fair value income) came to -613 million euros in 9M2011, compared to -506 million euros in 9M2010. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, 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 371 million euros in 9M2011, down 49% on its year-earlier figure.
- The remaining income components were as follows: dividend income from equity investments amounted to 70 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 86 million euros and other net income totalled 53 million euros. This last item has been impacted by a provision of 263 million euros recorded in 3Q2011 for the contingent repayment intention that KBC has provided its retail clients in relation to the 5-5-5 products.
- Operating expenses amounted to 3 301 million euros in 9M2011, 2% higher than in 9M2010, with such factors as inflation, wage increases and the higher banking tax offsetting the effect of deconsolidated entities. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 61% in 9M2011, up on the 56% recorded for FY2010 (increase also clearly attributable to the lower level of total income, cf. provisioning for the 5-5-5 product).
- Total impairment stood at 1 377 million euros in 9M2011. Impairment on loans and receivables amounted to 733 million euros, down on the 990 million euros recorded in 9M2010, notwithstanding the high level recorded in 3Q2011 for Ireland, Hungary and Bulgaria. As a result, the annualised credit cost ratio for 9M2011 came to 0.61%, an improvement on the figure of 0.91% for FY2010. Other impairment charges totalled 644 million euros in 9M2011 (versus 111 million euros in 9M2010) and relate mainly to the impairment recorded on Greek government bonds in the second and third quarters (315 million euros, pre-tax), on shares in the investment portfolio (106 million euros) and on goodwill (79 million euros, related to CIBank in Bulgaria, among other things).
- Income tax amounted to 245 million euros for 9M2011.
- At the end of September 2011, total equity came to 17.4 billion euros, a 1.3-billion-euro decrease compared to the start of the year, due mainly to the inclusion of the negative result (-0.4 billion euros) for 9M2011 and the dividend and state coupon paid (-0.9 billion euros, combined). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.6% at end-September 2011.

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 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 9M2010	Cumul 9M2011
Net interest income	1 519	1 567	1 562	1 598	1 395	1 406	1 341	-	4 647	4 142
Interest income	2 621	2 651	2 627	2 642	3 047	3 195	2 910	-	7 900	9 151
Interest expense	-1 103	-1 085	-1 065	-1 045	-1 651	-1 789	- 1569	-	-3 253	- 5 009
Earned premiums, insurance (before reinsurance)	1 248	1 144	1 074	1 150	1 141	974	972	-	3 466	3 087
Technical charges, insurance (before reinsurance)	-1 163	-1 123	-957	-1 018	-1 012	-840	-812	-	-3 243	-2 665
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-	18	-43
Dividend income	15	40	21	21	12	41	17	-	76	70
Net result from financial instruments at fair value through profit or loss	-11	-721	227	429	472	-194	-892	-	-506	-613
Net realised result from available-for-sale assets	19	30	11	29	34	42	10	-	61	86
Net fee and commission income	322	336	259	307	300	297	281	-	917	877
Fee and commission income	549	578	480	549	518	530	480	-	1 607	1 529
Fee and commission expense	-227	-242	-221	-242	-218	-233	-200	-	-690	-651
Other net income	98	182	65	107	92	110	-149	-	345	53
Total income	2 038	1 504	2 239	2 597	2 416	1 829	749	-	5 781	4 994
Operating expenses	-1 072	-1 044	-1 130	-1 190	-1 143	-1 081	-1 077	-	-3 246	-3 301
Impairment	-383	-299	-420	-555	-105	-332	-940	-	-1 102	-1 377
on loans and receivables	-355	-278	-357	-492	-97	-164	-473	-	-990	-733
on available-for-sale assets	-1	-16	-5	-9	-6	-118	-223	-	-23	-347
on goodwill	-27	-1	-13	-47	0	-17	-62	-	-41	-79
on other	0	-3	-45	-6	-2	-33	-183	-	-48	-218
Share in results of associated companies	-2	-9	-5	-46	1	0	-23	-	-16	-22
Result before tax	581	153	683	806	1 170	416	-1 292	-	1 418	294
Income tax expense	-164	304	-124	-97	-334	-76	165	-	16	-245
Net post-tax result from discontinued operations	31	-302	-7	24	0	0	-445	-	-278	-445
Result after tax	448	155	553	733	835	340	-1 571	-	1 156	-396
attributable to minority interests	6	6	8	8	14	6	8	-	20	28
attributable to equity holders of the parent	**442**	**149**	**545**	**724**	**821**	**333**	**-1 579**	**-**	**1 136**	**-424**
Belgium	283	131	321	453	385	158	-348	-	734	196
Central & Eastern Europe*	146	173	113	178	141	145	-91	-	431	195
Merchant Banking	64	73	173	-138	203	69	-255	-	310	17
Group Centre*	-50	-228	-61	231	92	-39	-885	-	-339	-831
Earnings per share, basic (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-5.08	-	2.03	-2.56
Earnings per share, diluted (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-5.08	-	2.03	-2.56

* The changes in the strategic plan announced in mid-2011 are reflected in the figures for these business unit; all reference figures have been adjusted retroactively.

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total assets	340 128	350 232	328 590	320 823	322 493	312 899	305 109	-
Loans and advances to customers*	153 640	157 024	149 982	150 666	147 625	143 182	143 451	-
Securities (equity and debt instruments)*	101 984	95 910	96 876	89 395	88 839	85 144	74 062	-
Deposits from customers and debt certificates*	203 367	205 108	198 825	197 870	192 412	188 116	184 453	-
Technical provisions, before insurance*	23 222	22 384	22 843	23 255	23 870	24 084	21 064	-
Liabilities under investment contracts, insurance*	7 908	6 496	6 488	6 693	6 568	6 638	6 787	-
Parent shareholders' equity	10 677	10 259	11 245	11 147	11 011	11 500	9 834	-
Non-voting core-capital securities	7 000	7 000	7 000	7 000	7 000	7 000	7 000	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				11%			6%	-
Cost/income ratio, banking				56%			61%	-
Combined ratio, non-life insurance				100%			90%	-
KBC Group solvency								
Tier-1 ratio				12.6%			13.6%	-
Core tier-1 ratio				10.9%			11.7%	-

* 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 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 9M2010	Cumul 9M2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	1 342	-	4 144	4 106
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	972	-	3 470	3 088
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-817	-	-3 259	-2 676
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-	18	-43
Dividend income	8	36	12	18	8	37	14	-	55	59
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	10	-	731	371
Net realised result from available-for-sale assets	24	41	6	28	53	42	11	-	71	106
Net fee and commission income	429	454	367	417	399	394	367	-	1 249	1 161
Other net income	85	68	62	-96	73	72	-210	-	215	-64
Total income	2 282	2 205	2 206	2 051	2 274	2 161	1 673	-	6 693	6 107
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-1 172	-	-3 521	-3 553
Impairment	-356	-298	-361	-510	- 105	-333	-740	-	-1 015	-1 179
on loans and receivables	-355	-278	-356	-492	-97	-164	-475	-	-989	-736
on available-for-sale assets	-1	-17	-5	-10	-6	-135	-228	-	-23	-369
on goodwill	0	0	0	0	0	0	0	-	0	0
on other	0	-3	0	-7	-2	-35	-38	-	-3	-75
Share in results of associated companies	-1	-9	-5	-46	1	0	-23	-	-15	-22
Result before tax	767	749	626	184	943	673	-262	-	2 142	1 353
Income tax expense	-218	-189	-173	-7	- 271	-138	22	-	-580	-388
Result after tax	549	559	453	177	671	534	-240	-	1 562	966
attributable to minority interests	6	6	8	9	14	6	8	-	20	28
attributable to equity holders of the parent	**543**	**554**	**445**	**168**	**658**	**528**	**-248**	**-**	**1 542**	**937**
Belgium	279	298	220	255	280	238	32	-	797	551
Central & Eastern Europe*	156	171	84	158	123	146	-40	-	412	229
Merchant Banking	85	121	156	-228	177	63	-196	-	361	43
Group Centre*	24	-36	-15	-16	77	81	-44	-	-28	114
Earnings per share, basic (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-1.17	-	3.23	1.45
Earnings per share, diluted (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-1.17	-	3.23	1.45

* The changes in the strategic plan announced in mid-2011 are reflected in the figures for these business unit; all reference figures have been adjusted retroactively.

Reconciliation between underlying result and result according to IFRS KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 9M2010	Cumul 9M2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	543	554	445	168	658	528	-248	-	1 542	937
+ MTM of derivatives for ALM hedging	-57	-179	16	41	96	-77	-245	-	-220	-226
+ gains/losses on CDOs	176	326	221	304	124	-86	-618	-	723	-580
+ MTM of CDO guarantee and commitment fee	-33	-18	-23	6	-10	-22	-10	-	-74	-41
+ impairment on goodwill (and associated companies)	-27	-1	-43	-47	0	-17	-57	-	-71	-74
+ result on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	5	-	-330	62
+ MTM of own debt issued	-2	33	-34	41	-16	-25	185	-	-3	144
+ Results on divestments	0	-338	-44	206	-45	-12	-591	-	-382	-647
+ other	-32	-18	2	46	0	0	0	-	-48	0
Result after tax, attributable to equity holders of the parent: IFRS	442	149	545	724	821	333	-1 579	-	1 136	-424

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, which was amended in July 2011 (the intended IPO of a minority share in ČSOB was replaced by the divestment of Kredyt Bank and Warta in Poland, among other things), the group is continuing with the sale or run-down of a number of (non-core) activities (see further).

- In 3Q2011, we continued to implement our strategic refocusing plan:
  - On 1 July 2011, the sale of Centea to Crédit Agricole (Belgium) was closed. This deal freed up around 0.4 billion euros of capital for KBC, primarily by reducing risk-weighted assets by 4.2 billion euros, which boosted KBC's tier-1 ratio by around 0.4%. The gain on the deal is limited.
  - On 3 August 2011, it was announced that KBC Securities had divested its operations in Serbia and Romania, after reaching an agreement on management buy-outs with local management (very limited impact on the earnings and capital of the group).
  - On 10 August 2011, the sale of KBC Asset Management's 55.46% stake in KBC Concord Asset Management Co. Ltd. to Value Partners Ltd. was closed (very limited impact on the earnings and capital of the group).
  - On 10 October 2011, KBC reached an agreement with Precision Capital for the sale of its private banking subsidiary KBL European Private Bankers ('KBL EPB') for a total consideration of 1 050 million euros (50 million of which depends on the results of KBL EPB ('conditional earn out')). The transaction will release a total of approximately 0.7 billion euros in capital for KBC, resulting in a 0.6 % increase in KBC's tier-1 ratio. In addition, over the last 18 months, some 115 million euros in capital has already been released as a result of a reduction in risk-weighted assets. The transaction impacted the 3Q2011 results to the tune of approximately -0.4 billion euros. Closure of the transaction is subject to the customary regulatory approval.
  - On 17 October 2011, KBC reached an agreement with J.C. Flowers & Co. for the sale of its subsidiary Fidea for a total consideration of 243.6 million euros, including a 22.6 million euros pre-completion dividend and subject to pricing adjustments on closing accounts. In total, this deal will free up around 0.1 billion euros in capital for KBC, primarily by reducing risk-weighted assets by 1.8 billion euros. The overall positive impact on KBC's tier-1 ratio is around 0.1%. The transaction impacted the results to the tune of roughly -0.1 billion euros. Closure of the transaction is subject to the customary regulatory approval.
  - A number of companies are still scheduled for divestment. The sales processes for Kredyt Bank, Warta and KBC Bank Deutschland have started, and the files for the sales process for Antwerp Diamond Bank are being prepared.
  - KBC's main objective in this respect is and remains to implement the plan within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC also intends to maintain a regulatory tier-1 capital ratio of 11%, according to Basel II banking capital adequacy rules.

- Other main events in 3Q2011:
  - The deteriorating credit position of Greece in the financial markets led to an impairment of an additional 126 million euros (after tax) being recorded on our Greek government bond portfolio (fully recognised at 58% of the nominal amount), while a provision of 174 million euros (after tax) was set aside for the contingent repayment intention that KBC has provided its retail clients in relation to the 5-5-5 products.
  - During September, the bill on FX debt rescheduling became law in Hungary. Although the matter has been taken to the Constitutional Court in Budapest, KBC has recorded an impairment of 74 million euros (after tax) on this portfolio, reflecting an anticipated 20% participation rate in the scheme.
  - In Bulgaria, a thorough evaluation of the underlying asset values has led to an impairment of 96 million euros being recorded. An impairment of 53 million euros has also been recorded on the goodwill for CIBank.
  - Following the stock market downturn, impairment of 87 million euros (before and after tax) had to be recorded on the share portfolio.
  - Given that the economy and Irish marketplace have not improved in the way we envisaged and that the austerity measures have had a considerable impact on households, a loan loss provision of 164 million euros (after tax) was recorded for the Irish loan book.
  - The substantial widening of corporate ABS credit spreads between end-June and end-September resulted in a valuation markdown of 0.6 billion euros (after tax) on the CDO exposure.
  - The considerable widening of government spreads between end-June and end-September resulted in a negative 0.2 billion euros (after tax) marked-to-market change in the value of the position in trading derivatives used for hedging purposes.
  - The widening of KBC's credit spread between end-June and end-September resulted in a positive 0.2 billion euros (after tax) marked-to-market change regarding KBC's own credit risk.
  - Under the preliminary EBA exercise based on data as at the end of June (see press release of 27 October 2011), both KBC group and KBC Bank complied with the 9% core tier-1 threshold as determined by the EBA (capital position according to Basel2.5, corrected with the marked-down sovereign exposures based on market prices as at 30 September 2011). The preliminary capital buffer as identified at the end of June is sufficient to cover 3Q11 results. An update of the outcome of the EBA exercise based on positions and market prices as of 30 September is expected to be published in November 2011.

- We have also acted to reduce volatility in our results. During the third quarter, our CDO exposure was reduced by 2.5 billion euros, which constitutes a 12% decline in the notional amount outstanding. This was achieved by early terminations and sales at limited cost. During the third quarter, our ABS exposure was reduced by 0.7 billion euros, which constitutes a 17% decline in the notional amount outstanding. This was achieved by sales at limited cost.
- KBC responded to the market developments of recent months by further reducing in an efficient manner its government bond exposure to PIIGS countries, cutting it from 9.6 billion euros at 30 June 2011 to 6.7 billion euros at 30 September 2011. Moreover, KBC has since further reduced its exposure by a nominal amount of 1.6 billion euros (by the end of October).
- The Belgian regulator has confirmed to us that the YES (Yield Enhanced Securities) will be fully grandfathered as common equity under the current CRD4 proposal.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC Group 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.
- For the remainder of 2011 and early 2012, the main risk for economic growth is the potential for further contagion of the financial crisis to the real economy. In particular, a credible and sustainable solution for the EMU sovereign debt problem is necessary to restore general confidence and stabilise the financial sector.

The financial calendar, including the dates of earnings releases as well as analysts and investor meetings, is available at www.kbc.com.

Analysis of underlying earnings components

KBC Group, 3Q2011

Unless otherwise specified, all amounts are given in euros

Please note that the breakdown of results by business unit in this report is based on the situation *after* the changes to the strategic plan (approved on 27 July 2011), whereby all reference figures have been adjusted retroactively.

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	1 342	-
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	972	-
Non-life	489	480	495	451	451	468	477	-
Life	760	666	580	699	691	507	496	-
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-817	-
Non-life	-330	-378	-307	-234	-234	-245	-259	-
Life	-838	-751	-655	-788	-782	-599	-557	-
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-
Dividend income	8	36	12	18	8	37	14	-
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	10	-
Net realised result from available-for-sale assets	24	41	6	28	53	42	11	-
Net fee and commission income	429	454	367	417	399	394	367	-
Banking	542	547	470	510	497	488	468	-
Insurance	-113	-93	-104	-93	-98	-93	-101	-
Other net income	85	68	62	-96	73	72	-210	-
Total income	2 282	2 205	2 206	2 051	2 274	2 161	1 673	-
Belgium	818	864	768	868	845	864	692	-
Central & Eastern Europe	538	541	540	557	556	537	538	-
Merchant Banking	482	361	495	202	469	340	105	-
Group Centre	444	439	403	425	404	420	338	-

Net interest income in the quarter under review amounted to 1 342 million.
This was, at first sight, down some 5% on its year-earlier level. However, excluding the effect of divestments (including Centea), net interest income was more or less stable year-on-year. The net interest margin widened by 6 basis points year-on-year to 1.98% in 3Q2011. On a comparable basis, the group's total loan portfolio was slightly up (+1%) on its year-earlier level, and deposits decreased by 4%. The situation was very different at business unit level: whereas the loan books of the Merchant Banking Business Unit and the Group Centre are being run down intentionally (resulting in a 4% and 2% year-on-year decrease, respectively), the loan book of the Belgium and CEE Business Units are expanding (+5% for the Belgian retail loan book and +3% for the four combined core CEE loan books). Roughly the same situation applies for the year-on-year change in customer deposits: significant decreases in the Merchant Banking Business Unit and the Group Centre, and an increase in the Belgium (+9%) and CEE Business Units (+3%).
Compared to the previous quarter (2Q2011), net interest income was down 3%. However, it was stable quarter-on-quarter, when the effect of divestments (Centea) is excluded. Quarter-on-quarter movements in loan book and deposit volumes were clearly more limited. However, here too, credit and deposit volumes increased in Belgium and CEE. The net interest margin was flat in the quarter under review.

Earned insurance premiums amounted to 972 million in 3Q2011, which breaks down into 496 million for life insurance and 477 million for non-life insurance.
Compared to 3Q2010, non-life premium income was up 7% (Secura was excluded from the comparison, since it was sold in 4Q2010). Thanks in part to a relatively low claims level, the non-life combined ratio for the first nine months of the year stood at a very good 90%, a significant improvement on the 100% recorded for FY2010. The 9M2011 combined ratio breaks down into an excellent 85% for Belgium and a good 93% for CEE (significantly better than the 103% for FY2010, which was impacted by the storms and floods in the region). Compared to 2Q2011, non-life premium income was up 2%.
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (simplified, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to almost 1.1 billion in the quarter under review. Compared to 3Q2010 and 2Q2011, this figure was up 27% and 8%, respectively, thanks in both cases to increased sales of unit-linked insurance in Belgium and CEE in the quarter under review. As a result, sales of interest-guaranteed products for the group as a whole accounted for 52% of life insurance sales in 9M2011, while unit-linked insurance products increased their share to 48%.

Net fee and commission income stood at 367 million in 3Q2011.
This is virtually unchanged on its weak year-on-year level and down 7% quarter-on-quarter. A relatively low level of fee income was generated by the asset management business in the quarter under review (lower management fees and lower entry fees for mutual funds), which is clearly related to investors losing their appetite for risk. At end-September 2011, total assets under management of the group stood at 193 billion (150 billion excluding KBL EPB), 5% less than three months ago and 9% less than one year ago, in both cases due to a combination of negative net entries and a negative price effect.

The other income components were as follows: dividend income amounted to 14 million (down on 2Q2011, as the bulk of dividends is traditionally received in the second quarter) , trading and fair value income ('Net result from financial instruments at fair value') amounted to a very low 10 million (modest dealing room result), the realised result on available-for-sale assets stood at 11 million (down on the average of 32 million for the last four quarters) and other net income amounted to -210 million. The latter figure was negatively impacted by a 263 million provision related to the 5-5-5 investment product (see the 'Report on 3Q and 9M2011' section of this report).

As usual, the underlying figures exclude a number of non-operating items, such as the fair value changes in ALM hedging instruments (a negative amount in 3Q2011), the CDO-related impact (a significant negative amount), fair value changes in own debt instruments (a positive amount), results related to divestments (mainly KBL EPB and Fidea; a significant negative amount), etc. 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.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Staff expenses	-691	-674	-697	-745	-694	-701	-719	-
General administrative expenses	-371	-382	-422	-468	-444	-366	-367	-
Depreciation and amortisation of fixed assets	-96	-94	-95	-97	-89	-87	-86	-
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-1 172	-
Belgium	-407	-394	-414	-488	-429	-446	-462	-
Central & Eastern Europe	-264	-270	-339	-310	-350	-302	-297	-
Merchant Banking	-140	-137	-142	-157	-152	-142	-143	-
Group Centre	-346	-349	-320	-355	-296	-265	-269	-

Operating expenses amounted to 1 172 million in the quarter under review and remain under control.
At first sight, costs were down 3% on their 3Q2010 level. However, this comparison is distorted by the fact that Hungary's special bank tax for FY2010 was booked in 3Q2010 (whereas the amount for FY2011 was recorded in 1Q2011). Excluding this element, costs were slightly up (+1%) year-on-year, which was due largely to such offsetting elements as slightly higher staff expenses (wage increases, inflation), voluntary redundancy costs, changes in the scope of consolidation (Centea, KBC Peel Hunt, etc.), among other factors.
Compared to the previous quarter, costs increased by 1%, due mainly to the above-mentioned voluntary redundancy costs, increased staff expenses, changes in the scope of consolidation (Centea), etc. Broken down by business unit, quarter-on-quarter costs increased by 4% in the Belgium Business Unit (stable, excluding voluntary redundancy costs in 3Q2011), decreased by 1% on an organic basis in the CEE Business Unit and remained virtually unchanged in the Merchant Banking Business Unit.
As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at 61% in the first nine months of the year, up on the FY2010 level (56%) though this was partly caused by the drop in total income (the denominator in the formula). Excluding the impact of provisioning for 5-5-5 products, the cost/income ratio would have amounted to 58% in 9M2011. The 9M2011 cost/income ratio breaks down per business unit as follows: 64% for Belgium, 57% for CEE and 48% for Merchant Banking.

Impairment, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Impairment on loans and receivables	-355	-278	-356	-492	-97	-164	-475	-
Impairment on available-for-sale assets	-1	-17	-5	-10	-6	-135	-228	-
Impairment on goodwill	0	0	0	0	0	0	0	-
Impairment on other	0	-3	0	-7	-2	-35	-38	-
Impairment	-356	-298	-361	-510	-105	-333	-740	-
Belgium	-3	-39	-27	-35	-15	-74	-165	-
Central & Eastern Europe	-89	-82	-113	-66	-52	-96	-280	-
Merchant Banking	-219	-91	-130	-355	-57	-112	-215	-
Group Centre	-44	-86	-91	-55	19	-51	-81	-

In 3Q2011, total impairment charges stood at 740 million.
Impairment *on loans and receivables* (loan loss provisions) stood at 475 million. This is a significant increase on both the 356 million recorded in the year-earlier quarter and the 164 million recorded in 2Q2011, as the quarter under review included a substantial impairment charge for Hungary (some 92 million related to the impact of the new legislation for forex mortgage loans; calculation based on a 20% participation rate), Bulgaria (96 million) and Ireland (187 million).
Overall, this led to a credit cost ratio of 61 basis points for the first nine months, still below the 91 basis points recorded for FY2010. The credit cost ratio for 9M2011 breaks down as follows: a (continued) excellent low level of 9 basis points for the Belgium Business Unit, 144 basis points for CEE, 90 basis points for Merchant Banking and 9 basis points for the Group Centre (including all companies to be divested). At the end of September 2011, non-performing loans accounted for some 4.6% of the total loan book, somewhat up on the 4.3% registered three months earlier.

Other impairment in the quarter under review totalled 265 million and related mainly to impairment on shares in portfolio (87 million, because of falling stock markets) and to additional impairment on Greek government bonds (a further marking down of these bonds to market value as at 30 September 2011 resulted in an additional 176 million impairment being recorded in 3Q2011, over and above the 139 million that had been booked for Greece in 2Q2011). It should be noted that impairment on *goodwill* booked on group companies is always excluded from the underlying results, and hence it is always zero in the table above.

Analysis of other earnings components (underlying figures)

Other components of the result, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Share in result of associated companies	-1	-9	-5	-46	1	0	-23	-
Income tax expense	-218	-189	-173	-7	-271	-138	22	-
Minority interests in profit after tax	6	6	8	9	14	6	8	-

The share in the results of associated companies was -23 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 a positive 22 million in 3Q2011 (cf. the negative pre-tax result) and minority interests in the result amounted to 8 million, in line with the reference quarters.

Underlying results per business unit

KBC Group, 3Q2011

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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. Please note that the breakdown of results by business unit in this report is based on the situation *after* the changes to the strategic plan (approved on 27 July 2011), whereby all reference figures have been adjusted retroactively. More information is provided in the CEE Business Unit and Group Centre sections.

Belgium Business Unit (underlying trend)

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, Secura (now sold), KBC Group Re (the former Assurisk) and VAB). It should be noted that the entities that are earmarked for divestment under the strategic plan (Centea, now sold, and Fidea, sale agreement already signed) are not included here, but grouped together in the Group Centre.

Income statement, Belgium Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	550	562	553	577	567	581	581	-
Earned premiums, insurance (before reinsurance)	839	721	631	694	615	512	473	-
Technical charges, insurance (before reinsurance)	-823	-721	-608	-699	-593	-507	-436	-
Ceded reinsurance result	-4	10	-12	-5	-8	-1	-11	-
Dividend income	5	25	8	13	6	26	9	-
Net result from financial instruments at fair value through profit or loss	21	25	9	6	10	12	10	-
Net realised result from available-for-sale assets	2	13	-5	42	22	24	7	-
Net fee and commission income	193	207	170	201	186	178	169	-
Other net income	35	23	24	38	41	37	-110	-
Total income	818	864	768	868	845	864	692	-
Operating expenses	-407	-394	-414	-488	-429	-446	-462	-
Impairment	-3	-39	-27	-35	-15	-74	-165	-
on loans and receivables	-2	-25	-21	-33	-11	-16	-10	-
on available-for-sale assets	-1	-13	-7	-2	-4	-53	-142	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	0	0	-5	-13	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	408	432	327	346	402	344	65	-
Income tax expense	-127	-133	-106	-91	-121	-105	-32	-
Result after tax	280	299	222	255	281	238	33	-
attributable to minority interests	2	1	1	0	1	0	1	-
attributable to equity holders of the parent	**279**	**298**	**220**	**255**	**280**	**238**	**32**	**-**
Banking	197	221	156	151	175	147	64	-
Insurance	81	77	64	103	106	91	-32	-
Risk-weighted assets, group (end of period, Basel II)	29 038	28 609	28 358	28 744	29 104	29 158	29 161	-
of which banking	18 293	17 699	17 288	17 669	18 086	18 013	17 988	-
Allocated equity (end of period, Basel II)	2 771	2 741	2 726	2 751	2 775	2 786	2 787	-
Return on allocated equity (ROAC, Basel II)	39%	42%	30%	35%	39%	32%	3%	-
Cost/income ratio, banking	53%	48%	57%	62%	57%	60%	77%	-
Combined ratio, non-life insurance	90%	96%	96%	103%	74%	89%	95%	-

These underlying figures exclude exceptional 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)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	279	298	220	255	280	238	32	-
+ MTM of derivatives for ALM hedging	-31	-124	1	11	57	-56	-213	-
+ gains/losses on CDOs	40	-51	103	113	49	-20	-165	-
+ MTM of CDO guarantee and commitment fee	-5	-3	-4	1	-1	-4	-2	-
+ impairment on goodwill	0	0	0	-6	0	0	0	-
+ result on divestments	0	0	0	79	0	0	0	-
+ other	0	11	0	0	0	0	0	-
Result after tax, attributable to equity holders of the parent: IFRS	283	131	321	453	385	158	-348	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 32 million, significantly below the average of 248 million for the last four quarters, as the current quarter has been considerably impacted by the booking of a provision for the 5-5-5 investment product (132 million pre-tax) and an additional impairment on Greek government bonds (79 million, pre-tax) and on shares (77 million, pre-tax).

Net interest income performing well; credit and deposit volumes increasing
Net interest income stood at 581 million in the quarter under review, unchanged on the level recorded in the previous quarter and up almost 7% on the year-earlier quarter (in the latter comparison, we have excluded Secura, which was sold in 4Q2010). The year-on-year increase was due mainly to higher interest income from loans and deposits. At 1.43%, the net interest margin of the bank in Belgium remained stable compared to its quarter-earlier and year-earlier levels. In line with the group's refocus on its home markets, the Belgian retail loan book increased by 5% year-on-year (2% in the last three months), with mortgage loans remaining an important driver of this volume growth (+8% year-on-year). Customers' deposits increased by 9% year-on-year (3% in the last three months).

Excellent year-to-date combined ratio for the non-life business; increased sales of unit-linked life insurance products
Earned insurance premiums in the quarter under review amounted to 473 million and break down into 252 million for life insurance and 221 million for non-life insurance.
Non-life sales went up 3% compared to the previous quarter and 2% on the year-earlier quarter (comparison excludes Secura). Notwithstanding the impact of some storm damage in 3Q2011, the overall claims level for 9M2011 remained favourable, which resulted in an excellent combined ratio of 85% for the first nine months of the year, a further improvement on the already good 95% registered for FY2010.
Life sales, including unit-linked products (which – simplified – are not included in the premium figures under IFRS), amounted to 0.7 billion in 3Q2011, significantly up on their level in 2Q2011 and 3Q2010. In both cases, the decrease in the sales of interest-guaranteed products was more than offset by a strong increase in sales of unit-linked insurance products (successful issuance of KBC Life MI products). As a result, interest-guaranteed products and unit-linked products each accounted for roughly half of life insurance sales in the first nine months of 2011. At the end of September 2011, the life reserves of this business unit amounted to 21.8 billion.

Rather weak asset management related fee and commission income
Total net fee and commission income amounted to 169 million in the quarter under review, down 5% on the previous and year-earlier quarters (the latter comparison excludes Secura). Both decreases were again largely attributable to the asset management business, which generated lower entry and management fees on mutual funds, due to the more difficult investment climate in general and a further decline in assets under management in particular. The overall drop in net fee and commission income was mitigated somewhat by a higher margin generated by increased sales of unit-linked insurance products (under IFRS, the margin on these products is included in net fee and commission income). At 30 September 2011, assets under management of this business unit stood at 138 billion, down 4% quarter-on-quarter and 9% year-on-year, in both cases due to a combination of a negative net entry and price effect.

Other income components: provision for 5-5-5 product impacts 'Other net income'
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 10 million in the quarter under review, in line with the average of the last four quarters. Dividend income stood at 9 million, down on its 2Q2011 level, as dividends are traditionally received in the second quarter of the year. The realised result on available-for-sale assets amounted to 7 million (including the result of the sale of some PIIGS government bonds), down on the average of 21 million for the last four quarters. Other net income came to -110 million in 3Q2011, and was adversely impacted by the booking of a provision for the 5-5-5 investment product (see 'Report on 3Q and 9M2011' section of this report), 132 million of which was assigned to the Belgium Business Unit.

Costs up somewhat due to voluntary redundancy charges
The operating expenses of the Belgium Business Unit stood at 462 million in the quarter under review, 4% higher than the level recorded in the previous quarter, owing mainly to increased charges related to voluntary redundancies (stable excluding this element). Costs were 13% higher than the year-earlier quarter (excluding Secura), roughly half of which was due to technical elements and the remainder to higher staff costs, the higher contribution to the deposit guarantee scheme and increased charges related to voluntary redundancies. The cost/income ratio for the first nine months of the year stood at 64% (excluding the provisions for the 5-5-5 product from the denominator, the cost-income ratio was 59%), as opposed to 55% for FY2010.

Very low loan loss provisions, but significant additional impairment on Greek government bonds
As was the case in previous quarters, loan loss impairment on the Belgian retail loan book remained at a low level (10 million in the quarter under review, a further reduction on the 16 million in the previous quarter). This resulted in a very favourable annualised credit cost ratio of 9 basis points for the first nine months of the year, down on the 15 basis points recorded for FY2010. At the end of 3Q2011, around 1.6% of the Belgian retail loan book was non-performing, in line with the figure recorded three months earlier (1.5%).
The other impairment charges amounted to 155 million in the quarter under review and mainly related to shares (77 million, due to the stock market downturn) and Greek government bonds (additional impairment of 79 million, over and above the 45 million recorded in the previous quarter).

CEE Business Unit (underlying trend)

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, Żagiel (consumer finance in Poland) and Kredyt Bank and Warta (both Poland*) are not included here, but grouped together in the Group Centre.

** Please note that the impact of the recent changes to the strategic plan are included in this report. Hence, Poland (Warta and Kredyt Bank) has been shifted to the Group Centre and the portion of ČSOB's results related to the originally planned IPO of a minority stake in this company, which used to be included in Group Centre, has been included in the CEE Business Unit again (hence, this business unit now includes ČSOB's results in their entirety). All reference figures have been adjusted to enhance comparability.*

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	366	376	385	400	385	381	388	-
Earned premiums, insurance (before reinsurance)	156	184	148	169	241	163	182	-
Technical charges, insurance (before reinsurance)	-115	-156	-109	-123	-189	-115	-135	-
Ceded reinsurance result	-5	0	-3	-3	-5	-4	-6	-
Dividend income	0	1	0	0	0	1	1	-
Net result from financial instruments at fair value through profit or loss	38	29	38	49	33	14	5	-
Net realised result from available-for-sale assets	7	11	5	-11	6	3	6	-
Net fee and commission income	81	78	72	76	76	86	84	-
Other net income	9	17	3	1	9	9	13	-
Total income	538	541	540	557	556	537	538	-
Operating expenses	-264	-270	-339	-310	-350	-302	-297	-
Impairment	-89	-82	-113	-66	-52	-96	-280	-
on loans and receivables	-89	-80	-112	-59	-51	-42	-234	-
on available-for-sale assets	0	0	0	0	0	-52	-45	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	-2	0	-7	-1	-2	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	186	188	88	181	154	139	-39	-
Income tax expense	-29	-17	-4	-23	-31	8	-1	-
Result after tax	156	171	84	158	123	147	-40	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**156**	**171**	**84**	**158**	**123**	**146**	**-40**	**-**
Banking	145	167	83	145	113	136	-43	-
Insurance	11	4	2	13	10	11	3	-
Risk-weighted assets, group (end of period, Basel II)	26 154	25 097	24 927	24 771	25 607	25 810	26 062	-
of which banking	24 778	23 719	23 528	23 376	24 140	24 300	24 541	-
Allocated equity (end of period, Basel II)	2 175	2 090	2 078	2 065	2 137	2 155	2 176	-
Return on allocated equity (ROAC, Basel II)	24%	28%	12%	26%	19%	22%	-11%	-
Cost/income ratio, banking	48%	48%	61%	55%	63%	55%	53%	-
Combined ratio, non-life insurance	97%	110%	110%	96%	88%	89%	101%	-

These underlying figures exclude exceptional 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)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	156	171	84	158	123	146	-40	-
+ MTM of derivatives for ALM hedging	-17	-24	31	21	22	-1	2	-
+ gains/losses on CDOs	6	26	-2	-1	2	0	0	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	-
+ impairment on goodwill	0	0	0	0	0	-1	-53	-
+ result on divestments	0	0	0	0	-5	1	0	-
+ other	0	0	0	0	0	0	0	-
Result after tax, attributable to equity holders of the parent: IFRS	146	173	113	178	141	145	-91	-

The change in the average exchange rate against the euro of the main currencies in the region compared to both reference quarters is provided in the table. In order not to distort the comparison, the 'organic' growth figures mentioned below exclude this impact of changes in exchange rates.

CEE average exchange rate changes +: appreciation against the euro -: depreciation against the euro	CZK Czech Rep.	EUR Slovakia	HUF Hungary	BGN Bulgaria
3Q2011 / 2Q2011	+1%	-	-3%	0%
3Q2011 / 3Q2010	+3%	-	+4%	0%

In the quarter under review, the CEE Business Unit generated an underlying net result of -40 million, significantly below the average figure of +128 million for the last four quarters, due mainly to higher loan loss impairment in Hungary (92 million pre-tax, related to forex loans) and Bulgaria (96 million booked at KBC Group level, pre-tax) and an additional impairment on Greek Government bonds (45 million, pre-tax). It should be remembered that Poland is no longer included in the CEE Business Unit (shifted to Group Centre, with retroactive impact)
The CEE Business Unit's net result for 3Q2011 breaks down as follows: 116 million for the Czech Republic, 13 million for Slovakia, -50 million for Hungary (due to additional loan loss provisions for forex loans – see further), 1 million for Bulgaria and -120 million included under 'Other results' (including also the booking for Bulgaria at KBC Group level) .

Net interest income roughly stable
Net interest income generated in this business unit amounted to 388 million in the quarter under review. On an organic basis, this represents a 2% increase on the previous quarter and a 2% decline on the year-earlier quarter. Excluding the foreign currency impact, the net interest margin remained more or less stable compared to both reference quarters (3.33% in 3Q2011). As regards volumes, the combined loan book for the business unit was up 3% year-on-year and customer deposits increased by the same percentage. Movements were more marked at country level, with significant year-on-year increases in the Czech and Slovak loan books being partially offset by decreases in Hungary and Bulgaria.

Life insurance sales up; combined ratio in the non-life business remains favourable in 9M2011
Earned insurance premiums in the quarter under review amounted to 182 million, which breaks down into 95 million for life insurance and 87 million for non-life insurance.
On an organic basis, non-life premium income was up 4% quarter-on-quarter (thanks mainly to the Czech Republic and Hungary) and 5% year-on-year (thanks mainly to Hungary). Notwithstanding a deterioration in the third quarter, the year-to-date combined ratio for the first nine months of the year still stood at a favourable 93%, well below the high 103% recorded for FY2010, which had been impacted by storms and floods in the region. Moreover, the combined ratio for 9M2011 remained well below 100% in each of the four CEE countries.
Life sales, including insurance products not booked under earned premiums under IFRS, amounted to 106 million in the quarter under review, roughly 20% and 40% up on the previous and year-earlier quarters, thanks mainly to increased sales of unit-linked products in the Czech Republic. In the first nine months of the year, interest-guaranteed life products accounted for some one-third of life insurance sales, with unit-linked products accounting for the remaining two thirds. At the end of 3Q2011, the outstanding life reserves in this business unit stood at 1.6 billion.

Net fee and commission income more or less in line with reference quarters
Net fee and commission income amounted to 84 million in the quarter under review, which is only slightly below the previous quarter's figure (-2%, on an organic basis), and – excluding technical items – slightly up on the year-earlier figure. Total assets under management of this business unit amounted to 11 billion at end-September 2011, down on their quarter-on-quarter and year-on-year levels, due mainly to a negative price effect.

Other income components: low trading and fair value income
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 5 million, well below the average of 34 million for the last four quarters. The net realised result from available-for-sale assets amounted to 6 million, while dividend income came to 1 million and other net income to 13 million.

Costs more or less in line with reference quarters
The operating expenses of this business unit came to 297 million. In organic terms, this was 1% less than costs in the previous quarter. At first sight, costs fell 14% on their 3Q2010 level, but this was attributable to the Hungarian banking tax for FY2010 being booked in 3Q2010 (the FY2011 banking tax was booked in the first quarter of 2011) and a technical element; excluding these items, costs were more or less unchanged year-on-year. The cost/income ratio of the CEE banking activities stood at 57% for the first nine months of the year, compared to 53% for FY2010.

Loan loss provisions increase in Hungary and Bulgaria; additional impairment on Greek government bonds
In the quarter under review, impairment on loans and receivables (loan losses) stood at a high 234 million, considerably up on both 2Q2011 (42 million) and 3Q2010 (112 million).The increase related mainly to Hungary (where loan loss provisions went up 126 million in 3Q2011, 92 million of which attributable to the effect of the new legislation on forex loans in that country; the calculation takes into account a 20% participation rate relating to the repayment option) and Bulgaria (KBC performed an in-depth evaluation of its Bulgarian assets for which the Group has booked an additional impairment of 96

million euros). In the Czech Republic and Slovakia, on the other hand, loan loss provisions in 3Q2011 decreased compared to both the previous and year-earlier quarters. As a result, the annualised credit cost ratio of this business unit amounted to 144 basis points for the first nine months of the year, compared to 116 basis points recorded for FY2010. At the end of 3Q2011, non-performing loans accounted for some 5.7% of the CEE loan book, in line with the 5.6% recorded three months earlier.
Impairment on assets other than loans and receivables amounted to 45 million and related entirely to additional impairment on Greek Government bonds (over and above the 53 million recorded in 2Q2011).

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)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	240	250	257	276	259	261	268	-
Earned premiums, insurance (before reinsurance)	91	121	88	102	178	96	119	-
Technical charges, insurance (before reinsurance)	-67	-96	-67	-74	-151	-71	-92	-
Ceded reinsurance result	-4	-4	-1	-3	-2	-2	-3	-
Dividend income	0	1	0	0	0	1	1	-
Net result from financial instruments at fair value through profit or loss	21	6	8	19	26	12	-1	-
Net realised result from available-for-sale assets	3	7	5	-11	5	3	6	-
Net fee and commission income	46	47	42	42	42	49	50	-
Other net income	7	7	-1	0	4	2	9	-
Total income	337	341	331	350	361	351	357	-
Operating expenses	-134	-145	-154	-170	-158	-165	-169	-
Impairment	-31	-38	-46	-31	-18	-65	-52	-
Of which on loans and receivables	-31	-36	-46	-25	-18	-13	-9	-
Of which on available-for-sale assets	0	0	0	0	0	-52	-43	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	171	158	131	148	185	121	136	-
Income tax expense	-26	-16	-11	-22	-28	-13	-19	-
Result after tax	146	142	120	127	157	108	116	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**146**	**142**	**120**	**127**	**157**	**108**	**116**	**-**
banking	135	132	114	119	148	101	112	-
insurance	11	10	5	8	8	7	5	-
Risk-weighted assets, group (end of period, Basel II)	14 833	14 001	13 582	13 496	13 854	13 937	14 342	-
of which banking	14 060	13 229	12 790	12 707	13 015	13 080	13 477	-
Allocated equity (end of period, Basel II)	1 233	1 166	1 134	1 127	1 159	1 166	1 199	-
Return on allocated equity (ROAC, Basel II)	40%	40%	34%	37%	46%	30%	32%	-
Cost/income ratio, banking	40%	42%	46%	48%	43%	46%	46%	-
Combined ratio, non-life insurance	92%	98%	103%	92%	87%	91%	97%	-

Income statement, Slovakia, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	51	52	54	53	48	46	48	-
Earned premiums, insurance (before reinsurance)	21	19	18	20	19	20	16	-
Technical charges, insurance (before reinsurance)	-15	-21	-9	-14	-13	-14	-9	-
Ceded reinsurance result	0	6	-4	0	-1	0	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	7	2	5	2	3	1	-3	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	8	8	7	9	11	10	9	-
Other net income	1	0	2	-1	2	4	1	-
Total income	71	66	74	68	70	67	60	-
Operating expenses	-39	-41	-39	-40	-40	-42	-39	-
Impairment	-16	-13	-12	-11	-1	-8	-5	-
Of which on loans and receivables	-17	-13	-12	-11	-1	-7	-3	-
Of which on available-for-sale assets	0	0	0	0	0	0	-2	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	16	11	23	17	29	17	16	-
Income tax expense	-3	-4	-5	-4	-5	0	-4	-
Result after tax	13	7	18	13	24	18	13	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**13**	**7**	**18**	**13**	**24**	**18**	**13**	**-**
banking	11	6	17	11	19	15	13	-
insurance	2	1	2	2	6	3	0	-
Risk-weighted assets, group (end of period, Basel II)	4 056	4 133	4 139	4 142	4 208	4 382	4 435	-
of which banking	3 913	3 983	3 986	3 976	4 038	4 205	4 258	-
Allocated equity (end of period, Basel II)	333	340	340	341	347	361	365	-
Return on allocated equity (ROAC, Basel II)	11%	4%	17%	10%	23%	16%	9%	-
Cost/income ratio, banking	55%	62%	52%	58%	61%	63%	65%	-
Combined ratio, non-life insurance	84%	131%	110%	104%	85%	88%	89%	-

Income statement, Hungary, underlying(in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	94	96	98	95	103	100	95	-
Earned premiums, insurance (before reinsurance)	17	17	17	18	22	23	23	-
Technical charges, insurance (before reinsurance)	-11	-19	-10	-15	-11	-17	-18	-
Ceded reinsurance result	-1	-1	0	-1	-1	-1	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	10	10	24	22	4	12	12	-
Net realised result from available-for-sale assets	4	4	-1	0	0	0	0	-
Net fee and commission income	29	27	24	26	24	25	25	-
Other net income	1	8	0	0	1	2	1	-
Total income	143	141	152	145	143	143	138	-
Operating expenses	-70	-66	-127	-75	-130	-71	-68	-
Impairment	-35	-28	-50	-19	-29	-19	-126	-
Of which on loans and receivables	-35	-28	-50	-19	-28	-18	-126	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	37	47	-25	51	-15	54	-56	-
Income tax expense	-11	-11	1	-10	-1	-13	6	-
Result after tax	26	35	-24	41	-16	40	-50	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**26**	**35**	**-24**	**41**	**-16**	**40**	**-50**	**-**
banking	23	38	-26	40	-19	38	-50	-
insurance	3	-2	1	1	3	2	0	-
Risk-weighted assets, group (end of period, Basel II)	6 275	6 005	6 270	6 219	6 666	6 587	6 505	-
of which banking	6 056	5 788	6 051	6 010	6 424	6 335	6 253	-
Allocated equity (end of period, Basel II)	515	493	515	510	548	542	536	-
Return on allocated equity (ROAC, Basel II)	14%	21%	-24%	27%	-18%	24%	-41%	-
Cost/income ratio, banking	49%	44%	83%	50%	93%	49%	48%	-
Combined ratio, non-life insurance	87%	133%	116%	112%	74%	92%	109%	-

Income statement, Bulgaria, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	11	10	11	11	12	10	8	-
Earned premiums, insurance (before reinsurance)	27	28	26	30	23	25	24	-
Technical charges, insurance (before reinsurance)	-22	-20	-23	-19	-15	-14	-16	-
Ceded reinsurance result	0	-2	1	1	-2	-1	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	0	1	0	0	0	0	0	-
Net realised result from available-for-sale assets	0	0	1	0	0	0	0	-
Net fee and commission income	-1	-1	0	-1	1	0	1	-
Other net income	0	1	0	1	0	0	0	-
Total income	17	17	17	23	19	21	17	-
Operating expenses	-13	-13	-13	-14	-14	-14	-14	-
Impairment	-4	-3	-4	-4	-4	-3	-2	-
Of which on loans and receivables	-4	-3	-4	-4	-4	-3	-2	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	0	1	-1	4	2	4	1	-
Income tax expense	0	0	0	-1	0	0	0	-
Result after tax	0	1	-1	4	2	5	1	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**0**	**1**	**0**	**3**	**2**	**4**	**1**	**-**
banking	0	0	0	0	0	0	1	-
insurance	0	0	-1	3	1	4	1	-
Risk-weighted assets, group (end of period, Basel II)	955	926	902	877	846	867	750	-
of which banking	715	688	668	645	628	643	523	-
Allocated equity (end of period, Basel II)	91	88	86	84	81	83	74	-
Return on allocated equity (ROAC, Basel II)	-23%	-21%	-28%	-7%	-17%	-15%	-13%	-
Cost/income ratio, banking	70%	72%	65%	69%	66%	74%	82%	-
Combined ratio, non-life insurance	115%	112%	119%	91%	107%	83%	104%	-

Income statement, CEE – funding cost and other results, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	-30	-33	-35	-36	-36	-36	-31	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-1	-1	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	0	10	0	6	0	-11	-3	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	0	-2	0	0	-2	2	-1	-
Other net income	1	1	1	1	2	1	2	-
Total income	-29	-24	-34	-29	-38	-45	-34	-
Operating expenses	-8	-5	-6	-10	-9	-11	-8	-
Impairment	-3	0	0	0	0	-1	-95	-
Of which on loans and receivables	-3	0	0	0	0	0	-96	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	-40	-28	-40	-39	-47	-57	-136	-
Income tax expense	12	14	12	13	3	34	17	-
Result after tax	-28	-14	-29	-26	-43	-23	-120	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**-28**	**-14**	**-29**	**-26**	**-43**	**-23**	**-120**	**-**
banking	-23	-9	-22	-26	-36	-19	-118	-
insurance	-5	-5	-6	-1	-7	-5	-2	-

Merchant Banking Business Unit (underlying trend)

The Merchant Banking Business Unit encompasses the financial services provided to 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 Clearing, KBC Commercial Finance, KBC Credit Investments, KBC Real Estate, KBC Private Equity and KBC Bank Ireland. The entities that are earmarked for divestment under the strategic plan (the main ones being KBC Financial Products (various activities already sold), KBC Peel Hunt (sold), KBC Finance Ireland, Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre.

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	189	202	213	232	180	167	168	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	2	2	1	0	4	2	-
Net result from financial instruments at fair value through profit or loss	210	67	196	67	213	87	9	-
Net realised result from available-for-sale assets	1	1	2	0	2	11	0	-
Net fee and commission income	54	63	56	52	51	53	43	-
Other net income	28	27	26	-150	22	17	-117	-
Total income	482	361	495	202	469	340	105	-
Operating expenses	-140	-137	-142	-157	-152	-142	-143	-
Impairment	-219	-91	-130	-355	-57	-112	-215	-
on loans and receivables	-219	-89	-132	-350	-57	-95	-205	-
on available-for-sale assets	0	-2	2	-7	0	-1	-2	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	1	0	-16	-7	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	122	133	223	-311	259	86	-253	-
Income tax expense	-35	-8	-63	88	-78	-21	61	-
Result after tax	88	125	160	-223	182	65	-192	-
attributable to minority interests	3	4	5	5	5	2	4	-
attributable to equity holders of the parent	**85**	**121**	**156**	**-228**	**177**	**63**	**-196**	**-**
Banking	83	119	155	-230	176	62	-197	-
Insurance	2	2	1	1	1	1	1	-
Risk-weighted assets, group (end of period, Basel II)	51 703	51 880	47 447	47 317	45 945	42 446	39 736	-
of which banking	51 703	51 880	47 447	47 317	45 945	42 446	39 736	-
Allocated equity (end of period, Basel II)	4 136	4 150	3 796	3 785	3 676	3 396	3 179	-
Return on allocated equity (ROAC, Basel II)	8%	11%	15%	-24%	19%	6%	-25%	-
Cost/income ratio, banking	29%	38%	28%	79%	32%	42%	138%	-

These underlying figures exclude exceptional 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)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	85	121	156	-228	177	63	-196	-
+ MTM of derivatives for ALM hedging	0	-18	-4	-1	9	-7	-31	-
+ gains/losses on CDOs	12	4	34	63	18	18	-13	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	-
+ impairment on goodwill	0	-2	-13	-12	0	-5	-4	-
+ result on divestments	0	-3	-2	-4	-1	0	-10	-
+ other	-32	-29	2	46	0	0	0	-
Result after tax, attributable to equity holders of the parent: IFRS	64	73	173	-138	203	69	-255	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of -196 million, substantially below the +42 million average for the last four quarters, as 3Q2011 was characterised by a weak dealing room result, high loan loss impairment charges in Ireland (187 million, pre-tax) and a provision for the 5-5-5 investment product (132 million, pre-tax). The underlying result for 3Q2011 breaks down as follows: -115 million for commercial banking activities and -81 million for market activities.

Total income down significantly, due to weak dealing room income and a provision for the 5-5-5 product

Total income for this business unit amounted to a very low 105 million in the quarter under review. Trading and fair value income (Net result from financial instruments at fair value through profit or loss, traditionally a big contributor to income in this business unit) stood at a very weak 9 million in the quarter under review, below the 87 million registered in the previous quarter, and significantly down on the high level of 196 million recorded in 2Q2010. In both cases, the difference was accounted for mainly by the performance of the dealing rooms (weak in the quarter under review, modest in the previous quarter, very good in the year-earlier quarter).

Net interest income stood at 168 million, comparable to the previous quarter, but down 21% year-on-year, which, in the latter case, was due for a significant part to the ongoing reduction in the international loan portfolio outside the home markets, in line with the group's strategic plan, which (re)focuses credit activities on customers that have a relationship with KBC's home markets in Belgium and Central and Eastern Europe. As a result, the Merchant Banking's loan portfolio contracted some 4% in one year's time.

The other income components came to to a negative 72 million in the quarter under review and comprised net fee and commission income of 43 million (down on the 53 million average for the last four quarters, in line with the decline in activity and the ongoing divestment programme), dividend income of 2 million, a net realised result from available-for-sale assets of 0 million (versus 4 million average in the last four quarters), and other net income of -117 million. The latter figure was negatively impacted by the booking in 3Q2011 of a provision for the 5-5-5 investment product (see 'Report on 3Q and 9M2011' section of this report), 132 million of which was assigned to the Merchant Banking Business Unit.

Costs remain more or less stable

Operating expenses in the quarter under review amounted to 143 million, roughly comparable to both 2Q2011 and 3Q2010, with a number of elements largely offsetting each other (higher restructuring charges, deconsolidation of some smaller entities, branch closures, etc.). The cost/income ratio stood at 48% for the first nine months of the year (excluding the provisions for the 5-5-5 product from the denominator, the cost-income ratio was 42%), as opposed to 37% for FY2010.

Loan losses up, due to an increase in Ireland

Following a relatively low loan loss impairment of 95 million in the previous quarter, impairment *on loans and receivables* amounted to a high 205 million in the quarter under review. The quarter-on-quarter increase was due mainly to higher loan loss impairments for the Irish loan book (187 million in the quarter under review, compared to 49 million in the previous quarter and 53 million in the year-earlier quarter).

As a result, the credit cost ratio for the first nine months of the year now stands at an annualised 90 basis points, which is still below the 138 basis points recorded in FY2010. At the end of 3Q2011, approximately 7.1% of the Merchant Banking Business Unit's loan book was non-performing, up on the 6.4% recorded three months earlier. Specifically for KBC Bank Ireland, the annualised credit cost ratio stood at 222 basis points in 9M2011, compared to 298 basis points for FY2010, while the non-performing ratio rose to 15.2% at the end of 3Q2011, up from 13.2% three months earlier.

Other impairment charges for this business unit stood at 10 million in 3Q2011, and consisted almost entirely of additional impairment on Greek government bonds (over and above the 5 million recorded in 2Q2011). The previous quarter had also included 12 million impairment related to investment 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 SMEs) and 'Market activities' (sales and trading on money and capital markets, corporate finance, etc.) on the next page.

Income statement, Commercial Banking, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	189	202	213	232	180	167	168	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	2	2	1	0	4	2	-
Net result from financial instruments at fair value through profit or loss	14	0	18	0	10	-25	-48	-
Net realised result from available-for-sale assets	1	1	2	0	2	11	0	-
Net fee and commission income	35	33	35	28	26	29	26	-
Other net income	28	27	26	-150	22	24	21	-
Total income	267	265	296	110	242	210	169	-
Operating expenses	-92	-87	-89	-99	-87	-88	-90	-
Impairment	-162	-85	-127	-354	-72	-100	-208	-
Of which on loans and receivables	-162	-83	-128	-354	-72	-83	-200	-
Of which on available-for-sale assets	0	-2	2	-1	0	-1	-1	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	13	92	81	-342	83	23	-130	-
Income tax expense	-16	-11	-23	74	-28	-6	19	-
Result after tax	-3	81	58	-269	55	17	-111	-
attributable to minority interests	3	4	5	4	4	3	4	-
attributable to equity holders of the parent	**-5**	**77**	**53**	**-273**	**51**	**14**	**-115**	**-**
Banking	-8	75	52	-274	50	13	-116	-
Insurance	2	2	1	1	1	1	1	-
Risk-weighted assets, group (end of period, Basel II)	38 295	36 689	33 812	32 993	32 176	30 934	30 733	-
of which banking	38 295	36 689	33 812	32 993	32 176	30 934	30 733	-
Allocated equity (end of period, Basel II)	3 064	2 935	2 705	2 639	2 574	2 475	2 459	-
Return on allocated equity (ROAC, Basel II)	-1%	9%	6%	-41%	7%	2%	-19%	-
Cost/income ratio, banking	34%	33%	30%	91%	36%	42%	54%	-

Income statement, Market Activities, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	0	0	0	0	0	0	0	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	196	67	178	67	203	112	57	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	19	30	20	24	25	25	17	-
Other net income	0	0	0	0	0	-8	-138	-
Total income	215	97	199	91	227	129	-64	-
Operating expenses	-48	-50	-53	-59	-65	-53	-53	-
Impairment	-57	-6	-4	-1	15	-12	-6	-
Of which on loans and receivables	-57	-6	-4	4	15	-12	-5	-
Of which on available-for-sale assets	0	0	0	-6	0	0	-1	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	109	41	142	32	177	63	-123	-
Income tax expense	-19	3	-40	14	-50	-15	42	-
Result after tax	90	44	102	46	127	48	-81	-
attributable to minority interests	0	0	0	1	1	-1	0	-
attributable to equity holders of the parent	**90**	**44**	**103**	**45**	**126**	**48**	**-81**	**-**
banking	90	44	103	45	126	48	-81	-
insurance	0	0	0	0	0	0	0	-
Risk-weighted assets, group (end of period, Basel II)	13 408	15 191	13 635	14 324	13 769	11 512	9 003	-
of which banking	13 408	15 191	13 635	14 324	13 769	11 512	9 003	-
Allocated equity (end of period, Basel II)	1 073	1 215	1 091	1 146	1 102	921	720	-
Return on allocated equity (ROAC, Basel II)	35%	16%	36%	17%	46%	18%	-41%	-
Cost/income ratio, banking	23%	51%	27%	64%	29%	41%	-	-

Group Centre (underlying trend)

The Group Centre comprises, *inter alia*, 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. The main ones are Centea (Belgium – sold early July 2011), Fidea (Belgium, sale agreement signed), Absolut Bank (Russia), KBC Banka (Serbia), NLB and NLB Vita (Slovenia), Żagiel (Poland), Kredyt Bank and Warta (Poland*), KBC Financial Products (various countries – various activities already sold), KBC Peel Hunt (UK – sold), KBC Finance Ireland (Ireland), Antwerp Diamond Bank (Belgium), KBC Bank Deutschland (Germany) and the KBL EPB group including VITIS Life (various countries – sale agreement signed).

** Please note that the impact of the recent changes to the strategic plan are included in this report. Hence, Poland (Warta and Kredyt Bank) has been shifted to the Group Centre and the portion of ČSOB's results related to the originally planned IPO of a minority stake in this company, which used to be included in Group Centre, has been included in the CEE Business Unit again. All reference figures have been adjusted to enhance comparability.*

Income statement, Group Centre, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	239	254	254	250	242	261	205	-
Earned premiums, insurance (before reinsurance)	254	240	296	287	284	299	317	-
Technical charges, insurance (before reinsurance)	-230	-252	-245	-200	-234	-221	-245	-
Ceded reinsurance result	-1	40	-8	-18	-4	-3	-2	-
Dividend income	3	8	1	4	2	6	2	-
Net result from financial instruments at fair value through profit or loss	52	27	21	2	4	-11	-14	-
Net realised result from available-for-sale assets	13	16	5	-3	22	3	-2	-
Net fee and commission income	101	106	69	88	86	77	72	-
Other net income	14	1	10	15	2	9	4	-
Total income	444	439	403	425	404	420	338	-
Operating expenses	-346	-349	-320	-355	-296	-265	-269	-
Impairment	-44	-86	-91	-55	19	-51	-81	-
on loans and receivables	-44	-83	-91	-51	21	-11	-26	-
on available-for-sale assets	0	-2	0	-2	-2	-29	-38	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	-2	-1	-12	-17	-
Share in results of associated companies	-2	-9	-5	-46	1	0	-23	-
Result before tax	51	-4	-12	-32	127	104	-35	-
Income tax expense	-26	-31	-1	19	-42	-19	-6	-
Result after tax	25	-35	-13	-13	85	85	-41	-
attributable to minority interests	1	0	2	3	8	3	3	-
attributable to equity holders of the parent	**24**	**-36**	**-15**	**-16**	**77**	**81**	**-44**	**-**
Banking	40	-27	-21	-36	86	57	-19	-
Insurance	-3	0	8	22	20	26	-10	-
holding company	-14	-8	-2	-1	-29	-2	-16	-
Risk-weighted assets, group (end of period, Basel II)	36 654	33 502	32 386	31 202	30 933	29 959	25 693	-
of which banking	33 397	30 260	29 255	27 997	27 732	26 637	22 347	-
Allocated equity (end of period, Basel II)	3 087	2 833	2 742	2 650	2 628	2 556	2 216	-

These underlying figures exclude exceptional 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)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	24	-36	-15	-16	77	81	-44	-
+ MTM of derivatives for ALM hedging	-9	-13	-12	10	8	-13	-2	-
+ gains/losses on CDOs	118	347	87	129	55	-84	-439	-
+ MTM of CDO guarantee and commitment fee	-28	-15	-20	5	-8	-18	-8	-
+ impairment on goodwill (incl. associated companies)	-27	0	-31	-29	0	-11	0	-
+ MTM of own debt issued	-2	33	-34	41	-16	-25	185	-
+ legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	5	-
+ Results on divestments	0	-335	-42	132	-38	-12	-581	-
+ other	0	0	0	0	0	0	0	-
Result after tax, attributable to equity holders of the parent: IFRS	-50	-228	-61	231	92	-39	-885	-

The Group Centre's net result amounted to -44 million in 3Q2011. As mentioned before, this mainly includes the results of the companies that are earmarked for divestment, whose combined net result came to -27 million in 3Q2011, down on the 86 million recorded in 2Q2011. The 3Q2011 result was impacted by the -43 million (pre tax) impairment on Greek bonds (over and above the -36 million booked in the previous quarter) and the divestment of Centea, among other factors.

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

- Ex-Belgium Business Unit: -15 million, compared with 26 million in the previous quarter. Please note that Centea has been sold and is no longer included in 3Q2011. Fidea is still included, as the sale agreement has not yet been finalised; its 3Q2011 results were impacted by the impairment recorded for shares and Greek government bonds, among other things.
- Ex-CEER Business Unit: 22 million, compared with 46 million in the previous quarter, with the decrease due primarily to a lower contribution of NLB (Slovenia) to the results. The Polish subsidiaries (Kredyt Bank and Warta) together account for 26 million (32 million in the previous quarter).
- Ex-Merchant Banking Business Unit: -8 million, compared to 15 million in the previous quarter, due mainly to higher impairment in a number of companies, among other things.
- Ex-European Private Banking Business Unit: -13 million, compared with 11 million in the previous quarter. Please note that an agreement to sell KBL EPB has recently been signed.
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): -12 million, in line with the figure recorded in the previous quarter.

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Consolidated financial statements according to IFRS

KBC Group, 3Q2011 and 9M2011

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Net interest income	3	1 562	1 406	1 341	4 647	4 142
Interest income		2 627	3 195	2 910	7 900	9 151
Interest expense		- 1 065	- 1 789	- 1 569	- 3 253	- 5 009
Earned premiums, insurance (before reinsurance)	9	1 074	974	972	3 466	3 087
Non-life		495	468	477	1 464	1 395
Life		579	506	495	2 001	1 691
Technical charges, insurance (before reinsurance)	9	- 957	- 840	- 812	- 3 243	- 2 665
Non-life		- 307	- 245	- 259	- 1 015	- 738
Life		- 650	- 595	- 553	- 2 228	- 1 927
Ceded reinsurance result	9	- 23	- 8	- 18	18	- 43
Dividend income		21	41	17	76	70
Net result from financial instruments at fair value through profit or loss		227	- 194	- 892	- 506	- 613
Net realised result from available-for-sale assets	6	11	42	10	61	86
Net fee and commission income	7	259	297	281	917	877
Fee and commission income		480	530	480	1 607	1 529
Fee and commission expense		- 221	- 233	- 200	- 690	- 651
Other net income	8	65	110	- 149	345	53
TOTAL INCOME		2 239	1 829	749	5 781	4 994
Operating expenses	12	- 1 130	- 1 081	- 1 077	- 3 246	- 3 301
Staff expenses		- 634	- 648	- 653	- 1 876	- 1 938
General administrative expenses		- 407	- 351	- 345	- 1 101	- 1 117
Depreciation and amortisation of fixed assets		- 88	- 83	- 79	- 270	- 246
Impairment	14	- 420	- 332	- 940	- 1 102	- 1 377
on loans and receivables		- 357	- 164	- 473	- 990	- 733
on available-for-sale assets		- 5	- 118	- 223	- 23	- 347
on goodwill		- 13	- 17	- 62	- 41	- 79
on other		- 45	- 33	- 183	- 48	- 218
Share in results of associated companies		- 5	0	- 23	- 16	- 22
RESULT BEFORE TAX		683	416	- 1 292	1 418	294
Income tax expense		- 124	- 76	165	16	- 245
Net post-tax result from discontinued operations	46	- 7	0	- 445	- 278	- 445
RESULT AFTER TAX		553	340	- 1 571	1 156	- 396
Attributable to minority interest		8	6	8	20	28
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**545**	**333**	**- 1 579**	**1 136**	**- 424**
of which relating to discontinued operations		*- 7*	*0*	*- 445*	*- 278*	*- 445*
Earnings per share (in EUR)						
Basic		1,17	0,54	-5,08	2,03	-2,56
Diluted		1,17	0,54	-5,08	2,03	-2,56

Condensed consolidated statement of comprehensive income

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
RESULT AFTER TAX	553	340	- 1 571	1 156	- 396
attributable to minority interest	8	6	8	20	28
attributable to equity holders of the parent	545	333	- 1 579	1 136	- 424
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	72	- 25	- 193	6	- 228
Net change in revaluation reserve (AFS assets) - Bonds	388	224	427	714	359
Net change in revaluation reserve (AFS assets) - Other	0	0	0	1	- 1
Net change in hedging reserve (cash flow hedge)	- 68	- 27	- 222	- 350	- 78
Net change in translation differences	30	- 6	- 117	63	- 104
Other movements	- 1	- 3	4	- 3	2
TOTAL COMPREHENSIVE INCOME	**975**	**502**	**- 1 672**	**1 587**	**- 446**
attributable to minority interest	14	12	- 6	29	16
attributable to equity holders of the parent	961	490	- 1 666	1 558	- 462

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2010	30-09-2011
Cash and cash balances with central banks		15 292	10 906
Financial assets	18	281 240	267 553
Held for trading		30 287	30 922
Designated at fair value through profit or loss		25 545	23 580
Available for sale		54 143	43 016
Loans and receivables		157 024	154 544
Held to maturity		13 955	14 767
Hedging derivatives		286	723
Reinsurers' share in technical provisions		280	232
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		218	195
Tax assets		2 534	2 457
Current tax assets		167	185
Deferred tax assets		2 367	2 271
Non-current assets held for sale and assets associated with disposal groups	46	12 938	15 529
Investments in associated companies		496	473
Investment property		704	788
Property and equipment		2 693	2 618
Goodwill and other intangible assets		2 256	2 107
Other assets		2 172	2 250
TOTAL ASSETS		320 823	305 109

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2010	30-09-2011
Financial liabilities	18	260 582	245 533
Held for trading		24 136	24 899
Designated at fair value through profit or loss		34 615	32 814
Measured at amortised cost		200 707	186 225
Hedging derivatives		1 124	1 595
Technical provisions, before reinsurance		23 255	21 064
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	2
Tax liabilities		468	539
Current tax liabilities		345	237
Deferred tax liabilies		123	302
Liabilities associated with disposal groups	46	13 341	16 254
Provisions for risks and charges		600	795
Other liabilities		3 902	3 572
TOTAL LIABILITIES		302 149	287 758
Total equity		18 674	17 351
Parent shareholders' equity	39	11 147	9 834
Non-voting core-capital securities	39	7 000	7 000
Minority interests		527	517
TOTAL LIABILITIES AND EQUITY		320 823	305 109

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
Balance at the beginning of the period (31/12/2009)	1 245	4 339	- 1 560	457	- 374	5 894	- 339	9 662	7 000	515	17 177
Net result for the period	0	0	0	0	0	1 136	0	1 136	0	20	1 156
Other comprehensive income for the period	0	0	0	717	- 352	- 3	59	422	0	9	431
Total comprehensive income	**0**	**0**	**0**	**717**	**- 352**	**1 133**	**59**	**1 558**	**0**	**29**	**1 587**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	30	0	0	0	0	30	0	0	30
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	- 9	- 9
Total change	**0**	**0**	**30**	**717**	**- 352**	**1 128**	**59**	**1 583**	**0**	**20**	**1 603**
Balance at the end of the period (30/9/2010)	**1 245**	**4 339**	**- 1 529**	**1 174**	**- 726**	**7 022**	**- 280**	**11 245**	**7 000**	**535**	**18 780**
of which revaluation reserve for shares				392							
of which revaluation reserve for bonds				780							
of which revaluation reserve for other assets than bonds and shares				1							
of which relating to non-current assets held for sale and disposal groups				35			12	47			47
Balance at the beginning of the period (31/12/2010)	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	- 424	0	- 424	0	28	- 396
Other comprehensive income for the period	0	0	0	131	- 78	2	- 92	- 38	0	- 12	- 50
Total comprehensive income	**0**	**0**	**0**	**131**	**- 78**	**- 423**	**- 92**	**- 462**	**0**	**16**	**- 446**
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
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	- 26	- 26
Total change	**0**	**0**	**0**	**131**	**- 78**	**- 1 274**	**- 92**	**- 1 313**	**0**	**- 10**	**- 1 323**
Balance at the end of the period (30/9/2011)	**1 245**	**4 340**	**- 1 529**	**197**	**- 521**	**6 475**	**- 373**	**9 834**	**7 000**	**517**	**17 351**
of which revaluation reserve for shares				208							
of which revaluation reserve for bonds				- 11							
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				3			10	13			13

The changes in equity of the first nine months of 2011 include the accounting of a gross dividend of 0.75 euros per share as approved by the General Meeting for the 2010 financial year. The total dividend on ordinary shares amounts to 258 million euros of which 4 million euros related to treasury shares. The dividend payment also includes the payment of a coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments of 595 million euros (i.e. 8.5% of 7 billion euros).

Condensed consolidated cash flow statement

In millions of EUR	9M 2010	9M 2011
Net cash from (used in) operating activities	7 437	2 127
Net cash from (used in) investing activities	- 1 214	- 832
Net cash from (used in) financing activities	- 695	- 1 521
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	5 528	- 227
Cash and cash equivalents at the beginning of the period	5 487	20 557
Effects of exchange rate changes on opening cash and cash equivalents	555	- 109
Cash and cash equivalents at the end of the period	11 571	20 222

As mentioned in note 46, KBL EPB and Fidea form a disposal group. The planned divestments of KBL EPB and Fidea (of which the closing of the sale transaction is planned in the first quarter of 2012) will have the following main impacts on the cash flows included in investing activities:

• receipt of the sale price : 1 billion euro and 0.2 billion euros for KBL EPB and Fidea respectively

• reduction of cash and cash equivalents which are part of the disposal group: 3.3 billion euros and 0.2 million euros for KBL EPB and Fidea respectively (amounts of 30 September 2011).

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2010)

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 consolidated financial statements of KBC present one year of comparative information. 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 2010.

To improve transparency, as of 2011 interest on ALM hedging derivatives (i.e. those that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk) appears as 'net interest income', whereas in previous periods this was presented under 'Net result from financial instruments at fair value'. Since the interest earned on the related assets appears under 'Net interest income', as of 2011 (not retroactively) the interest on the ALM hedging derivatives is also included in this heading. The net interest income on ALM hedging derivatives included in 'net interest income' totals -353 million euros for the first nine months of 2011.

On the 13th of July, KBC Group NV has applied to the European Commission to amend its strategic plan. On 27 July KBC Group has received approval from the European Commission to amend its strategic plan. This amendment has changed the segment reporting of the KBC Group (retroactively) as of 3Q 2011, whereby Kredyt Bank and Warta are now fully allocated to Group Centre (previously CEE business unit) and CSOB a.s. (Czech Republic) fully allocated to CEE Business unit (previously 40% of the net result was allocated to Group Centre).

Summary of significant accounting policies (note 1b in the annual accounts 2010)

A summary of the main accounting policies is provided in the annual report. In 9M2011, 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 2010)

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, as of 2010, also brings together all companies that are up for divestment (according to the new strategic plan) 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).

On the 13th of July, KBC Group NV has applied to the European Commission to amend its strategic plan. On 27 July KBC Group has received approval from the European Commission to amend its strategic plan. This amendment has changed the segment reporting of the KBC Group (retroactively) as of 3Q2011. See further under 'Statement of compliance'.

The basic principle of the segment reporting is that an individual subsidiary is allocated fully to one segment (see note 44 in annual report 2010). 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. The funding costs regarding leveraging at the level of KBC Group are not allocated.

The transactions conducted between the different segments occur 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 exceptions 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.

- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk. Consequently, interest results on such hedges are recognised as 'net result from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit. As of 2011, the net interest income on 'ALM derivatives' is included in the Net Interest Income heading in the IFRS figures (see also note 1A).

- Moreover, fair value changes (due to marking-to-market) of these ALM derivatives 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 (in KBC's new strategic plan, 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).

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

Reconciliation between underlying result and result according to IFRS [1] KBC Group, in millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	445	528	-248	1 542	937
+ MTM of derivatives for ALM hedging	16	-77	-245	-220	-226
+ gains/losses on CDOs	221	-86	-618	723	-580
+ MTM of CDO guarantee and commitment fee	-23	-22	-10	-74	-41
+ impairment on goodwill (and associated companies)	-43	-17	-57	-71	-74
+ result on legacy structured derivative business (KBC FP)	6	43	5	-330	62
+ MTM of own debt issued	-34	-25	185	-3	144
+ Results on divestments	-44	-12	-591	-382	-647
+ other	2	0	0	-48	0
Result after tax, attributable to equity holders of the parent: IFRS	545	333	-1579	1 136	-424

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

In order to provide a more transparent view, taxes and minority interests are allocated to the different elements and not separately reported anymore.

MTM of derivatives for ALM hedging:
The negative impact in the third quarter of 2011 is mainly caused by the widening of the credit spreads of government bonds in the designated at fair value through profit or loss portfolio. In KBC, a part of the government bond portfolio in the banking book is classified as financial assets designated at fair value through profit or loss (the fair value option) in order to significantly reduce a measurement inconsistency ('an accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases). This method is used specifically to avoid the remaining accounting mismatches relating to the loan portfolio (measured at amortized cost) and the interest rate swaps (measured at fair value) in ALM. For this purpose, a (government) bond portfolio has been classified as a financial asset at fair value through profit or loss.

Gains and losses on CDO's
In the third quarter of 2011, the market price for corporate credit decreased, as reflected in credit default swap spreads, generating a value mark-down of KBC's CDO exposure. The negative earnings impact from CDO revaluation amounted to -0.6 billion euros for 3Q 2011 (-0.6 billion euros for 9M2011), 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 2010, namely 70%.

Impairment on goodwill:
The impairment on goodwill in the third quarter of 2011 mainly includes -53 million euros on the Bulgarian banking activities.

MTM of own debt issued:
The positive impact on the results of the third quarter of 2011 can be explained by the increased risk aversion towards European banks in general (and hence also KBC), leading to a lower MTM of debt certificates included in the financial liabilities designated at fair value through profit or loss.

Result on divestments:
The third quarter results on divestments includes mainly an impairment on the sale of KBL EPB and Fidea for a total amount of 0.6 billion euro (see further note 46).

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding interseg-ment eliminations	Inter-segment eliminations	KBC Group
INCOME STATEMENT - underlying results - 9M 2010						
Net interest income	1 665	1 127	604	747	0	4 144
Earned premiums, insurance (before reinsurance)	2 192	488	0	864	- 74	3 470
Non-life	787	237	0	476	- 36	1 464
Life	1 404	251	0	388	- 38	2 006
Technical charges, insurance (before reinsurance)	- 2 152	- 380	0	- 777	51	- 3 259
Non-life	- 490	- 156	0	- 377	8	- 1 015
Life	- 1 662	- 225	0	- 400	43	- 2 244
Ceded reinsurance result	- 5	- 8	0	14	17	18
Dividend income	37	2	5	11	0	55
Net result from financial instruments at fair value through profit or loss	54	105	472	99	0	731
Net realised result from available-for-sale assets	10	23	3	34	0	71
Net fee and commission income	569	232	173	275	0	1 249
Other net income	81	30	80	33	- 9	215
TOTAL INCOME	**2 450**	**1 619**	**1 338**	**1 301**	**- 15**	**6 693**
Operating expenses	- 1 214	- 874	- 419	- 1 030	15	- 3 521
Impairment	- 69	- 284	- 441	- 221	0	- 1 015
on loans and receivables	- 49	- 282	- 440	- 219	0	- 989
on available-for-sale assets	- 20	0	- 1	- 2	0	- 23
on goodwill	0	0	0	0	0	0
on other	0	- 2	0	0	0	- 3
Share in results of associated companies	0	1	0	- 16	0	- 15
RESULT BEFORE TAX	**1 167**	**462**	**479**	**34**	**0**	**2 142**
Income tax expense	- 366	- 50	- 106	- 58	0	- 580
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**801**	**412**	**372**	**- 23**	**0**	**1 562**
attributable to minority interests	4	0	11	4	0	20
attributable to equity holders of the parent	**797**	**412**	**361**	**- 28**	**0**	**1 542**
INCOME STATEMENT - underlying results - 9M 2011						
Net interest income	1 729	1 154	516	708	0	4 106
Earned premiums, insurance (before reinsurance)	1 601	586	0	953	- 52	3 088
Non-life	650	250	0	520	- 25	1 395
Life	951	336	0	433	- 27	1 693
Technical charges, insurance (before reinsurance)	- 1 537	- 439	0	- 737	37	- 2 676
Non-life	- 319	- 129	0	- 298	9	- 738
Life	- 1 217	- 310	0	- 439	28	- 1 938
Ceded reinsurance result	- 19	- 15	0	- 18	9	- 43
Dividend income	40	2	6	11	0	59
Net result from financial instruments at fair value through profit or loss	31	52	309	- 22	0	371
Net realised result from available-for-sale assets	53	15	13	24	0	106
Net fee and commission income	533	246	147	237	- 2	1 161
Other net income	- 32	31	- 78	24	- 10	- 64
TOTAL INCOME	**2 401**	**1 631**	**913**	**1 180**	**- 18**	**6 107**
Operating expenses	- 1 337	- 950	- 437	- 848	18	- 3 553
Impairment	- 253	- 428	- 384	- 113	0	- 1 179
on loans and receivables	- 37	- 327	- 357	- 15	0	- 736
on available-for-sale assets	- 199	- 98	- 3	- 69	0	- 369
on goodwill	0	0	0	0	0	0
on other	- 18	- 4	- 24	- 30	0	- 75
Share in results of associated companies	0	1	0	- 23	0	- 22
RESULT BEFORE TAX	**811**	**255**	**93**	**196**	**0**	**1 353**
Income tax expense	- 258	- 24	- 38	- 67	0	- 388
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**552**	**230**	**54**	**128**	**0**	**966**
attributable to minority interests	2	1	11	14	0	28
attributable to equity holders of the parent	**551**	**229**	**43**	**114**	**0**	**937**

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 31-12-2010					
Total loans to customers	51 961	28 960	48 202	21 543	150 666
Of which mortgage loans	26 952	10 503	12 809	11 313	61 577
Of which reverse repos	0	4 035	5 450	1	9 486
Customer deposits	67 663	38 192	73 538	18 477	197 870
Of which repos	0	3 219	12 179	0	15 398
Balance sheet information 30-09-2011					
Total loans to customers	54 190	25 915	49 595	13 752	143 451
Of which mortgage loans	28 457	11 019	12 460	5 145	57 081
Of which reverse repos	0	89	7 052	29	7 170
Customer deposits	72 687	38 502	64 935	8 329	184 453
Of which repos	0	3 309	13 461	0	16 770

Note: The time series of customer deposits excluding repos have been restated for all previous periods. This was caused by a different allocation of the deposits of KBC Bank towards BU Belgium and BU Merchant Banking.

Segment reporting according to geographic segment (note 2b in the annual accounts 2010)

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.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
9M 2010				
Total income from external customers (underlying)	3 033	2 221	1 439	6 693
31-12-2010				
Total assets (period-end)	209 103	61 269	50 452	320 823
Total liabilities (period-end)	194 672	55 030	52 447	302 149
9M 2011				
Total income from external customers (underlying)	2 628	2 330	1 149	6 107
30-09-2011				
Total assets (period-end)	196 794	61 341	46 974	305 109
Total liabilities (period-end)	182 213	55 532	50 013	287 758

Other notes

Net interest income (note 3 in the annual accounts 2010)

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Total	1 562	1 406	1 341	4 647	4 142
Interest income	2 627	3 195	2 910	7 900	9 151
Available-for-sale assets	468	481	438	1 438	1 386
Loans and receivables	1 688	1 671	1 645	5 013	4 944
Held-to-maturity investments	143	160	169	411	469
Other assets not at fair value	7	8	9	23	25
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 307	*2 321*	*2 261*	*6 884*	*6 824*
Financial assets held for trading	79	620	385	277	1 552 (*)
Hedging derivatives	85	134	155	251	397
Other financial assets at fair value through profit or loss	156	121	109	488	379
Interest expense	- 1 065	- 1 789	- 1 569	- 3 253	- 5 009
Financial liabilities measured at amortised cost	- 796	- 828	- 829	- 2 383	- 2 430
Other	- 1	0	- 6	1	- 6
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	- 797	- 828	- 835	- 2 382	- 2 436
Financial liabilities held for trading	- 18	- 667	- 443	- 65	- 1 726 (*)
Hedging derivatives	- 194	- 215	- 191	- 610	- 603
Other financial liabilities at fair value through profit or loss	- 57	- 79	- 100	- 195	- 244

(*) including interest on ALM derivatives as of 9M 2011: +1 337 million euro interest income and -1 690 million euro interest expense

Net realised result from available-for-sale assets (note 6 in the annual accounts 2010)

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Total	11	42	10	61	86
Breakdown by portfolio					
Fixed-income securities	0	3	2	36	12
Shares	11	39	8	25	74

Net fee and commission income (note 7 in the annual accounts 2010)

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Total	259	297	281	917	877
Fee and commission income	480	530	480	1 607	1 529
Securities and asset management	240	235	201	838	681
Margin on deposit accounting (life insurance investment contracts without DPF)	5	10	17	18	35
Commitment credit	54	73	73	188	216
Payments	133	137	144	385	416
Other	48	76	47	179	181
Fee and commission expense	- 221	- 233	- 200	- 690	- 651
Commission paid to intermediaries	- 123	- 120	- 114	- 372	- 356
Other	- 98	- 113	- 86	- 318	- 295

Other net income (note 8 in the annual accounts 2010)

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Total	65	110	- 149	345	53
Of which net realised result following					
The sale of loans and receivables	1	- 10	- 9	5	- 21
The sale of held-to-maturity investments	0	0	- 14	1	- 14
The sale of financial liabilities measured at amortised cost	0	- 1	0	0	- 1
Other: of which:	64	121	- 126	340	89
Irregularities in KBC Lease UK	0	2	0	0	2
Income concerning leasing at the KBC Lease-group	19	23	22	56	66
Income from consolidated private equity participations	13	12	11	40	39
Income from Group VAB	16	15	19	49	51
Moratorium interests on tax recuperation	0	0	0	14	0
Realised gain on sale of building Louvain	0	15	0	0	15
Provisions re 5-5-5 bonds	0	0	- 263	0	- 263
Realised gains or losses on divestments	0	20	53	0	68

Provision regarding 5/5/5 bonds:
In April and May 2008 KBC Bank and its Belgian subsidiaries sold structured 5/5/5 bonds ‘First to default’ with maturity in April and May 2013 to retail and institutional customers for a total amount of 670 million euros.
The 5/5/5 bonds are linked to the creditworthiness of Belgium, France, Spain, Italy and Greece. A credit event (as defined by the ISDA) in one of these countries would adversely affect the capital invested and no further coupons would be paid.
As a result of the Greek financial crisis, KBC Bank decided to offer comfort to retail holders of the 5/5/5 notes, by proactively clarifying KBC’s contingent intention to purchase the notes, at a price equal to the invested capital less any coupons paid by the issuer (all amounts before costs and taxes), whereby such intention is conditional on the occurrence of a credit event. Until the date of this disclosure no credit event occured, but since the probability of a credit event before May 2013 on one of these countries is estimated by the financial markets to be higher than 50% on 30 September 2011, KBC had decided to book a provision of 263 million euros in the third quarter results (impact after tax of -174 million euros).

Realised gains or losses on divestments:
In the third quarter of 2011 the sale of Centea was finalised. The other net income of the third quarter of 2011 include a realised gain of 63 million euros on the sale of Centea. On the other hand, a negative net result from financial instruments at fair value through profit or loss was caused by the sale of Centea for an amount of -85 million euros (-56 million euros after tax) related to the discontinuation of cash flow hedges which were economically connected to Centea.

Breakdown of the insurance results (note 9 in the annual accounts 2010)

	Life	Non-life	Non-technical account	TOTAL
9M 2010				
Technical result	- 308	223	25	- 60
Earned premiums, insurance (before reinsurance)	2 005	1 480	0	3 485
Technical charges, insurance (before reinsurance)	- 2 228	- 1 016	0	- 3 243
Net fee and commission income	- 83	- 264	28	- 319
Ceded reinsurance result	- 1	23	- 3	18
Financial result	616	152	107	875
Net interest income			748	748
Dividend income			37	37
Net result from financial instruments at fair value			79	79
Net realised result from AFS assets			12	12
Allocation to the technical accounts	616	152	- 768	0
Operating expenses	- 102	- 268	- 6	- 376
Internal costs claim paid	- 6	- 54	0	- 60
Administration costs related to acquisitions	- 29	- 68	0	- 97
Administration costs	- 67	- 145	0	- 212
Management costs investments	0	0	- 6	- 6
Other net income			19	19
Impairments			- 15	- 15
Share in results of associated companies			0	0
RESULT BEFORE TAX	206	108	130	444
Income tax expense				- 110
Net post-tax result from discontinued operations				9
RESULT AFTER TAX				343
attributable to minority interest				4
attributable to equity holders of the parent				**340**
9M 2011				
Technical result	- 320	378	32	91
Earned premiums, insurance (before reinsurance)	1 694	1 410	0	3 104
Technical charges, insurance (before reinsurance)	- 1 930	- 742	0	- 2 671
Net fee and commission income	- 82	- 249	32	- 299
Ceded reinsurance result	- 2	- 41	0	- 43
Financial result	481	100	76	657
Net interest income			765	765
Dividend income			45	45
Net result from financial instruments at fair value			- 206	- 206
Net realised result from AFS assets			54	54
Allocation to the technical accounts	481	100	- 581	0
Operating expenses	- 111	- 270	- 6	- 386
Internal costs claim paid	- 6	- 57	0	- 63
Administration costs related to acquisitions	- 31	- 74	0	- 105
Administration costs	- 74	- 139	0	- 213
Management costs investments	0	0	- 6	- 6
Other net income			14	14
Impairments			- 416	- 416
Share in results of associated companies			0	0
RESULT BEFORE TAX	50	209	- 300	- 41
Income tax expense				- 36
Net post-tax result from discontinued operations				- 13
RESULT AFTER TAX				- 90
attributable to minority interest				2
attributable to equity holders of the parent				**- 93**

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 2010 annual report).

Operating expenses (note 12 in the annual accounts 2010)

In 2010 the Hungarian government has decided to impose a new extraordinary bank tax on the financial institutions. The bank tax was introduced for 2010, 2011 and 2012 and is due by both K&H Bank and K&H Insurance. The operating expenses for the first quarter of 2011 include the expenses related to the special tax imposed on financial institutions in Hungary payable for 2011 (62 million euros cost in 2011 fully booked in the first quarter of 2011, deductible expense).

Impairment – income statement (note 14 in the annual accounts 2010)

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
Total	- 420	- 332	- 940	- 1 102	- 1 377
Impairment on loans and receivables	- 357	- 164	- 473	- 990	- 733
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 328	- 182	- 402	- 913	- 703
Provisions for off-balance-sheet credit commitments	- 22	- 1	6	- 30	13
Portfolio-based impairments	- 7	19	- 77	- 48	- 43
Breakdown by business unit					
Belgium	- 21	- 16	- 10	- 49	- 37
Central and Eastern Europe	- 112	- 42	- 234	- 282	- 327
Merchant Banking	- 132	- 95	- 205	- 440	- 357
Group Centre	- 92	- 11	- 24	- 220	- 13
Impairment on available-for-sale assets	- 5	- 118	- 223	- 23	- 347
Breakdown by type					
Shares	- 5	- 14	- 87	- 23	- 106
Other	0	- 104	- 136	0	- 240
Impairment on goodwill	- 13	- 17	- 62	- 41	- 79
Impairment on other	- 45	- 33	- 183	- 48	- 218
Intangible assets, other than goodwill	0	0	0	0	- 1
Property and equipment and investment property	0	- 13	1	- 1	- 12
Held-to-maturity assets	0	- 16	- 34	0	- 50
Associated companies (goodwill)	- 31	0	0	- 31	0
Other	- 14	- 4	- 150	- 15	- 156

The impairment on loans and receivables for Merchant Banking business unit includes an impairment on loans & receivables in Ireland of 282 million euros for the first nine months in 2011 and an impairment of 187 million euros in 3Q2011.

For Bulgaria, KBC performed an in-depth evaluation of its Bulgarian assets for which the Group has booked an additional impairment of 96 million euros. In Hungary 92 million euros additional impairments were booked as a consequence of a new act of the Hungarian government. The Hungarian government act concerning FX mortgage lending gives an option to the clients to fully repay their FX-mortgages at a forex rate predetermined by law. This act came into force on 29 September, 2011. The 92 million impairment booked in the 3Q11 results takes into account an anticipated 20% participation rate of the client side in the program and considering the exchange rates of 30 September 2011 compared to the fixed rates. The Hungarian Banking Association has taken the matter to the Constitutional Court in Budapest and the relevant institutions of the European Union.

The impairment charge on AFS (240 million euros for 9M11 and 136 million euros for 3Q11) and HTM bonds (50 million euros for 9M11 and 34 million euros in 3Q11) is almost entirely related to impairment charges on Greek bonds. More information on this impairment charge can be found in note 47.

The impairment charge on goodwill includes in 3Q11 -53 million euros on the Bulgarian banking activities reflecting both the worsening macroeconomic situation in Bulgaria and the reduced expected cash flows from CIBANK discounted at a higher discount rate.

The impairment on other includes 148 million euros regarding the sale of Fidea based on the sale price below book value. Regarding Fidea's available for sale portfolio, an unrealized gain of 52 million euros (after tax) is included in parent shareholders' equity on 30 September 2011. At the latest at the time of closing (expected in 1Q12), these unrealized gains will be reclassified from equity to profit or loss.

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2010)

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 Centea & Fidea (IFRS 5)
FINANCIAL ASSETS, 31-12-2010									
Loans and advances to credit institutions and investment firms [a]	696	1 808	0	12 998	-	-	-	15 502	15 497
Loans and advances to customers [b]	4 109	6 471	0	140 087	-	-	-	150 666	143 183
Discount and acceptance credit	0	0	0	119	-	-	-	119	114
Consumer credit	0	0	0	4 274	-	-	-	4 274	4 024
Mortgage loans	0	380	0	61 198	-	-	-	61 577	55 517
Term loans	4 109	6 025	0	61 548	-	-	-	71 681	70 750
Finance leasing	0	0	0	4 909	-	-	-	4 909	4 909
Current account advances	0	0	0	4 456	-	-	-	4 456	4 376
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	66	0	3 583	-	-	-	3 649	3 494
Equity instruments	1 717	19	2 098	-	-	-	-	3 833	3 613
Investment contracts (insurance)		7 329	-	-	-	-	-	7 329	7 277
Debt instruments issued by	7 709	9 727	51 020	3 477	13 629	-	-	85 562	80 487
Public bodies	5 806	8 852	40 612	132	12 712	-	-	68 114	63 991
Credit institutions and investment firms	731	266	5 075	224	584	-	-	6 879	6 530
Corporates	1 172	610	5 333	3 122	333	-	-	10 569	9 966
Derivatives	15 758	-	-	-	-	213	-	15 970	15 970
Total carrying value excluding accrued intrest income	29 988	25 353	53 117	156 562	13 629	213	0	278 862	266 027
Accrued interest income	299	192	1 025	463	325	73	0	2 378	2 259
Total carrying value including accrued interest income	30 287	25 545	54 143	157 024	13 955	286	0	281 240	268 286
[a] *Of which reverse repos*								*2 284*	*2 284*
[b] *Of which reverse repos*								*9 486*	*9 486*
FINANCIAL ASSETS, 30-09-2011									
Loans and advances to credit institutions and investment firms [a]	4 758	2 260	0	14 776	-	-	-	21 794	
Loans and advances to customers [b]	97	7 317	0	136 037	-	-	-	143 451	
Discount and acceptance credit	0	0	0	85	-	-	-	85	
Consumer credit	0	0	0	3 938	-	-	-	3 938	
Mortgage loans	0	171	0	56 910	-	-	-	57 081	
Term loans	97	7 071	0	61 637	-	-	-	68 805	
Finance leasing	0	0	0	4 687	-	-	-	4 687	
Current account advances	0	0	0	5 400	-	-	-	5 400	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	75	0	3 381	-	-	-	3 456	
Equity instruments	1 054	31	1 575	-	-	-	-	2 661	
Investment contracts (insurance)		7 535	-	-	-	-	-	7 535	
Debt instruments issued by	6 739	6 359	40 719	3 113	14 471	-	-	71 401	
Public bodies	5 266	5 673	32 500	330	13 824	-	-	57 592	
Credit institutions and investment firms	864	268	4 036	213	406	-	-	5 787	
Corporates	609	418	4 183	2 570	241	-	-	8 022	
Derivatives	18 205	-	-	-	-	611	-	18 816	
Total carrying value excluding accrued interest income	30 853	23 502	42 295	153 926	14 471	611	0	265 659	
Accrued interest income	69	78	721	618	297	112	0	1 895	
Total carrying value including accrued interest income	30 922	23 580	43 016	154 544	14 767	723	0	267 553	
[a] *Of which reverse repos*								*7 456*	
[b] *Of which reverse repos*								*7 170*	

Reclassification of Available for sale (AFS) government bonds to Held to Maturity (HTM):
In the third quarter of 2011, KBC shifted 1.7 billion euros high-rated government bonds from the AFS to the HTM portfolio.

Reclassification of AFS bonds to Loans and receivables (L&R):
In the third quarter of 2011, KBC shifted 0.2 billion euros Hungarian municipal bonds from AFS to L&R

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 Centea & Fidea (IFRS 5)
FINANCIAL LIABILITIES, 31-12-2010									
Deposits from credit institutions and investment firms [a]	21	6 911	-	-	-	-	20 924	27 856	27 856
Deposits from customers and debt certificates [b]	648	20 971	-	-	-	-	176 252	197 870	189 518
Deposits from customers	0	17 069	-	-	-	-	135 851	152 920	145 865
Demand deposits	0	57	-	-	-	-	48 189	48 246	47 571
Time deposits	0	17 012	-	-	-	-	42 131	59 142	58 957
Savings deposits	0	0	-	-	-	-	40 245	40 245	34 056
Special deposits	0	0	-	-	-	-	4 005	4 005	4 005
Other deposits	0	0	-	-	-	-	1 281	1 281	1 276
Debt certificates	648	3 902	-	-	-	-	40 400	44 950	43 654
Certificates of deposit	0	22	-	-	-	-	14 965	14 987	14 987
Customer savings certificates	0	0	-	-	-	-	2 155	2 155	858
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	648	3 600	-	-	-	-	14 427	18 674	18 674
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	280	-	-	-	-	8 854	9 134	9 134
Liabilities under investment contracts	-	6 514	-	-	-	-	179	6 693	6 642
Derivatives	22 317	0	-	-	-	849	-	23 166	23 166
Short positions	1 119	0	-	-	-	-	-	1 119	1 119
in equity instruments	10	0	-	-	-	-	-	10	10
in debt instruments	1 110	0	-	-	-	-	-	1 110	1 110
Other	0	145	-	-	-	-	2 564	2 709	2 644
Total carrying value excluding accrued interest expense	24 105	34 541	-	-	-	849	199 919	259 414	250 946
Accrued interest expense	31	74	-	-	-	276	789	1 169	1 125
Total carrying value including accrued interest expense	24 136	34 615	-	-	-	1 124	200 707	260 582	252 070
[a] Of which repos								*8 265*	*8 265*
[b] Of which repos								*15 398*	*15 398*
FINANCIAL LIABILITIES, 30-09-2011									
Deposits from credit institutions and investment firms [a]	21	2 983	-	-	-	-	21 118	24 122	
Deposits from customers and debt certificates [b]	318	23 101	-	-	-	-	161 034	184 453	
Deposits from customers	0	18 333	-	-	-	-	130 890	149 224	
Demand deposits	0	174	-	-	-	-	48 155	48 329	
Time deposits	0	18 159	-	-	-	-	44 127	62 287	
Savings deposits	0	0	-	-	-	-	33 227	33 227	
Special deposits	0	0	-	-	-	-	3 945	3 945	
Other deposits	0	0	-	-	-	-	1 435	1 435	
Debt certificates	318	4 768	-	-	-	-	30 144	35 230	
Certificates of deposit	0	62	-	-	-	-	7 450	7 511	
Customer savings certificates	0	0	-	-	-	-	746	746	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	318	4 509	-	-	-	-	13 756	18 583	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	197	-	-	-	-	8 192	8 389	
Liabilities under investment contracts	-	6 633	-	-	-	-	154	6 787	
Derivatives	23 567	0	-	-	-	1 351	-	24 918	
Short positions	784	0	-	-	-	-	-	784	
in equity instruments	3	0	-	-	-	-	-	3	
in debt instruments	781	0	-	-	-	-	-	781	
Other	187	0	-	-	-	-	2 702	2 889	
Total carrying value excluding accrued interest expense	24 876	32 717	-	-	-	1 351	185 008	243 953	
Accrued interest expense	23	97	-	-	-	244	1 217	1 580	
Total carrying value including accrued interest expense	24 899	32 814	-	-	-	1 595	186 225	245 533	
[a] Of which repos								*4 152*	
[b] Of which repos								*16 770*	

Additional information on quarterly time series

Total customer loans excluding reverse repo

In millions of EUR	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011
Total	142 413	141 179	134 214	135 674	136 281
Breakdown per business unit					
Belgium	51 554	51 961	52 413	53 364	54 190
Central and Eastern Europe	25 040	24 924	25 279	25 950	25 826
Merchant Banking	44 284	42 752	42 561	42 389	42 542
Group Centre (*)	21 534	21 542	13 962	13 972	13 723

(*) Figures as from 31/03/2011 are excluding Centea.

Total mortgage loans

In millions of EUR	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011
Total	60 879	61 577	55 795	56 731	57 081
Breakdown per business unit					
Belgium	26 466	26 952	27 337	27 833	28 457
Central and Eastern Europe	10 338	10 503	10 677	11 045	11 019
Merchant Banking	13 025	12 809	12 633	12 550	12 460
Group Centre (*)	11 050	11 313	5 149	5 303	5 145

(*) Figures as from 31/03/2011 are excluding Centea.

Total customer deposits excluding repos

In millions of EUR	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011
Total	183 219	182 473	173 492	171 388	167 683
Breakdown per business unit					
Belgium	66 570	67 663	68 554	70 802	72 687
Central and Eastern Europe	34 524	34 973	35 543	35 692	35 193
Merchant Banking	61 793	61 360	60 175	56 010	51 474
Group Centre (*)	20 332	18 477	9 221	8 884	8 329

(*) Figures as from 31/03/2011 are excluding Centea.

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-09-2010		31-12-2010		31-03-2011		30-06-2011		30-09-2011	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 327	7 117	18 770	7 330	18 704	7 267	18 885	7 356	18 860	7 579
Breakdown per business unit										
Belgium	14 959	6 076	15 343	6 294	15 260	6 148	15 374	6 217	15 363	6 466
Central and Eastern Europe	838	701	841	691	868	783	879	803	865	779
Group Centre	2 530	340	2 586	345	2 576	336	2 633	335	2 632	334

Provisions for risks and charges (note 36 in the annual accounts 2010)

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 2010)

in number of shares	31-12-2010	30-09-2011
Ordinary shares	357 938 193	357 938 193
of which ordinary shares that entitle the holder to a dividend payment	*344 557 548*	*344 577 616*
of which treasury shares	*18 171 795*	*18 169 054*
Non-voting core-capital securities	237 288 134	237 288 134
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 September 2011, 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).

Related-party transactions (note 42 in the annual accounts 2010)

During the first 9 months of 2011, there was no significant change in related parties compared to the end of 2010.
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 3Q2011 results is the related cost of -15 million euros (-63 million euro for 9M2011), which is recognized in 'Net result from financial instruments at fair value through profit or loss'.
Note that during the second quarter of 2011, KBC paid a coupon on the non-voting core capital securities subscribed by the Belgian Federal and Flemish Regional governments for a total amount of 595 million euro.

Main changes in the scope of consolidation (note 45 in the annual accounts 2010)

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
		9M 2010	9M 2011	
For income statement comparison				
Additions				
None				
Exclusions				
Secura	Full	95,04%	------	Sold in 4Q2010
KBC Peel Hunt Ltd.	Full	100,00%	------	Sold in 4Q2010
KBC Financial Products Group	Full	100,00%	100,00%	Sale of a number of activities in 2010
Centea	Full	100,00%	------	Sold in 3Q2011
Name Changes				
Assurisk became KBC Group Re SA				
Changes in ownership percentage and internal mergers				
Cibank AD	Full	83,91%	100,00%	Increase % with 16,09 (4Q10)
Nova Ljubljanska banka	Equity	30,57%	25,00%	Decrease with 5,57% (1Q11)
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)
For balance sheet comparison		31/12/2010	30/09/2011	
Additions				
None				
Exclusions				
Centea	Full	100,00%	------	Sold in 3Q2011
Name Changes				
Assurisk became KBC Group Re SA				
Changes in ownership percentage and internal mergers				
Nova Ljubljanska banka	Equity	30,57%	25,00%	Decrease with 5,57% (1Q11)
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)

The sale of Centea to Crédit Agricole Group was finalised on 1 July 2011. Hence the results of the first 9 months of 2011 only include the result of the first 6 months of Centea (16 million euro after tax).

Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2010)

Situation as at 30 September 2011

On 30 September 2011, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: Fidea. The results of Fidea 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.

The other participations which are up for divestment in the future do not fulfill one or more of the criteria mentioned above on 30 September 2011:

- for a number of them the sale within one year is not planned
- and/or: an active program to locate a buyer has not been launched
- and/or: it is preliminary to conclude that in the current volatile financial markets the desired sale price can be obtained so that also significant changes to the plan can be made

Summary of facts and circumstances regarding divestments

KBL EPB:

Activity:	Private banking
Segment:	Group Centre
Other information:	On 10 October, 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 EUR 1050 million, 50 million euros of which depend on the results of KBL EPB ('conditional earn out') The transaction will release a total of approximately 0.7 billion euros in capital for KBC, resulting in a 0.6 % increase in KBC's tier-1 ratio (impact calculated on 30 June 2011). In addition, over the last 18 months, some 115 million euros in capital have already been released as a result of a reduction in risk-weighted assets. The transaction has a negative impact of approximately 0.4 billion euros on KBC's third-quarter P&L**.**

Fidea:

Activity:	Insurance
Segment:	Group Centre
Other information:	On 17 October, KBC Group has reached an agreement with J.C. Flowers & Co. for the sale of its subsidiary Fidea for a total consideration of 243,6 million euros, including 22,6 million euros pre-completion dividend and subject to pricing adjustments on closing accounts. A potential 'conditional earn out' is subject to Fidea's future results. In total, this deal will free up around 0.1 billion euros in capital for KBC, primarily by reducing risk-weighted assets by 1.8 billion euros, but also taking into account that the transaction has a negative impact of approximately 0.1 billion euros on KBC's P&L. The overall positive impact on KBC's tier-1 ratio is around 0.1% (impact calculated on 30 June 2011).

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

In millions of EUR	3Q 2010	2Q 2011	3Q 2011	9M 2010	9M 2011
A: DISCONTINUED OPERATIONS					
Income statement					
Income statement KBL EPB (including Vitis Life)					
Net interest income	42	40	38	120	112
Net fee and commission income	89	89	84	288	272
Other income	8	2	- 12	58	13
Total income	139	131	110	466	397
Operating expenses	- 112	- 97	- 115	- 346	- 320
Impairment	1	- 18	- 9	1	- 29
Share in results of associated companies	0	0	0	1	0
Result before tax	29	15	- 15	123	48
Income tax expense	- 9	- 4	2	- 41	- 13
Result after tax	**19**	**11**	**- 13**	**82**	**35**
Result of sale of KBL EPB (including Vitis Life)					
Impairment loss recognised on the remeasurement to fair value less costs to sell	- 26	- 11	- 432	- 359	- 480
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0
Result of sale after tax	- 26	- 11	- 432	- 359	- 480
Net post-tax result from discontinued operations	**- 7**	**0**	**- 445**	**- 278**	**- 445**

Cashflow statement KBL EPB (including Vitis Life)					
Net cash from (used in) operating activities				760	1 205
Net cash from (used in) investing activities				- 78	- 16
Net cash from (used in) financing activities				- 6	5
Net cash outflow/inflow				**676**	**1 193**

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

Balance sheet	31-12-2010	*of which: Discon-tinued operations*	30-09-2011	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	437	*437*	186	*186*
Financial assets	11 359	*11 299*	14 580	*11 468*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	7	*7*	11	*11*
Tax assets	83	*83*	80	*77*
Investments in associated companies	14	*14*	13	*13*
Investment property and property and equipment	240	*234*	263	*227*
Goodwill and other intangible assets	690	*690*	216	*216*
Other assets	109	*101*	181	*104*
Total assets	12 938	*12 863*	*15 529*	*12 302*
Liabilities				
Financial liabilities	12 489	*12 489*	12 214	*12 171*
Technical provisions insurance, before reinsurance	466	*466*	3 401	*442*
Tax liabilities	11	*11*	12	*8*
Provisions for risks and charges	28	*28*	28	*23*
Other liabilities	349	*348*	599	*362*
Total liabilities	13 341	*13 341*	*16 254*	*13 006*
Other comprehensive income				
Available-for-sale reserve	9	*8*	- 67	*- 67*
Deferred tax on available-for-sale reserve	- 6	*- 6*	18	*18*
Translation differences	10	*10*	10	*10*
Total other comprehensive income	12	*12*	*- 39*	*- 39*

Update government bonds on selected countries (note 47 in the annual accounts 2010)

Sovereign bonds on selected European countries, in billions of EUR, 30-09-2011, carrying amounts

	Banking and Insurance book			Trading book	Total	Banking and insurance book maturity breakdown		
	AFS	HTM	FIV*			Maturity date in 2011	Maturity date in 2012	Maturity date in & after 2013
Greece	0,2	0,1	0,1	0,0	0,3	0,0	0,1	0,2
Portugal	0,1	0,1	0,0	0,0	0,1	0,0	0,0	0,1
Spain	1,8	0,2	0,0	0,0	2,1	0,1	0,5	1,5
Italy	1,7	0,5	1,6	0,0	3,8	0,0	0,4	3,3
Ireland	0,1	0,3	0,0	0,0	0,4	0,0	0,0	0,4
Total	3,9	1,2	1,7	0,0	6,7	0,1	1,0	5,5

* Designated at fair value through profit and loss.

Sovereign bonds on selected European countries, banking and insurance book, in billions of EUR, 30-09-2011, carrying amounts

	End 2010	End 1Q11	End 2Q11	End 3Q11
Greece	0,6	0,6	0,5	0,3
Portugal	0,3	0,3	0,3	0,1
Spain	2,2	2,2	2,2	2,1
Italy	6,4	6,2	6,1	3,8
Ireland	0,5	0,4	0,4	0,4
Total	10,0	9,7	9,6	6,7

Market turbulences for sovereign bonds have not had any relevant impact on KBC's liquidity position and strategy. All sovereign bonds remain eligible for being pledged against the ECB.
In 2Q11, KBC considered Greek government bonds with maturities up to and including 2020 to be impaired due to the state of the Greek economy, discussions on restructuring the debt, downgrades of the debt, strongly decreased fair values, very high credit spreads and the expectation that financial institutions were to participate in the restructuring plan put forth on 21 July 2011 which included significant private sector support. For Greek government bonds maturing after 2020, KBC assessed the bonds not to be impaired since these bonds were not included in the scope of the private sector support.

In the third quarter the activity in the market for Greek government bonds continued to decline. As a result of the decrease in the traded volumes, KBC decided that a level 1 classification was no longer appropriate for these instruments. However, in our view the fair value for Greek government bonds can still be determined based on observable inputs. More specific, prices are still being quoted by several providers and these prices are in line with each other. In addition, the prices are frequently updated and bid and offer sizes are still quoted as well. Therefore, KBC reclassified its portfolio of Greek government bonds (carrying value at 30/09: 270 million euros) from level 1 to level 2 (for further information, see note 25 in the annual accounts 2010).

In 3Q11, KBC decided to book additional impairment on Greek government bonds due to the lower quoted prices in comparison with 30 June 2011. Contrary to the 2Q 2011, this decision applied to bonds maturing after 2020 as well.

Following impairments were recorded on the Greek bonds in 3Q 2011:

For the AFS portfolio:

The impairment was calculated as the difference between the amortized cost and the fair value as of 30 September 2011. This results in a recognition of additional impairment loss in the income statement of 140 million euros before taxes (YTD 262 million euros).

For the HTM portfolio:

The impairment was calculated as the difference between amortized cost and fair value as of 30 September 2011, resulting in an additional impairment loss of 36 million euros before taxes recognized in the income statement (YTD 54 million euros).

Carrying amount of Greek government bonds on 30 September 2011 forms on average 42% of the nominal amount of these bonds in available-for-sale and held-to-maturity portfolios.

The bonds held in the FIV and the trading portfolio are already recorded at fair value through P&L, thus no additional adjustment is needed.

No impairments were booked on the sovereign bonds of other European countries, since there is no evidence at this point that the future cash flows of these securities will be negatively impacted.

Post-balance sheet events (note 48 in the annual accounts 2010)

Significant events between the balance sheet date (30 September 2011) and the publication of this report (10 November 2011)

- KBL EPB: (on 10 October 2011), see note 46 (Summary of facts and circumstances regarding divestments);
- Fidea: (on 17 October 2011), see note 46 (Summary of facts and circumstances regarding divestments);

Auditor’s report

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 September 2011 and for the nine months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the “Company”) as at 30 September 2011 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 nine-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 Reviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”) in accordance with the recommendation of the “Institut des Reviseurs 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 Reviseurs 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.

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, 10 November 2011

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek
Partner

Peter Telders
Partner

12PVDB0041

Risk and capital management

KBC Group, 3Q 2011 and 9M 2011

Not reviewed by the auditors

Extensive risk management and solvency data for 31-12-2010 is provided in KBC's 2010 Annual Report. A summary update of this information is provided below. For an explanation regarding the methodology used, please refer to the annual report.

Credit Risk

Snapshot of the credit portfolio (Banking activities, excl. KBL EPB)

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 2010)'.

Credit risk: loan portfolio overview (KBC Banking activities excl. KBL-EPB)	31-12-2010[1]	30-09-2011[2]
Total loan portfolio (in billions of EUR)		
Amount granted	192	184
Amount outstanding	161	155
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	31%	34%
CEE	18%	20%
Merchant Banking	36%	36%
Group Centre	15%	10%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 950	10 360
Specific loan impairments	4 696	4 505
Portfolio-based loan impairments	353	388
Credit cost ratio, per business unit		
Belgium	0.15%	0.09%
CEE	1.16%	1.44%
Czech Republic	0.75%	0.27%
Slovakia	0.96%	0.37%
Hungary	1.98%	3.38%
Bulgaria	2.00%	19.12%
Merchant Banking	1.38%	0.90%
Group Centre	1.17%	0.09%
Total	0.91%	0.61%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	6 551	7 190
Specific loan impairments for NP loans	3 283	3 634
Non-performing ratio, per business unit		
Belgium	1.5%	1.6%
CEE	5.3%	5.7%
Merchant Banking	5.2%	7.1%
Group Centre	5.8%	5.4%
Total	4.1%	4.6%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	51%
Idem, excluding mortgage loans	60%	61%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	77%	68%
Idem, excluding mortgage loans	96%	85%

1. 31-12-2010 figures have been restated to represent the shift of Kredyt Bank from Business Unit CEE to Business Unit Group Centre.
2. From 30-09-2011 onward Centea is no longer included.

Further information on the provisions made for Hungary, Bulgaria and Ireland in Ireland can be found under 'Impairment – income statement (note 14 in the annual accounts 2010)'.

Credit portfolio per business unit (Banking activities, excl. KBL EPB)

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

30-09-2011, in millions of EUR

	Belgium		
Total outstanding amount	55.930		
Counterparty break down		*% outst.*	
SME / corporate	1.799	*3,2%*	
retail	54.130	*96,8%*	
o/w private	29.706	*53,1%*	
o/w companies	24.424	*43,7%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	28.419	*50,8%*	51%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	5.409	*9,7%*	-
o/w LTV > 100%	1.177	*2,1%*	-
Probability of default (PD)		*% outst.*	
low risk (PD 1-4; 0.00%-0.80%)	45.016	*80,5%*	
medium risk (PD 5-7; 0.80%-6.40%)	7.456	*13,3%*	
high risk (PD 8-10; 6.40%-100.00%)	2.516	*4,5%*	
non-performing loans (PD 11 - 12)	871	*1,6%*	
unrated	71	*0,1%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	871	*1,6%*	
provisions for NPL	466		
all provisions (specific + portfolio based)	554		
cover NPL by all provisions (specific + portfolio)	64%		
2010 Credit cost ratio (CCR)	0,15%		
YTD 2011 CCR	0,09%		

Remark

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

Loan portfolio Business Unit Central & Eastern Europe

30-09-2011, in millions of EUR	**Czech republic**			**Slovakia**			**Hungary**			**Bulgaria**			**Total CEE**	
Total outstanding amount	19.522			4.217			6.170			711			30.621	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	6.174	*31,6%*		2.326	*55,2%*		2.805	*45,5%*		306	*43,0%*		11.610	*37,9%*
retail	13.348	*68,4%*		1.891	*44,8%*		3.366	*54,5%*		406	*57,0%*		19.010	*62,1%*
o/w private	9.866	*50,5%*		1.594	*37,8%*		3.045	*49,4%*		237	*33,3%*		14.742	*48,1%*
o/w companies	3.481	*17,8%*		297	*7,0%*		320	*5,2%*		169	*23,8%*		4.268	*13,9%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6.210	*31,8%*	67%	1.332	*31,6%*	58%	2.584	*41,9%*	75%	111	*15,5%*	64%	10.237	*33,4%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	2.251	*36,5%*	79%	65	*9,2%*	61%	2.317	*7,6%*
o/w vintage 2007 and 2008	2.206	*11,3%*	-	336	*8,0%*	-	1.343	*21,8%*	-	56	*7,9%*	-	3.942	*12,9%*
o/w LTV > 100%	424	*2,2%*	-	0	*0,0%*	-	532	*8,6%*	-	12	*1,6%*	-	968	*3,2%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (PD 1-4; 0.00%-0.80%)	12.082	*61,9%*		2.800	*66,4%*		3.327	*53,9%*		3	*0,5%*		18.213	*59,5%*
medium risk (PD 5-7; 0.80%-6.40%)	5.857	*30,0%*		902	*21,4%*		1.550	*25,1%*		222	*31,2%*		8.531	*27,9%*
high risk (PD 8-10; 6.40%-100.00%)	869	*4,5%*		162	*3,8%*		706	*11,4%*		134	*18,9%*		1.872	*6,1%*
non-performing loans (PD 11 - 12)	713	*3,7%*		190	*4,5%*		583	*9,4%*		246	*34,6%*		1.731	*5,7%*
unrated	1	*0,0%*		164	*3,9%*		3	*0,1%*		106	*14,9%*		274	*0,9%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	713	*3,7%*		190	*4,5%*		583	*9,4%*		246	*34,6%*		1.731	*5,7%*
provisions for NPL	403			117			322			138			980	
all provisions (specific + portfolio based)	517			154			488 (5)			140			1.299	
cover NPL by all provisions (specific + portfolio)	72%			81%			84%			57%			75%	
2010 Credit cost ratio (CCR) (2)	0,75%			0,96%			1,98%			2,00%			1,16%	
YTD 2011 CCR (local currency) (2)	0,27%			0,37%			3,38%			19,12%			1,44%	

Remarks

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

(2) individual CCR's in local currencies.

(3) pre-tax loss if currency depreciates further by 30%

(4) pre-tax loss if <u>both</u> currency depreciates further by 30% and property value falls further by 30%

(5) provision during 3Q 2011 for the FX loans, based on a 20% client participation rate in the new act by the Hungarian government, where booked as portfolio based impairments (see 'Impairment – income statement (note 14 in the annual accounts 2010)').

Loan portfolio Business Unit Merchant Banking

30-09-2011, in millions of EUR

	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	19.874			21.518			16.780			4.375			1.062			2.293			3.754			52.876	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	19.874	*100,0%*		8.673	*40,3%*		3.934	*23,4%*		4.375	*100,0%*		1.062	*100,0%*		2.293	*100,0%*		3.754	*100,0%*		40.031	*75,7%*
retail	0	*0,0%*		12.845	*59,7%*		12.845	*76,6%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.845	*24,3%*
o/w private	0	*0,0%*		12.845	*59,7%*		12.845	*76,6%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.845	*24,3%*
o/w companies	0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		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		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	12.845	*59,7%*	106%	12.845	*76,6%*	106%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12.845	*24,3%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*
o/w vintage 2007 and 2008	0	*0,0%*	-	4.691	*21,8%*	-	4.691	*28,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4.691	*8,9%*
o/w LTV > 100%	0	*0,0%*	-	7.527	*35,0%*	-	7.527	*44,9%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	7.527	*14,2%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (PD 1-4; 0.00%-0.80%)	13.033	*65,6%*		10.051	*46,7%*		7.756	*46,2%*		3.456	*79,0%*		674	*63,4%*		1.206			2.768	*73,7%*		31.188	*59,0%*
medium risk (PD 5-7; 0.80%-6.40%)	4.117	*20,7%*		4.767	*22,2%*		3.690	*22,0%*		571	*13,0%*		302	*28,5%*		809			804	*21,4%*		11.370	*21,5%*
high risk (PD 8-10; 6.40%-100.00%)	911	*4,6%*		3.688	*17,1%*		2.780	*16,6%*		195	*4,5%*		62	*5,8%*		207	*9,0%*		144	*3,8%*		5.206	*9,8%*
non-performing loans (PD 11 - 12)	701	*3,5%*		2.878	*13,4%*		2.553	*15,2%*		90	*2,0%*		23	*2,2%*		61	*2,6%*		0	*0,0%*		3.752	*7,1%*
unrated	1.113	*5,6%*		134	*0,6%*		0	*0,0%*		63	*1,4%*		0	*0,0%*		11			38	*1,0%*		1.360	*2,6%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	701	*3,5%*		2.878	*13,4%*		2.553	*15,2%*		90	*2,0%*		23	*2,2%*		61	*2,6%*		0	*0,0%*		3.752	*7,1%*
provisions for NPL	501			956			789			70			17			58			0			1.601	
all provisions (specific + portfolio based)	634			1.328			1.017			81			38			60			29			2.216	
cover NPL by all provisions (specific + portfolio)	90%			46%			40%			90%			163%			98%			-			59%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			2,98%			n.a.			n.a.			n.a.			n.a.			1,38%	
YTD 2011 CCR	n.a.			n.a.			2,22%			n.a.			n.a.			n.a.			n.a.			0,90%	

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. EPB)

30-09-2011, in millions of EUR	Belgium			CEER			o/w Poland			o/w Russia			Western Europe			Global			Total Group Centre (excl. EPB)	
Total outstanding amount	1.422			9.771			7.491			2.020			2.460			1.929			15.582	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1.422	*100,0%*		3.702	*37,9%*		2.489	*33,2%*		1.046	*51,8%*		2.460	*100,0%*		1.929	*100,0%*		9.513	*61,1%*
retail	0	*0,0%*		6.069	*62,1%*		5.002	*66,8%*		975	*48,2%*		0	*0,0%*		0	*0,0%*		6.069	*38,9%*
o/w private	0	*0,0%*		5.821	*59,6%*		4.830	*64,5%*		899	*44,5%*		0	*0,0%*		0	*0,0%*		5.821	*37,4%*
o/w companies	0	*0,0%*		248	*2,5%*		172	*2,3%*		76	*3,8%*		0	*0,0%*		0	*0,0%*		248	*1,6%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	51%	4.913	*50,3%*	-	4.092	*54,6%*	95%	747	*37,0%*	55%	0	*0,0%*	-	0	*0,0%*	-	4.913	*31,5%*
o/w FX mortgages	0	*0,0%*	-	3.062	*31,3%*	-	2.779	*37,1%*	110%	210	*10,4%*	55%	0	*0,0%*	-	0	*0,0%*	-	3.062	*19,7%*
o/w vintage 2007 and 2008	0	*0,0%*	-	3.041	*31,1%*	-	2.567	*34,3%*	-	431	*21,3%*	-	0	*0,0%*	-	0	*0,0%*	-	3.041	*19,5%*
o/w LTV > 100%	0	*0,0%*	-	1.720	*17,6%*	-	1.687	*22,5%*	-	22	*1,1%*	-	0	*0,0%*	-	0	*0,0%*	-	1.720	*11,0%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (PD 1-4; 0.00%-0.80%)	113	*7,9%*		5.078	*52,0%*		4.240	*56,6%*		829	*41,0%*		1.510	*61,4%*		405			7.106	*45,6%*
medium risk (PD 5-7; 0.80%-6.40%)	896	*63,0%*		2.884	*29,5%*		1.940	*25,9%*		847	*41,9%*		658	*26,7%*		1.326			5.764	*37,0%*
high risk (PD 8-10; 6.40%-100.00%)	232	*16,3%*		789	*8,1%*		695	*9,3%*		71	*3,5%*		211	*8,6%*		150	*7,8%*		1.381	*8,9%*
non-performing loans (PD 11 - 12)	162	*11,4%*		565	*5,8%*		309	*4,1%*		230	*11,4%*		71	*2,9%*		37	*1,9%*		835	*5,4%*
unrated	19	*1,3%*		455	*4,7%*		307	*4,1%*		44	*2,2%*		10	*0,4%*		11			495	*3,2%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	162	*11,4%*		565	*5,8%*		309	*4,1%*		230	*11,4%*		71	*2,9%*		37	*1,9%*		835	*5,4%*
provisions for NPL	138			379			221			146			54			14			586	
all provisions (specific + portfolio based)	145			493			310			171			92			43			824	
cover NPL by all provisions (specific + portfolio)	90%			87%			100%			74%			130%			114%			99%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			1,45%			0,90%			1,39%			0,78%			1,17%	
YTD 2011 CCR (local currency)	n.a.			n.a.			0,36%			-2,87%			1,17%			0,75%			0,09%	

Remarks

Belgium = Antwerpse Diamantbank (incl. ADB Asia Pacific)

CEER = Kredyt Bk, KBC Banka, Absolut Bk

Western Europe = KBC Bank Deutschland

Global = KBC Finance Ireland

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

Outstanding[1] 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 – 30-09-2011

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*20.6*
o/w hedged CDO exposure	*10.9*
o/w unhedged CDO exposure	*6.4*
o/w other ABS exposure	*3.3*
Cumulative value markdowns (mid 2007 to date)*	-5.7
o/w value markdowns	*-4.7*
for unhedged CDO exposure	*-4.2*
for other ABS exposure	*-0.5*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-1.1*

* 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 third quarter of 2011, KBC continued its de-risking strategy related to the CDO and structured credit exposures resulting in a total notional reduction of 3.2 billion EUR in Q3.

The most important components of this decrease of exposure are the early termination of the Fulham Road CDO, the sale of KBC's exposure in the Wadsworth CDO and the sale of the underlying assets for the expired Aldersgate and Chiswell CDOs as well as further sales of impaired assets of the ex-Atomium portfolio.

The early termination of the Fulham Road CDO led to a nominal reduction of -1.7 billion EUR of hedged exposure and -0.3 billion EUR of unhedged exposure.

The sale of KBC's exposure in the Wadsworth CDO resulted in a reduction of nominal hedged exposure of -0.5 billion EUR.

In terms of ABS, the sale of the underlying assets for the expired Aldersgate and Chiswell CDOs as well as the sale of the impaired assets of the ex-Atomium portfolio along with other minor sales resulted in a further nominal reduction of exposure of -0.7 billion EUR.

Since the inception, the unhedged CDO positions held by KBC experienced net effective losses caused by claimed credit events until 7 October 2011 in the lower tranches of the CDO structure for a total amount of -2.1 billion euro's. Of these, -1.7 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.

In February 2009, MBIA announced a restructuring plan, which included a spin-off of valuable assets, provoking a steep decline in its creditworthiness. The increase of the market value of the underlying swap in combination with the increased counterparty risk, resulted in significant additional negative value adjustments at KBC. KBC and other institutions filed court

[1] Figures exclude all expired, unwound and terminated CDOs.

cases after MBIA announced its restructuring plan. After reaching an out of court settlement with MBIA, KBC on 6 September 2011 dropped out of the litigation. However, this has no impact on the protection bought from MBIA for the still outstanding CDOs.

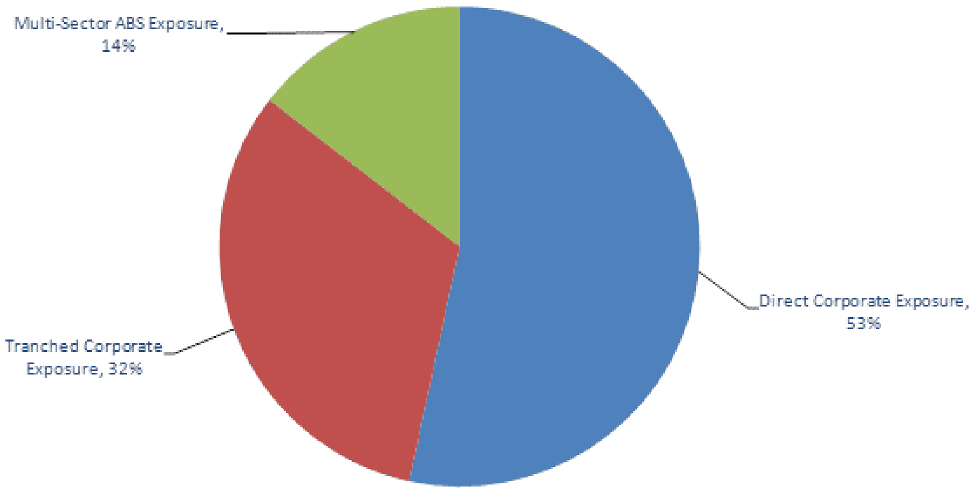
Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a nominal value of 13.9 billion EUR of which 10.9 billion EUR relates to the exposure insured by MBIA. The remaining 3 billion EUR 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), 30-09-2011
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	10.9
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.5
- CVA for counterparty risk, MBIA	-1.1
(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).

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



Average % of all total notional exposure; figures as per 7 October

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 internal target for the tier-1 capital ratio at group level has been set at 10%.

In millions of EUR	31-12-2010	30-09-2011
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	21 726	20 644
Tier-1 capital	**16 656**	**16 399**
Parent shareholders' equity	11 147	9 834
Non-voting core-capital securities [2]	7 000	7 000
Intangible fixed assets (-)	- 429	- 436
Goodwill on consolidation (-)	- 2 517	- 1 887
Innovative hybrid tier-1 instruments [2]	598	606
Non-innovative hybrid tier-1 instruments [2]	1 689	1 690
Minority interests	161	153
Equity guarantee (Belgian State)	446	628
Revaluation reserve available-for-sale assets (-)	- 66	- 197
Hedging reserve, cashflow hedges (-)	443	521
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 190	- 334
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	- 3
Equalization reserve (-)	- 128	- 135
Dividend payout (-) [3]	- 854	- 449
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 243	- 234
Items to be deducted [1] (-)	- 397	- 357
Tier-2 & 3 capital	**5 069**	**4 245**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	392	187
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	132	515
Subordinated liabilities	4 730	3 822
Tier-3 capital	182	48
IRB provision shortfall (50%) (-)	0	0
Items to be deducted [1] (-)	- 397	- 357
Capital requirement		
Total weighted risks	132 034	120 652
Banking	116 129	104 446
Insurance	15 676	16 040
Holding activities	264	256
Elimination of intercompany transactions between banking and holding activities	- 34	- 90
Solvency ratios		
Tier-1 ratio	12,62%	13,59%
Core Tier-1 ratio	10,88%	11,69%
CAD ratio	16,45%	17,11%

[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 31/12/2010: includes 595 million euros coupon on non-voting core capital securities and 259 million euros dividend on ordinary shares

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.

KBC Bank (consolidated)

In millions of EUR	31-12-2010 Basel II	30-09-2011 Basel II
Regulatory capital		
Total regulatory capital, KBC Bank (after profit appropriation)	**18 552**	**16 675**
Tier 1-capital	13 809	12 498
Tier 2- & 3-capital	4 743	4 177
Total weighted risk volume	**111 711**	**100 208**
Credit risk	97 683	86 292
Market risk	3 279	3 166
Operational risk	10 749	10 749
Solvency ratios		
Tier-1 ratio	12,36%	12,47%
Core tier-1 ratio	10,48%	10,37%
CAD ratio	16,61%	16,64%

KBC Insurance (consolidated)

in millions of EUR	31-12-2010	30-09-2011
Available capital	2 712	2 634
Required solvency margin	1 254	1 283
Solvency ratios and surplus		
Solvency ratio (%)	216%	205%
Solvency surplus, in millions of EUR	1 458	1 350

Presentation

KBC Group, 3Q 2011

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

Key Takeaways

- Execution of our strategic plan gains further momentum
- Core profitability in home markets remains intact, but 3Q11 results were affected by the execution of our strategy (KBL, Fidea), one-off items (Greek government bonds, 5-5-5 bonds, Hungary, Bulgaria) and market-driven items (CDO, Ireland, share portfolio)
- Impairment on Greek gov. bonds at 30 Sep 2011 was fully booked at 58% of the nominal amount
- Sizeable reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Comfortable capital position. The Belgian regulator confirmed to us that the YES (Yield Enhanced Sec.) will be fully grandfathered as common equity under the current CRD4 proposal
- Intention to reimburse 500m EUR at 15% premium before end 2011 to Federal Government without pari passu, waived by the Flemish Government until end of 2012
- Solid liquidity position remains strong
- The run-rate of loan loss provisions in Ireland is estimated at roughly 200m EUR for the next couple of quarters
- Good Oct’11 results lead to FY11 guidance for underlying net profit of 1.2bn EUR – 1.4bn EUR

Content

Section 1

Refocused KBC Taking Shape

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	✓
Signed:	
KBL *European Private Bankers*	✓
Fidea	✓

In preparation / work-in-progress for 2011/2012/2013
Kredyt Bank
Warta
Absolut Bank
KBC Banka
NLB
Zagiel
Antwerp Diamond Bank
KBC Germany
Global Project Finance
International leasing outside home markets
KBC Real Estate Development

Strategic plan progress
Execution risk sharply reduced

Where are we mid-November 2011, in terms of execution?

Stream 1: We have signed an agreement to sell KBL *epb*

Stream 2: We have completed the sale of Centea + signed an agreement to sell Fidea

Stream 3: The divestment process of Warta and Kredyt Bank is on track, with a sufficient number of interested candidates, given the strategic importance

Stream 4: PIIGS exposure down by 47% between end 2Q11 and end October 2011, impairment on Greek government bonds fully booked at 58% on notional amount

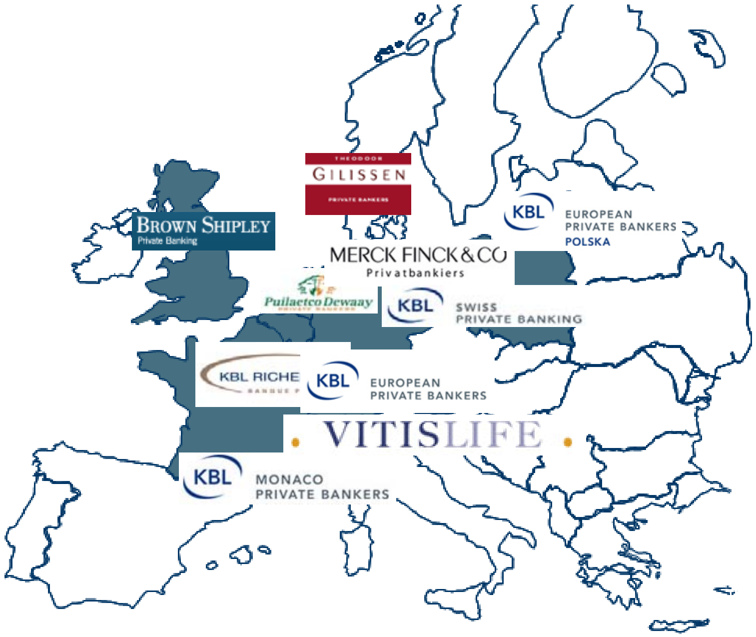
Stream 5: CDO/ABS exposure reduced by 3.6bn EUR, projected capital relief (0.5bn EUR) already reached target

Stream 6: RWA at 115bn EUR (pro forma), reduction better than initially planned

Stream 1: Divestment of KBL *epb*

KBC branded private banking in Belgium maintained

KBL *epb*: Pure play private banking with network of local brands



Key data at KBC consolidated level <u>at end 9M11</u>:

- AuM: 44bn EUR
- RWA: 4.2bn EUR
- Book value: 0.9bn EUR (incl. 0.2bn EUR goodwill at sublevel)
- Goodwill at parent level: 0bn EUR (fully impaired)
- Underlying net profit YTD: 47m EUR

- Transaction immediately restarted in March 2011
- Beginning of October: agreement with Precision Capital (Qatar) signed
  - Transaction price: 1.05bn EUR
    - 2.4% of AuM
    - 1.5x KBL's Tangible Book Value
  - Capital contribution of 0.8bn EUR (incl. impact reduced RWAs in meantime) was still within the targeted capital relief range of 0.8bn – 1.5bn EUR

⇨ **KBC's tier-1 ratio will rise by 0.6% (at closing)**

- Closing expected in 1Q12

Stream 2: Divestment of Belgian complementary distribution channels

Centea

	1H11
Total assets	10.3bn EUR
RWA	4.2bn EUR
Market share	1%-2%
Agents	approx. 700
Book value	
Goodwill	
Underlying net profit YTD	+23m EUR

Fidea Verzekeringen

	9M11
Total assets	3.4bn EUR
RWA	1.8bn EUR
Market share	1%-2%
Agents	approx. 4200
Book value (after 'impairment on other' of 0.1bn EUR)	231m EUR
Goodwill	0
Underlying net profit YTD	+8m EUR

Centea

- 4 March: agreement with Crédit Agricole Group (Belgium) announced
- 1 July: Sale of Centea to Crédit Agricole Group (Belgium) finalised
- Transaction price: 0.53bn EUR + 0.07bn EUR dividend ≈ 1x BV
- Total capital relief of 0.4bn EUR

=> KBC's tier-1 ratio rose by 0.4%

Fidea Verzekeringen

- 17 October: agreement with J.C. Flowers & Co. announced
- Transaction price: 0.24bn EUR + 0.02bn EUR dividend ≈ 0.65x BV
- Total capital relief of 0.1bn EUR
- Closing expected in 1Q12

=> KBC's tier-1 ratio will rise by 0.1% (at closing)

Stream 3: Divestment of Kredyt Bank and Warta

9M11	Kredyt Bank	&	Warta
Total assets		12bn EUR	
RWA		8.4bn EUR	
Market share	4%		8%-9%
Book value...		1.1bn EUR	
..of which GW		0.2bn EUR	
Underlying 2010 net profit	36m EUR (80%)		0m EUR (100%)
Underlying 9M11 net profit	56m EUR (80%)		40m EUR (100%)

- 12 July : KBC Group proposed an amendment to its strategic review plan announced in November 2009: replacing the IPO of a minority stake of CSOB Bank and K&H Bank + the sale & lease back of the headquarter offices by the divestment of Kredyt Bank and Warta + the accelerated sale or unwind of selected ABS and CDO assets
- 27 July : Amendment approved by European Commission
- **We are sticking to our previous guided range in terms of expected capital relief** expected from the divestments (i.e. **1.8bn EUR - 2.4bn EUR**), including the increase in earnings power

Stream 4: PIIGS exposure down by 47%

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

	End 2010	End 1Q11	End 2Q11	End 3Q11	End Oct'11
Portugal	0.3	0.3	0.3	0.1	0.1
Ireland	0.5	0.4	0.4	0.4	0.4
Italy	6.4	6.2	6.1	3.8	2.2
Greece	0.6	0.6	0.5	0.3	0.3
Spain	2.2	2.2	2.2	2.1	2.1
TOTAL	**10.0**	**9.7**	**9.6**	**6.7**	**5.1**

Between end 2Q11 and end October 2011, KBC reduced its PIIGS exposure (carrying amount) by 47%:

- Italy: reduction of 3.9bn EUR
- Portugal: reduction of 0.2bn EUR
- Greece: reduction of 0.2bn EUR
- Spain: reduction of 0.1bn EUR
- **TOTAL** **reduction of 4.5bn EUR**

Stream 5: CDO/ABS exposure reduced

- 12 July: KBC Group proposed an amendment to its strategic review plan announced in November 2009

- 27 July: Amendment approved by European Commission

- **Projected capital range of 0.3-0.4bn EUR from the sale of selected ABS assets and unwinding of CDO assets has already been exceeded, without any substantial impact on P&L:**
  - ✓Sold 0.7bn EUR in notional amount of US ABS assets to the market
  - ✓Unwound 3 CDOs, reducing the outstanding notional amount of CDOs by 2.9bn EUR (of which 2.5bn EUR in 3Q11)
  - ✓Total capital relief: 0.5bn EUR

=> KBC's tier-1 ratio rose by 0.7%

- We will continue to look at reducing our ABS and CDO exposure, which will lead to additional capital relief and lower P&L volatility

Stream 6: RWA reduction better than initially planned

KBC Group risk weighted assets (in bn EUR)

Section 2

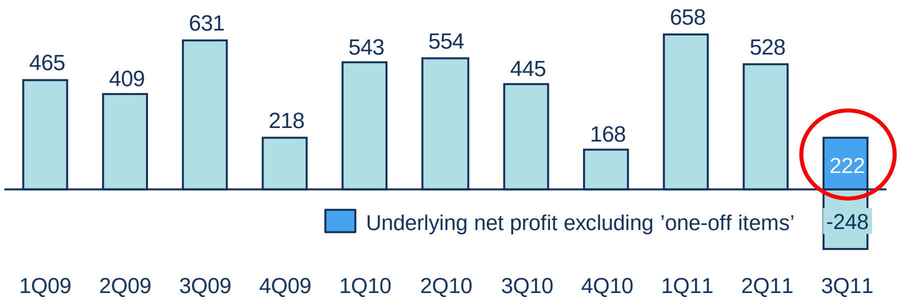
3Q results affected by a range of one-off and market-driven items

Financial highlights 3Q 2011

- Net group profit in 3Q11 has been affected by the execution of our strategy (KBL *epb*, Fidea), one-off items (Greek government bonds, 5-5-5 bonds, Hungary, Bulgaria) and market-driven items (CDO, Ireland, share portfolio). Excluding these one-offs, underlying net group profit amounted to 222m in 3Q11
- Sustained level of net interest margin and volumes up in Belgium and Central & Eastern Europe
- Slight decrease in net fee and commission income, in line with the trend in assets under management given investors' reduced risk appetite and the negative price trend
- Excellent combined ratio of 90% YTD as a result of low claims. Increased premium income for non-life and higher life insurance sales attributable entirely to higher sales in unit-linked products
- Weak level of income generated by the dealing room
- Underlying cost/income ratio at 58% YTD (excluding the provision for the 5-5-5 bonds)
- Credit cost ratio at 0.61% YTD and only 0.32% YTD excluding one-offs. Post-tax impairment of 126m EUR for Greek government bonds
- Consistently strong liquidity position
- Solvency: continued strong capital base. Pro forma tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 14.4%

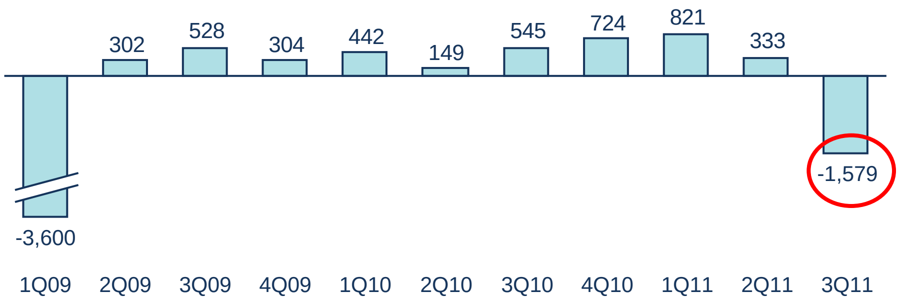
Earnings capacity

Underlying net profit

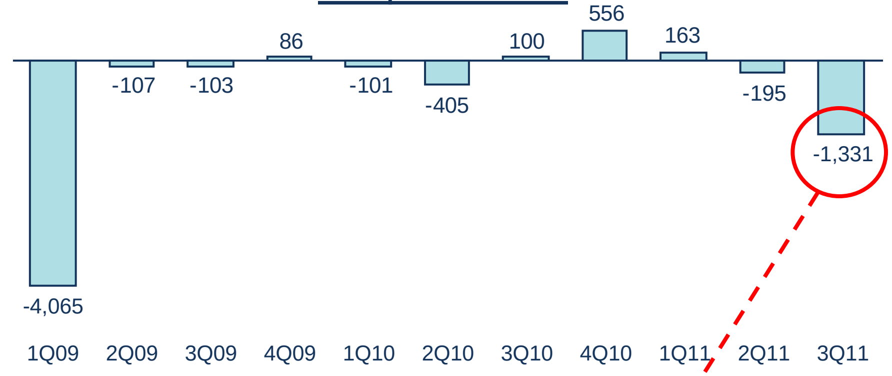


Including exceptional items

Reported net profit



Exceptional items



Main exceptional items (post-tax)

• Divestments	-0.6bn
• Revaluation of structured credit portfolio	-0.6bn
• M2M trading derivatives for hedging purposes	-0.2bn
• Impairments on goodwill/other	-0.1bn
• M2M re. own credit risk	+0.2bn
	-1.3bn

Amounts in m EUR

3Q results affected by a range of one-offs and market-driven items (1)

3Q11 underlying profit level includes -470m EUR one-offs (Greece, Hungary and Bulgaria):

- Additional impairments on our **Greek government bonds** : 176m EUR pre-tax and 126m EUR post-tax (**58% impairment and M2M change through P&L in total versus nominal amount**)
- **Impact of 5-5-5 bonds**: 263m EUR pre-tax and 174m EUR post-tax. If no credit event under ISDA definition occurs, the provision will be reversed
- New FX mortgage repayment law in **Hungary** led to additional provisions of 92m EUR in 3Q11 (74m EUR post-tax), based on an estimated participation rate of 20%
- Critical assessment of exposures in **Bulgaria** led to additional impairments of 96m EUR (pre- = post-tax)

In addition, 3Q11 underlying results were also impacted by market-driven items:

- Impairments on **AFS shares**: 87m EUR (pre-tax = post-tax)
- Loan loss provisions in **Ireland** amounted to 187m EUR pre-tax in 3Q11 (versus 49m EUR in 2Q11) and 164m EUR post-tax. Going forward, the run-rate of loan loss provisions in Ireland is estimated at roughly 200m EUR for the next couple of quarters

3Q results affected by a range of one-offs and market-driven items (2)

<u>At non-recurring profit level:</u> total impact of -1 331m EUR (post-tax)

- 3Q11 results already include the impairment of 0.6bn EUR on the **divestments of KBL and Fidea**.

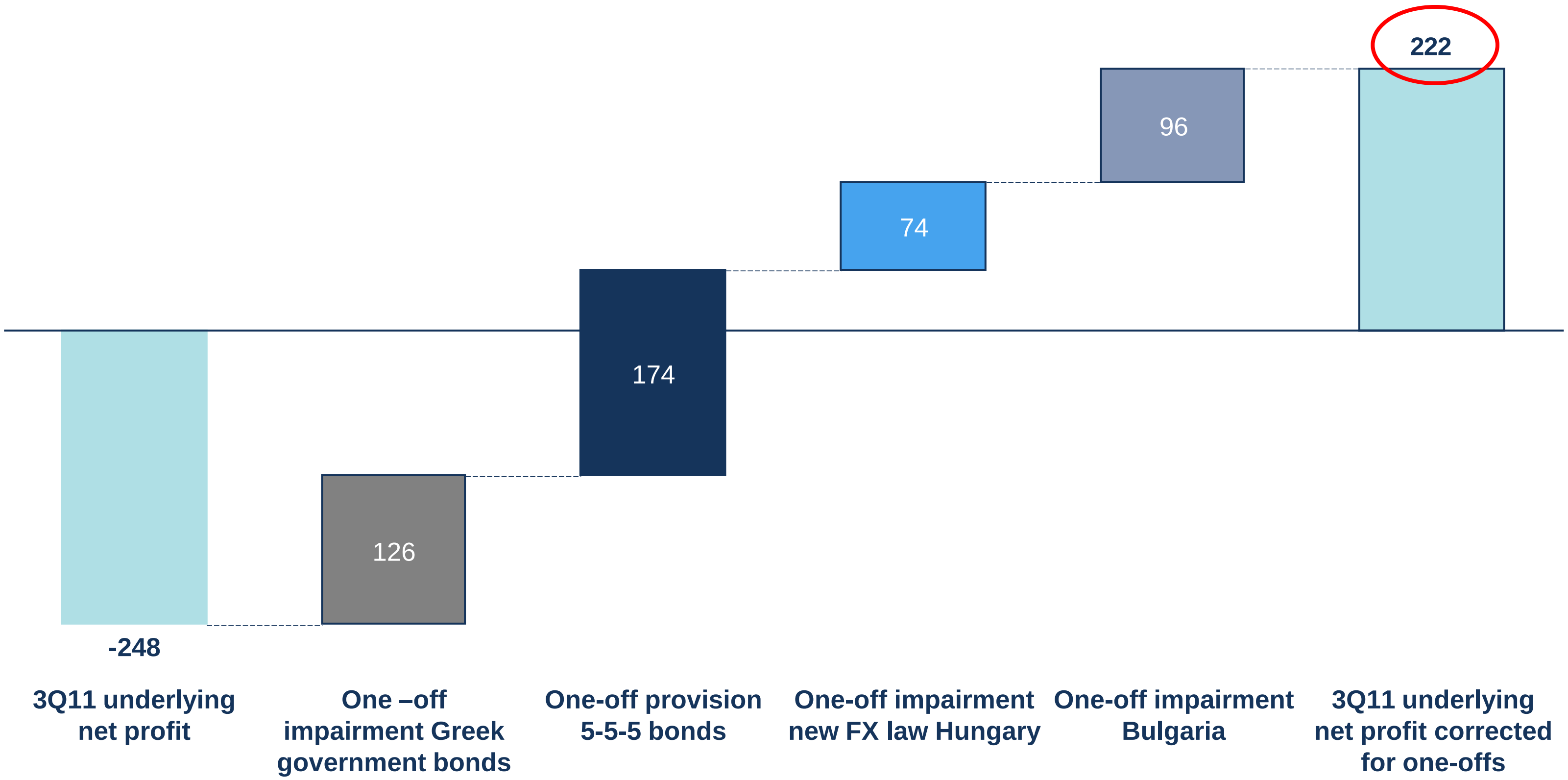
- Widening corporate credit spread during 3Q11 resulted in unrealised losses of 0.6bn EUR on **CDOs/MBIA**. Since the end of 3Q11, the corporate credit spreads have tightened again. As a result, 30% of the unrealised losses booked in 3Q11 could already be reversed in October 2011.

- **M2M losses of 245 m EUR relating to ALM derivatives used for hedging purposes**, partly offset by +185m EUR **M2M of own credit risk**

- Goodwill impairment at **CIBank (Bulgaria)** of 53m EUR

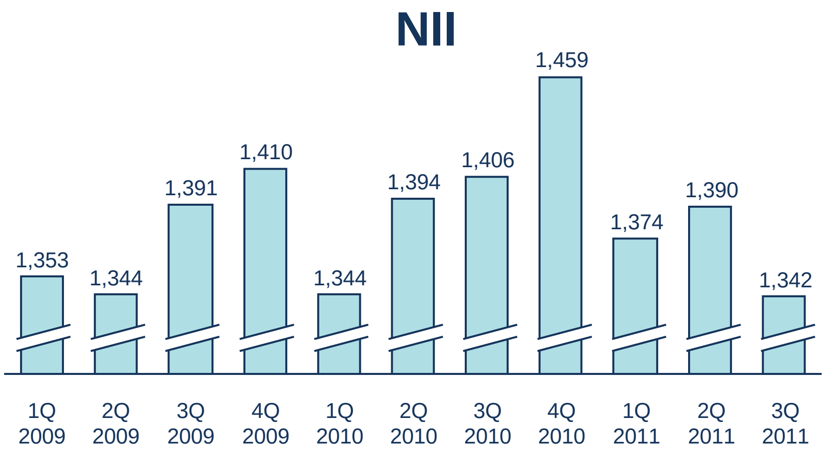
Underlying net profit adjusted for one-offs

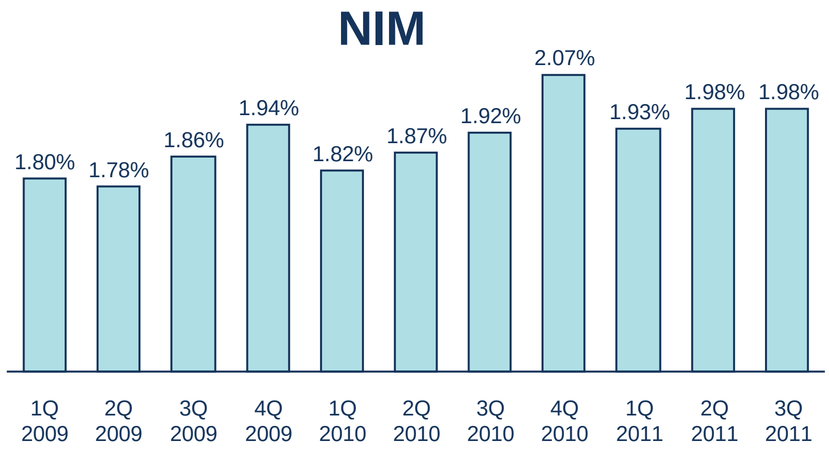
- **Adjusted for one-offs (Greek government bonds, 5-5-5 bonds, Hungary and Bulgaria), underlying net group profit amounted to 222m EUR in 3Q11** (of which 171m EUR in BE BU, 167m EUR in CEE BU, -102m EUR in MEB BU and -15m EUR in GC BU)



Amounts in m EUR

Underlying revenue trend - Group





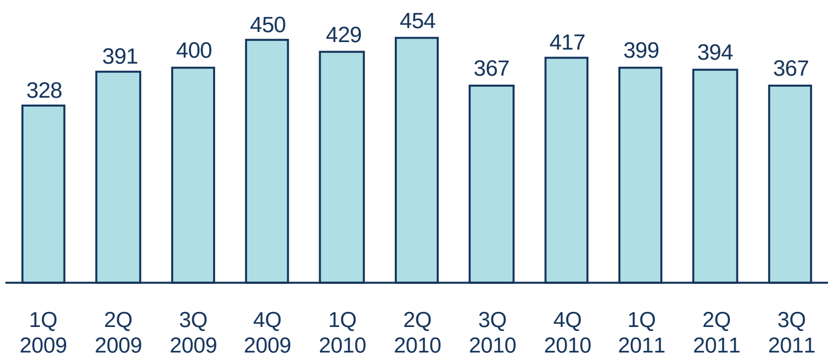
- Net interest income fell by 5% year-on-year and 3% quarter-on-quarter, mainly due to the deconsolidation of Centea
- Net interest margin (1.98%)
  - NIM at group level remained at the same level as last quarter
  - Pattern of NIM in Belgium stable (+1bp quarter-on-quarter to 1.43%).
  - NIM in Central/Eastern Europe increased 9bps quarter-on-quarter to 3.33%, largely attributable to the currency impact
- Loan volumes rose by 1% y-o-y. The growth of loan volumes in the Belgium and CEE business units (respectively 5% and 3% y-o-y) was partly offset by a further reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus. Deposit volumes fell by 4% y-o-y mainly due to a decrease in institutional deposits (deposit volumes -17% y-o-y in MEB BU), only partly offset by increased deposit volumes in the BE and CEE BU(resp. +9% and +3% y-o-y)

Amounts in m EUR

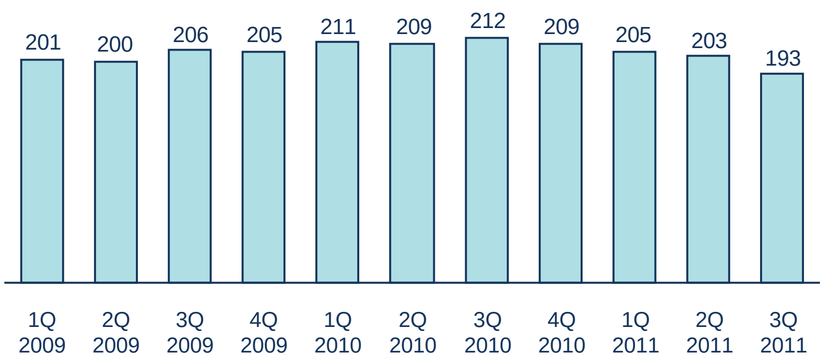
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Underlying revenue trend - Group

F&C



AUM



Amounts in bn EUR

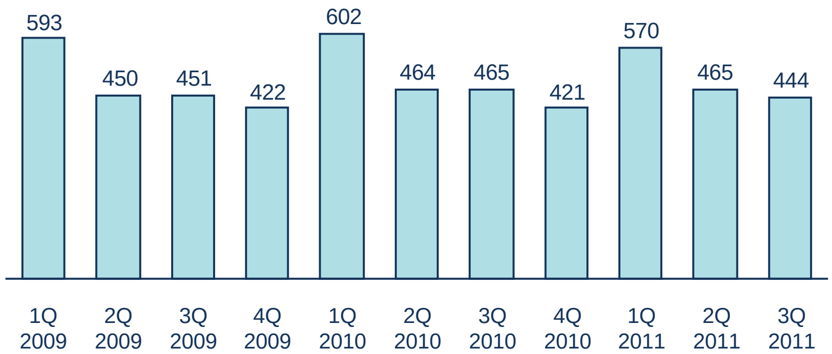
- Net fee and commission income stabilised year-on-year (+2% y-o-y excluding Secura, which was sold in 4Q10), but fell by 7% quarter-on-quarter
  - Net F&C income from the banking business went down by 5% q-o-q in line with the trend in assets under management

- Assets under management dropped by 9% year-on-year and 5% quarter-on-quarter (partly by negative price trend, partly by net outflows) to 193bn EUR at the end of 3Q11

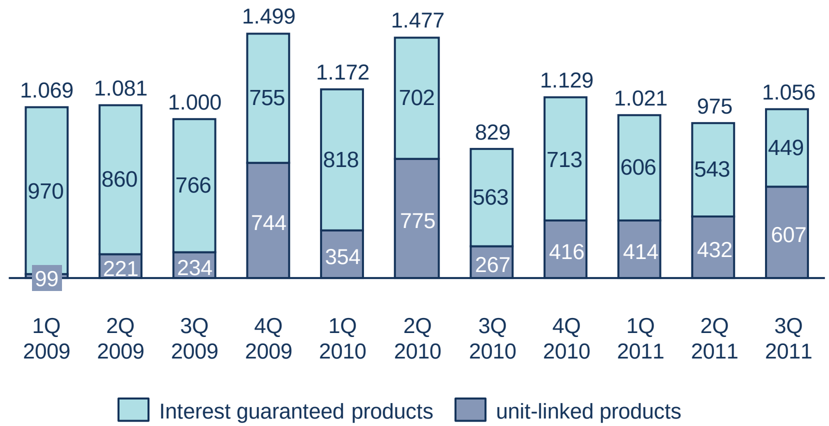
Amounts in m EUR

Underlying revenue trend - Group

Sales Non-Life



Sales Life

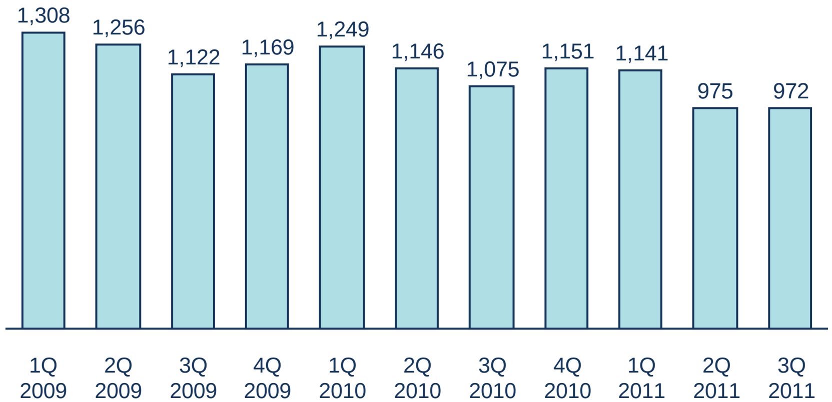


- The sale of Non-Life insurance products (gross written premium) fell by 5% quarter-on-quarter (decrease is mainly visible in the Belgium Business Unit and the Group Center Business Unit)
- The sale of Non-Life insurance products rose by roughly 7% year-on-year excluding Secura, which was sold in 4Q10
- The sale of Life insurance products rose by 27% year-on-year and 8% quarter-on-quarter. This increase was driven by higher sales of unit-linked products, partially offset by lower sales of interest guaranteed product.
- The increased sale of unit-linked products is mostly attributable to the Belgian business unit, mainly thanks to the successful issue of the KBC Life MI product (deliberate shift from interest guaranteed products to unit-linked products in Belgium)

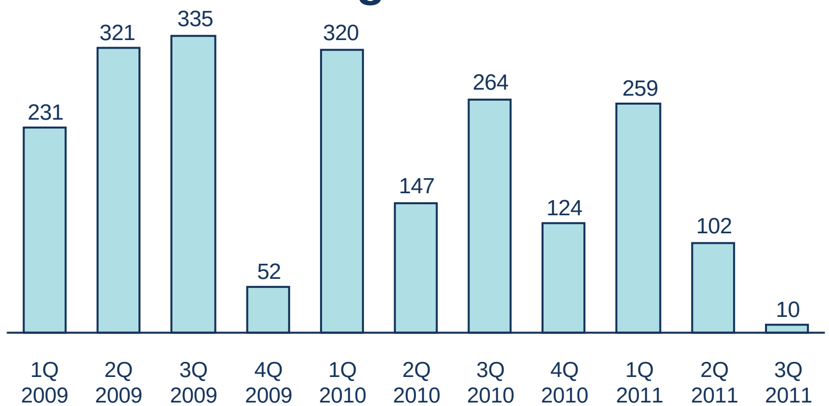
Amounts in m EUR

Underlying revenue trend - Group

Premium income



FV gains



- Insurance premium income at 972m EUR
  - Non-life premium income (477m) up 2% q-o-q and up 7% y-o-y excluding Secura, which was sold in 4Q10
  - Life premium income (496m) down 2% q-o-q and 14% y-o-y, mainly due to lower sales of guaranteed-interest products at the Belgium Business Unit and the Group Centre unit. This was offset by higher sales of unit-linked products, especially at the Belgium Business Unit

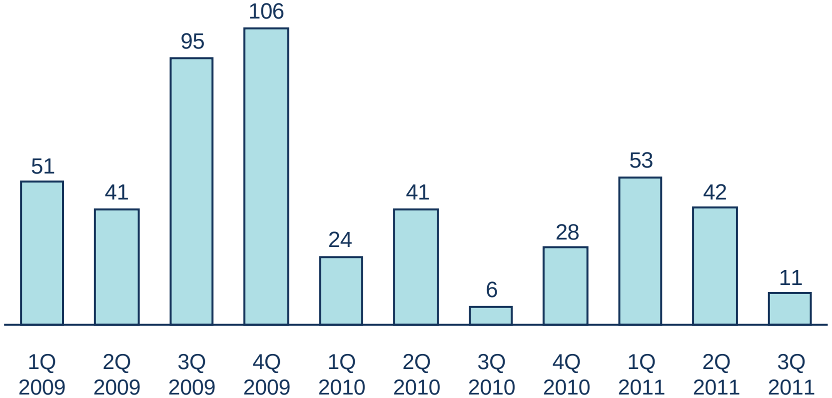
- Excellent combined ratio of 96% in 3Q11, down from 103% recorded in 3Q10 attributable entirely to a lower level of claims (compared with the high claims for floods in CEE in 3Q10). Combined ratio of 90% YTD

- The low figure for net gains from financial instruments at fair value (10m EUR) is primarily the result of weak dealing room activity

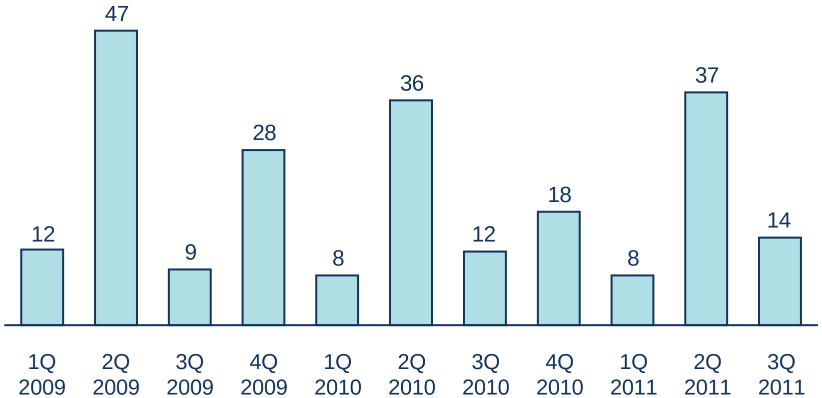
Amounts in m EUR

Underlying revenue trend - Group

Gains realised on AFS



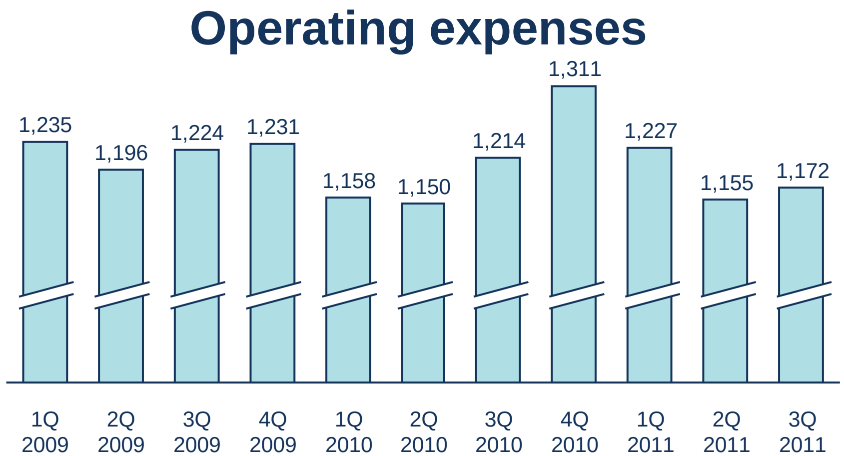
Dividend income



- Gains realised on AFS came to 11m EUR
- Dividend income amounted to 14m EUR (slightly higher than in 3Q10)

Amounts in m EUR

Underlying operating expenses - Group

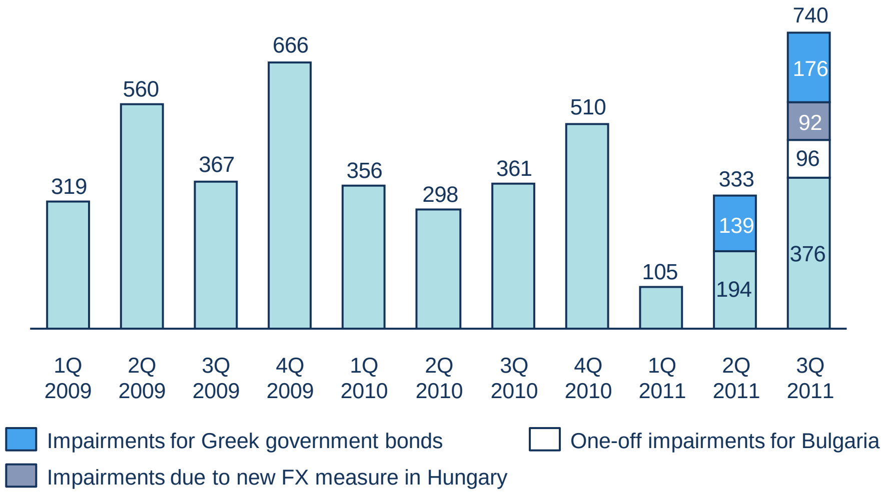


- Costs remained well under control: +1% q-o-q and -3% y-o-y
  - Operating expenses rose by 1% q-o-q to 1,172m EUR in 3Q11 mainly due to an increase in staff expenses (due to inflation, a slight increase in FTE and voluntary redundancy payments), offset partly by the deconsolidation of Centea
  - Operating expenses fell by 3% y-o-y in 3Q11. Main drivers were the impact of deconsolidated entities and the Hungarian bank tax (which was booked in 3Q10 for the full year 2010). Excluding these items, operating expenses rose by 5% y-o-y
  - Underlying cost/income ratio for banking stood at 61% YTD (and 58% YTD excluding the 5-5-5 bond provision)

Amounts in m EUR

Underlying asset impairment - Group

Asset impairment



- Substantially higher impairments (740m EUR)
  - Quarter-on-quarter increase of 311m EUR in loan loss provisions, mainly due to the high impairment levels at K&H Bank, Bulgaria and KBC Bank Ireland
  - Impairment of 176m EUR for Greek government bonds (126m EUR post-tax)
  - Impairment of 87m EUR on AFS shares, mainly at KBC Insurance

Amounts in m EUR

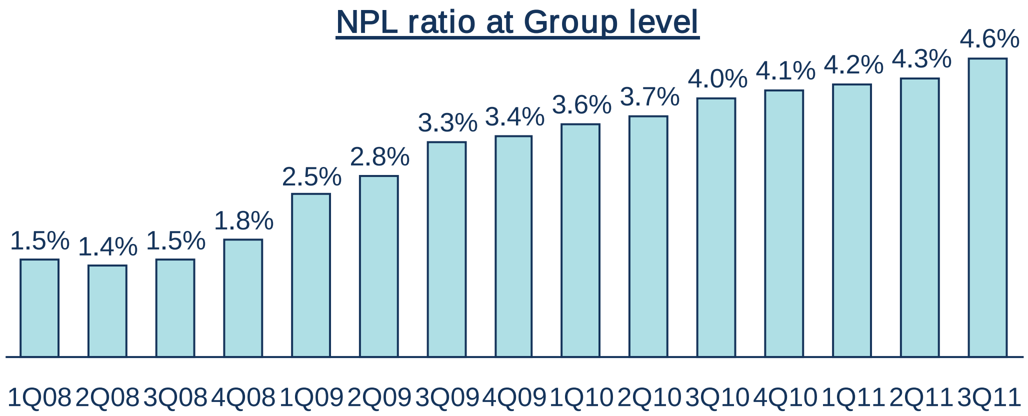
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.61% YTD (compared to 0.91% in 2010 and 1.11% in 2009). Excluding several impairment releases in 1Q11 and excluding the 3Q11 ‘one-off ‘impairments booked for Bulgaria, K&H Bank (due to new FX measure) and KBC Bank Ireland, the credit cost ratio was 0.32% YTD. The NPL ratio amounted to 4.6%
- Credit cost ratio in Belgium remained at a (very) low level
- Sharply higher credit cost in CEE (+193m EUR q-o-q) due to Bulgaria (very illiquid domestic Real Estate marketplace) and K&H Bank (impact of new law on FX mortgages), partly offset by a decrease at CSOB Bank CZ and SK. Excluding the ‘one-off’ impairments for CI Bank and K&H Bank, the CCR amounted to 0.62% YTD
- Credit cost significantly higher in Merchant Banking (+110m EUR q-o-q) driven by KBC Bank Ireland (+138m EUR q-o-q). Excluding Ireland, the CCR in Merchant Banking remained low at 28bps YTD

Credit cost ratio (CCR)

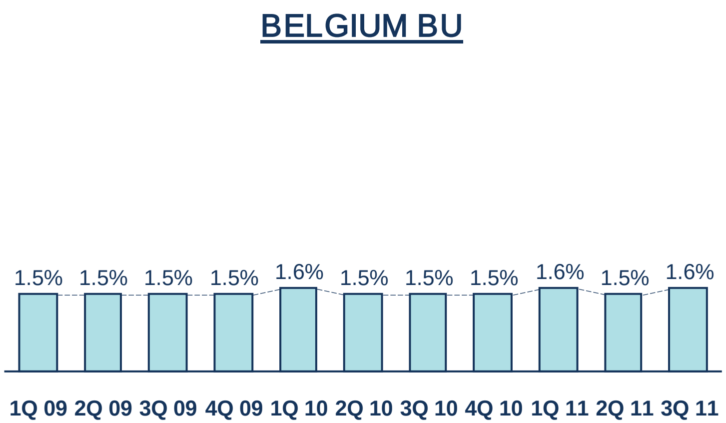
	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	9M11 YTD
		‘Old’ BU reporting			‘New’ BU reporting	
Belgium	**56bn**	0.13%	0.09%	0.17%	0.15%	0.09%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.44%
CEE (excl. 3Q11 one-offs)						0.62%
Merchant B. **(incl. Ireland)**	**53bn**	0.02%	0.48%	1.32%	1.38%	0.90%
Merchant B. **(excl. Ireland)**	**36bn**	0.02%	0.53%	1.44%	0.67%	0.28%
Total Group	**155bn**	0.13%	0.46%	1.11%	0.91%	0.61%

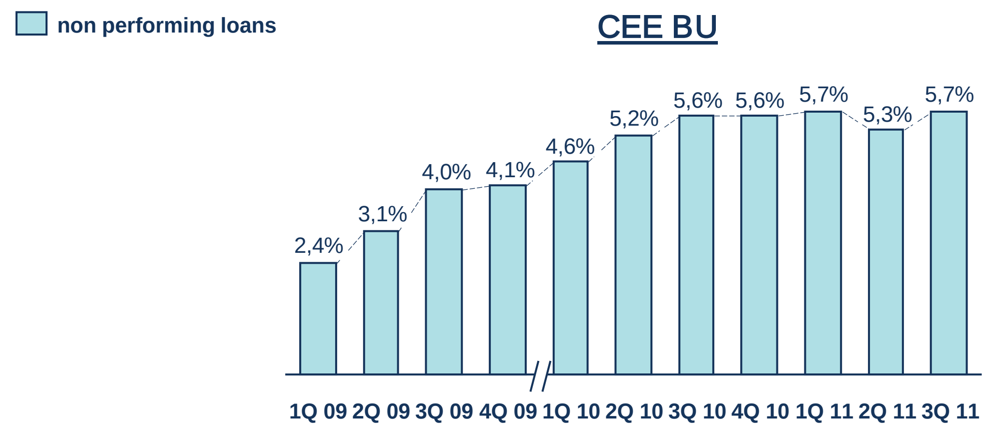
NPL ratio at Group level

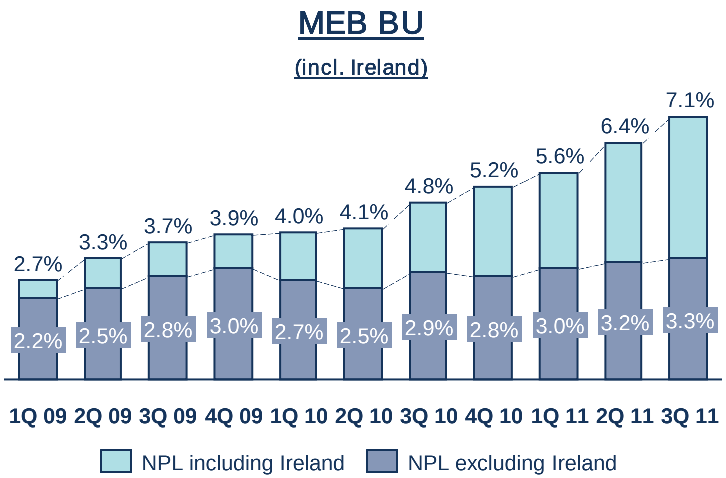


3Q 2011	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.6%	3.2%	1.3%
CEE BU	5.7%	3.4%	2.7%
MEB BU	7.1%	5.3%	4.5%

NPL ratios per business unit





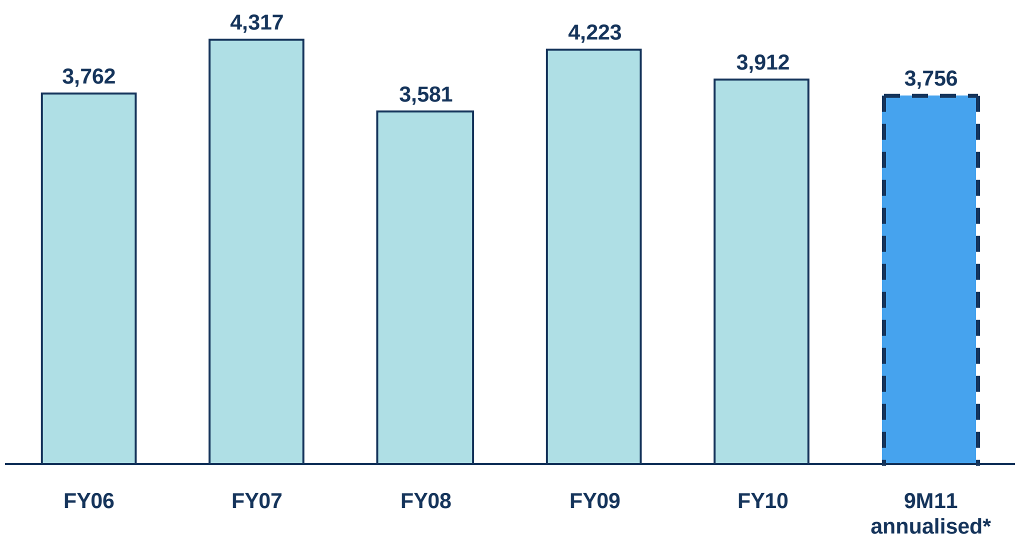


Section 3

Core profitability of KBC remains intact in difficult years

Core earnings power intact

Underlying gross operating income (pre-impairments)



* 9M11 annualised with neutralisation of impact of 5-5-5 bonds

Core earnings power intact, with a significantly reduced risk profile (trading), despite drastic RWA reduction of 41bn EUR

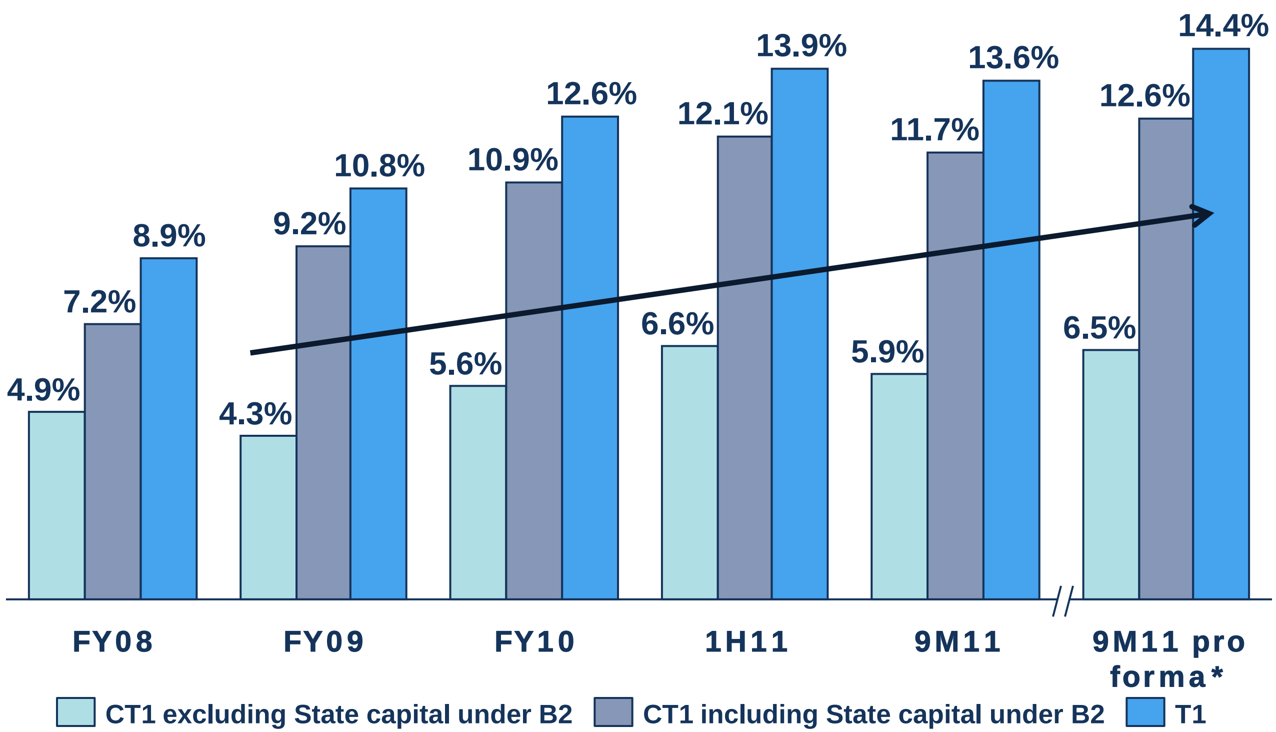
Amounts in m EUR for KBC Group

Section 4

Comfortable solvency and solid liquidity position

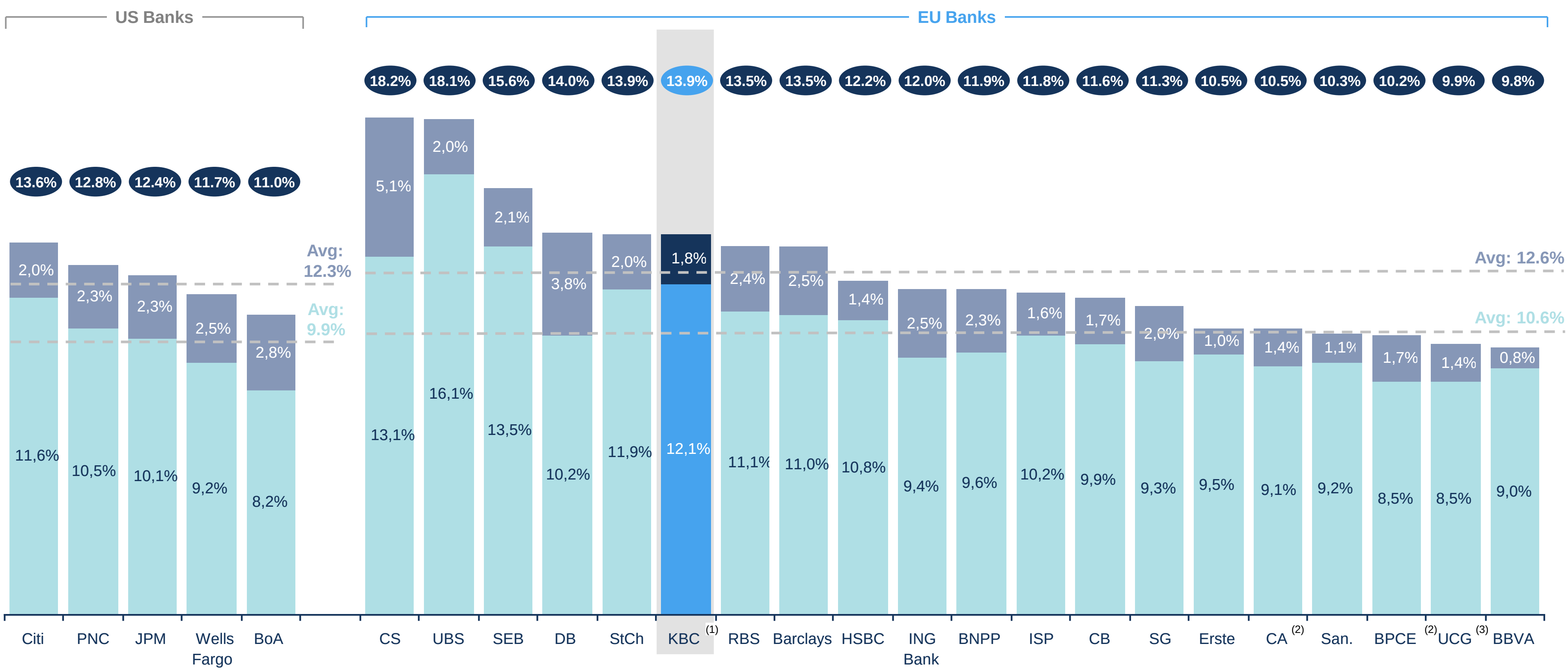
Comfortable capital position

- Strong core tier-1 ratio of 11.7% at KBC Group as at 30 September 2011
- Pro forma core tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – of 12.6% at KBC Group



* 9M11 pro forma CT1 includes the impact of divestments already signed

Favourable peer group comparison



Source: Company filings, BoAML, SNL as of June 2011
(1) Pro forma Tier 1 ratio of 14.3% if taking into account effect of divestments for which a sale agreement has been signed to date (i.e. 9th August 2011)
(2) Group solvency
(3) Excluding cashes

Comfortable capital position

- Strong tier-1 ratio of 13.6% (14.4% pro forma) at KBC group as at 30 September 2011 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)

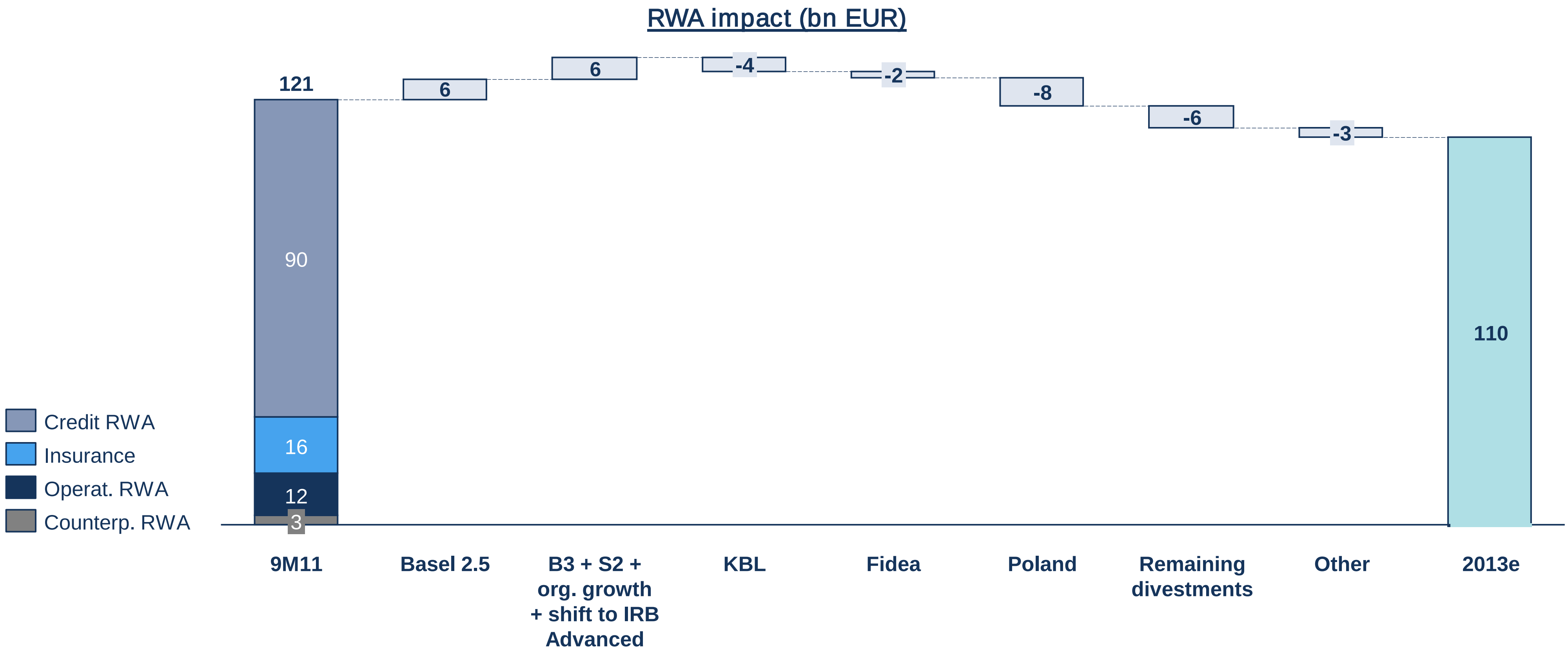
- Both KBC Group and KBC Bank meet the 9% core tier-1 threshold under the EBA definition (capital position as per 30 June 2011 according to B2.5 and adjusted to take account of the sovereign exposures marked down (at 30 June 2011)). The preliminary capital buffer as identified at the end of June is sufficient to cover 3Q11 results

- The Belgian regulator confirmed to us that the YES (Yield Enhanced Securities) will be fully grandfathered as common equity under the current CRD4 proposal

- KBC continues to strive to reimburse 7bn EUR to the state by the end of 2013, in line with the European plan

- As of 19 December 2011, conversion of all or part of the federal YES into ordinary shares (1 for 1) may be requested by KBC Group. If KBC Group seeks such conversion, the Belgian State may choose to receive a cash payment with redemption at 15% premium until mid-December 2012. Intention to reimburse 500m EUR at 15% premium before end 2011 to Federal Government without pari passu, waived by the Flemish Government until end of 2012

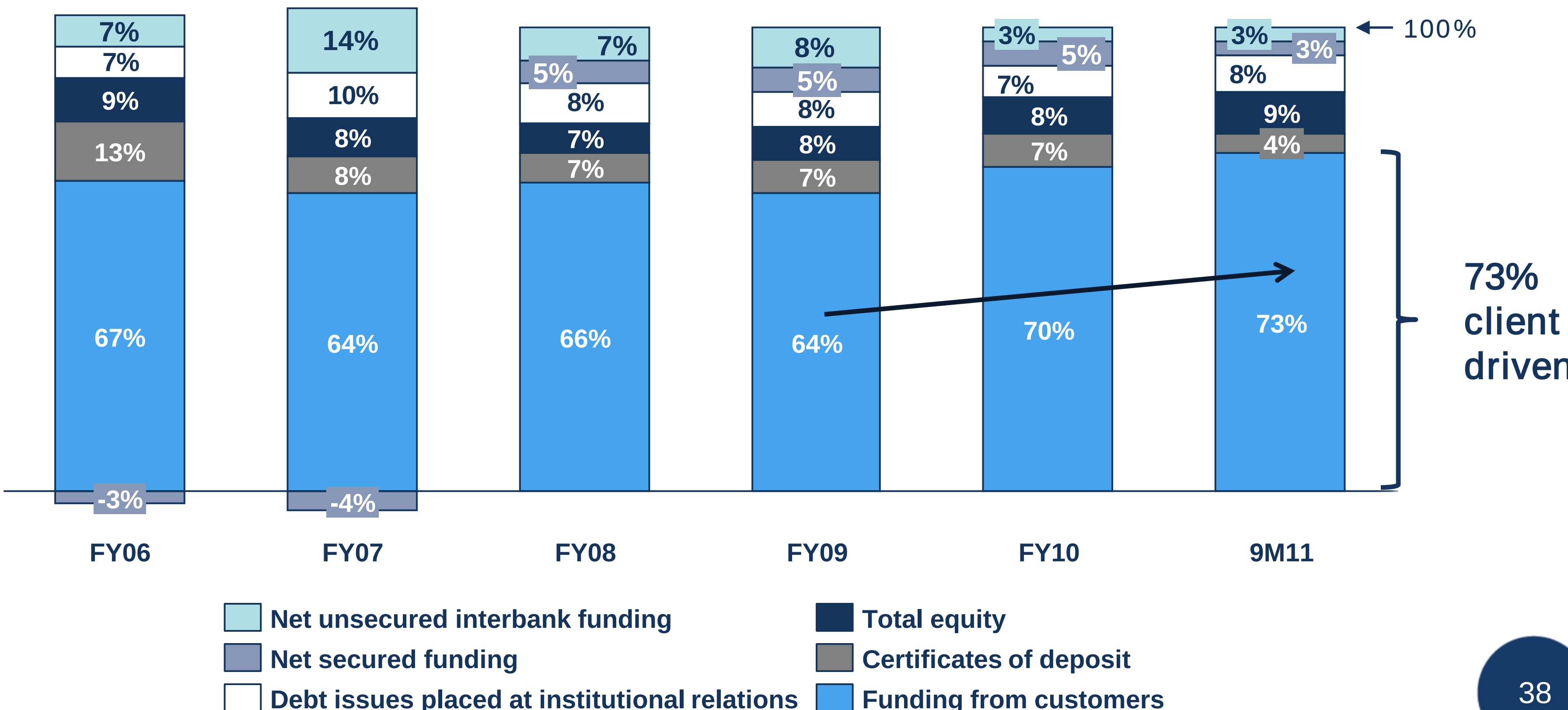
RWA at end 2013 substantially lower than initially communicated



- Taking into account the sale of our Polish entities, the lower-than-initially-estimated impact on RWA of CRD3, B3 and Solvency2, the reduction in RWA due to the shift from IRB Foundation to IRB Advanced and lower-than-expected organic growth, we estimate that RWA will amount to110bn EUR at the end of 2013 (instead of the 151bn EUR previously estimated)

A solid liquidity position (1)

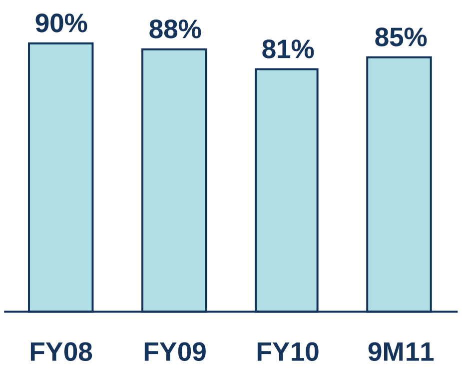
- KBC Bank further improved its already excellent funding profile, as reflected by the increased part of stable funding from customers. This underlines our retail, SME, mid-cap bancassurance model with a relatively low risk profile



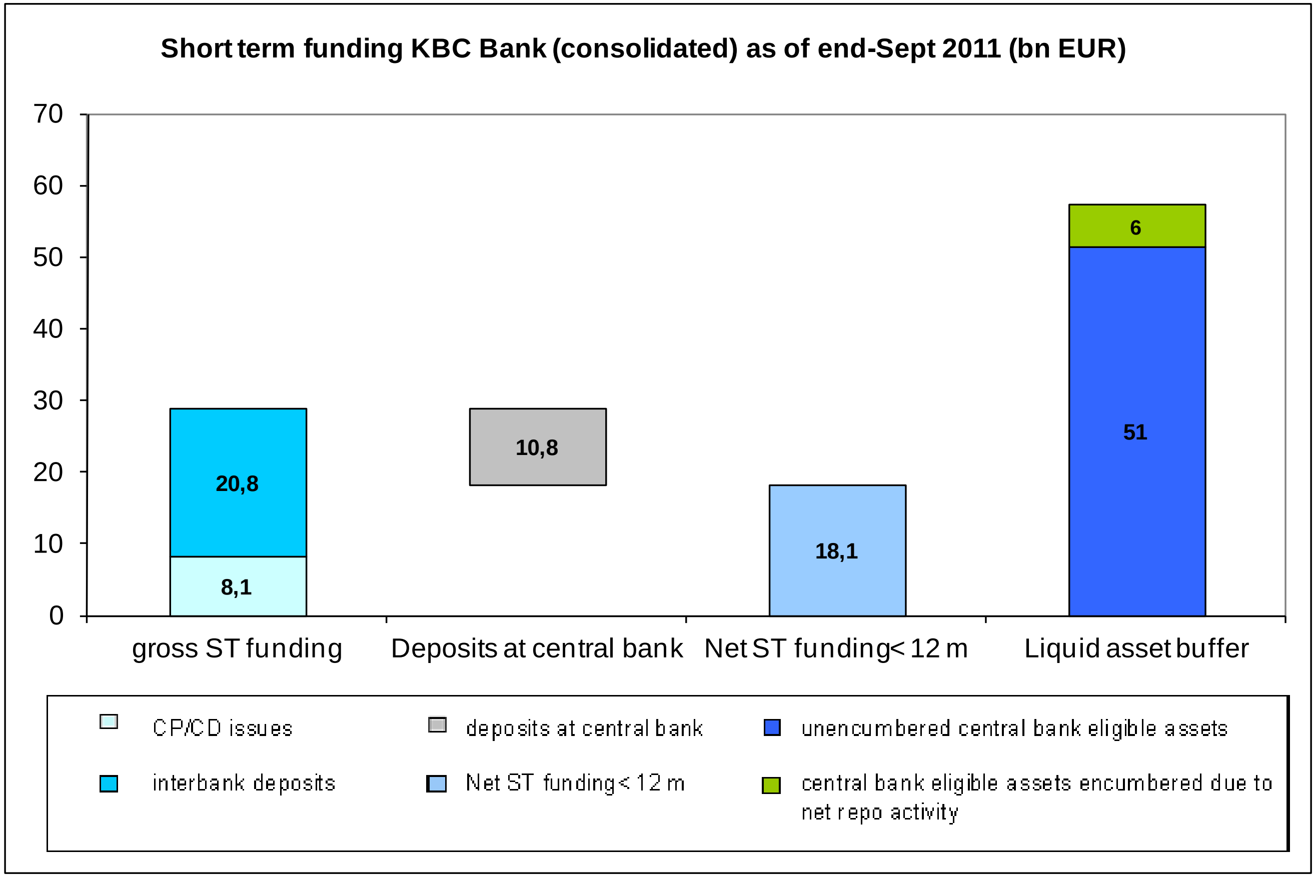
A solid liquidity position (2)

- No need to issue new benchmarks/term debt in the next quarters given that
  - Our total mid/long-term funding (22bn EUR) only represents 7%-8% of total assets/funding (which is relatively limited) – with only limited amounts maturing each year
  - Long-term funding needs decrease as actions to reduce RWA continue
  - KBC has increased the amount of mid-term/long-term funding attracted from its retail customer base. As such, we have already attracted 5.7bn EUR LT funding YTD from our retail clients (funding with term > 1 year apart from other stable retail funding)
- A regulation for the issuance of covered bonds is expected to be approved soon in Belgium
- LTD ratio of 85% at KBC Bank at the end of September 2011

LTD ratio KBC Bank

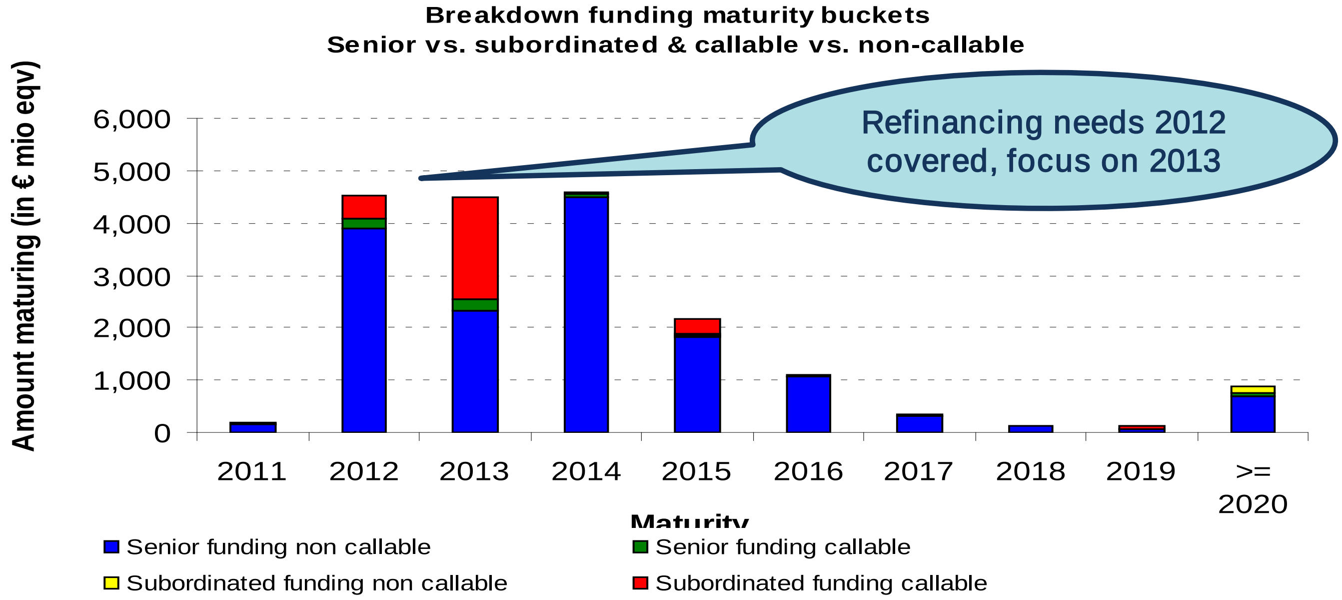


A solid liquidity position (3)



The recourse on net short-term funding is limited, and this latter is three times covered by a buffer consisting of central banks eligible assets

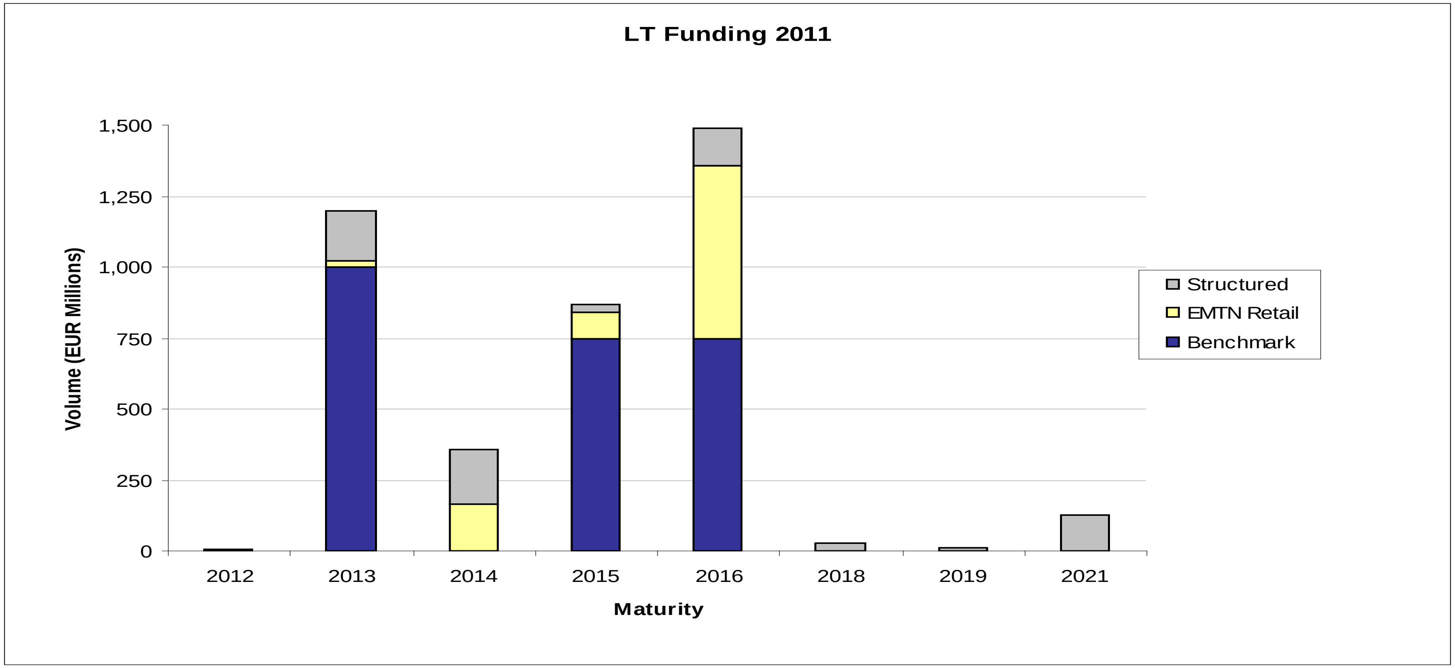
Upcoming mid-term funding maturities in 2011



KBC Bank NV has 3 solid sources of EMTN Funding:

- Public Benchmark transactions
- Structured Notes using the Private Placement format
- Retail EMTN

Overview of LT EMTN funding attracted in 2011 in wholesale and Belgian Retail market through KBC Ifima N.V.



- KBC Bank NV (through KBC Ifima N.V.) using its EMTN programme (40bn EUR)) has raised 4.1bn EUR LT in 2011 (YTD 03/11/2011). This debt programme was updated on 13 July 2011
- KBC Bank NV also has a US MTN programme (10bn USD) available for structuring debt capital market transactions in the US. This debt programme was updated on 15 April 2011

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Section 5

Areas of attention

Effects of Greek assistance programme

- With regard to all Greek sovereign bonds it holds (also those maturing after 2020), KBC recorded impairments amounting to an additional 176m EUR pre-tax / 126m post-tax at *underlying* level in 3Q11 (on top op the 139m EUR pre-tax / 102m post-tax already recognised in 2Q11)

- *Calculation* method:
  - Both the AFS and HTM bonds are impaired to their fair value (market prices) as at 30 September 2011
  - **As a result, the carrying amount of Greek government bonds on 30 September 2011 forms on average 42% of the nominal amount of these bonds and KBC has impaired 58%, fully booked**

- *Breakdown* of the impairments *per business unit* at underlying level:

(m EUR)	Impairments on AFS	Impairments on HTM	Total pre-tax impairments	Total post-tax impairments
Belgium BU	-66	-13	-79	-52
CEE BU	-45	0	-45	-37
MEB BU	-1	-7	-9	-7
GC BU	-28	-16	-43	-29
TOTAL	**-140**	**-36**	**-176**	**-126**

Amounts in m EUR

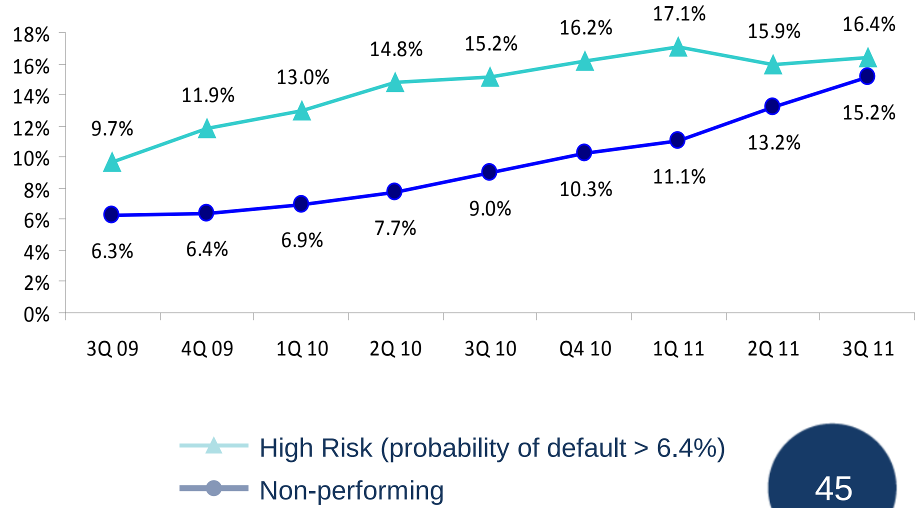
Ireland

- Ireland's implementation of severe austerity measures led to a 13% decline in average household income from peak to current. This resulted in intensifying mortgage arrears and NPL in 3Q11. Retail mortgage loss provisions for 3Q11 were 62m EUR compared to a run rate of 25m EUR per quarter in 1H11
- The weak domestic economy and virtual absence of new transactional activity led to further downward valuations of collateral supporting the commercial portfolio. Commercial loan loss provisions for 3Q11 were 125m EUR compared to 22.5m EUR per quarter in 1H11
- The NPL coverage ratio for the mortgage portfolio when compared on a like for like basis is in line with the Bank's Irish mortgage peer group
- Considering the continued deterioration in the loan portfolio during 3Q11, we anticipate a continuing high level of loan loss provisions in the next couple of quarters of 200m EUR (pre-tax)
- Net income before loan provisions for the 9 months was 172m EUR with a loss after provisions of 110m EUR (post-tax)
- The core tier-1 ratio amounted to 9.24% at the end of 3Q11

Irish loan book – key figures September 2011

Loan portfolio	Outstanding	NPL	NPL coverage	
Owner occupied mortgages	9.6bn	10.5%	27%	29%
Buy to let mortgages	3.2bn	16.2%	33%	
SME /corporate	2.1bn	16.1%	43%	
Real estate investment	1.4bn	23.3%	42%	63%
Real estate development	0.5bn	67.4%	81%	
	16.8bn	15.2%	40%	

Proportion of High Risk and NPLs



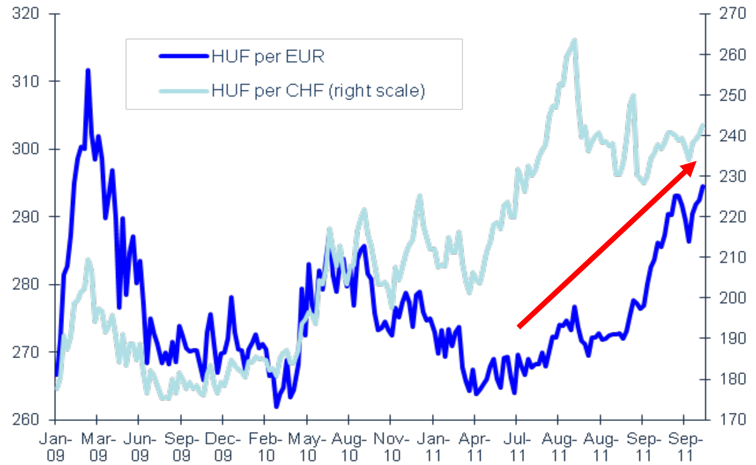
Hungary (1)

- The negative underlying result of K&H Group (-26m EUR YTD) is due to the recognition of the Hungarian bank tax for the full year 2011 in 1Q11 (62m EUR before tax / 51m post-tax) and impairment for the expected impact of the new law on FX mortgage repayment in 3Q11 (92m EUR before tax)
- Loan loss provisions in 3Q11 amounted to 126 m EUR, 92m EUR of which is for the expected impact of the new law on FX mortgage repayment (see details on the next slide). The CCR came to 3.38% YTD (and 1.66% YTD excluding the loan loss provision of 92m EUR)
- NPL rose to 9.4% in 3Q11 (9.1% in 2Q11), an increase attributable mainly to retail lending
- New law on FX mortgage repayment: 20% participation rate expected (see details on the next slide)
- As a result, NPL ratio for the mortgage loans (private) is expected to increase to roughly 15% by the end of the year, partly due to technical reasons

Hungary (2): new law on FX mortgages

- Newly implemented measure: possibility for a full repayment of FX mortgage loans at a fixed exchange rate (for CHF it is a HUF/CHF of 180, which represents a discount of approx. 25% on the prevailing market FX rates). The possibility is open until year-end 2011 for customers to announce their intention to repay with a deadline of end of February 2012 to actually settle

- Impact on K&H: still difficult to define given the uncertainty about the participation rate
  - The eligible FX mortgage portfolio is approximately 2.0bn EUR (denominated largely in CHF)
  - Impairment estimation: Q3 financial statement includes impairment of 92m EUR for the expected impact of FX mortgage repayment assuming a 20% participation rate (i.e. approx. 17,000 K&H customers repaying)



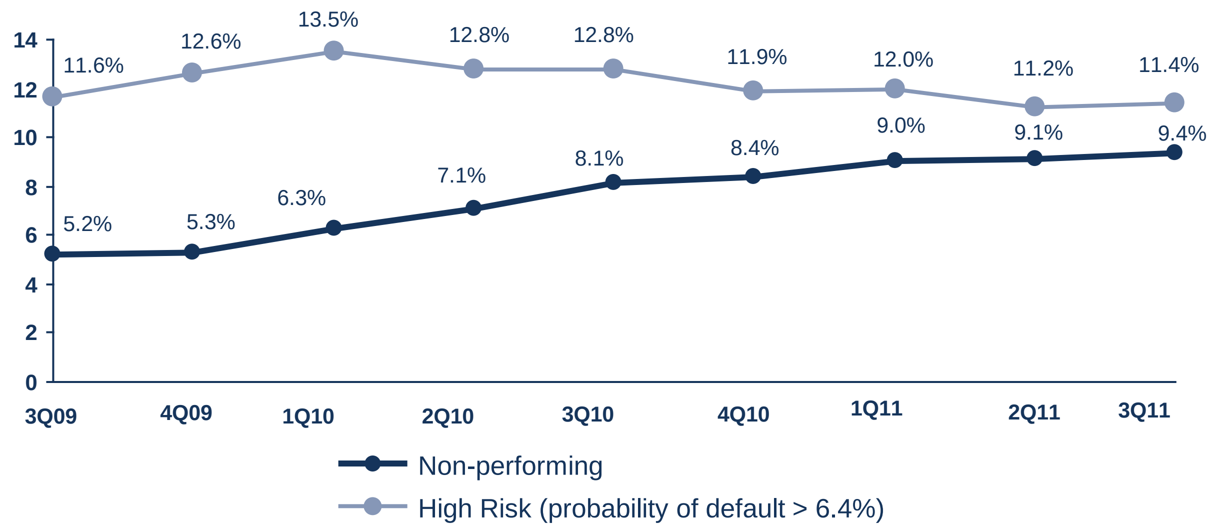
Hungary (3)

Hungarian loan book – key figures September 2011

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	7.7%	69%
Retail	3.4bn	10.8%	94%
o/w private	3.0bn	10.8%	96%*
o/w companies	0.3bn	10.3%	76%
	6.2bn	9.4%	84%**

* Includes the loan loss provisions of 92m EUR for the expected impact of the new law on FX mortgage repayment.
** Excluding the loan loss provisions of 92m EUR, the NPL coverage ratio for Hungary would have been 68%

Proportion of NPLs



Bulgaria

- The Bulgarian credit portfolio contains a part of loans granted before the acquisition by KBC, which is primarily linked to the Commercial Real Estate sector. It is monitored separately from the core SME and retail business

- Given the domestic Real Estate market has not improved, KBC reassessed its required provisioning levels in 3Q11. This led to additional loan loss provisions totaling 96m EUR in 3Q11, which the Group will book resulting in a NPL coverage ratio of 57%

- Due to the more difficult macroeconomic environment, KBC also decided to impair goodwill in the amount of 53m EUR

Update on outstanding* CDO exposure at KBC (end 3Q11)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	10.9 6.4	-1.1 -4.2
TOTAL	**17.3**	**-5.3**

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-5.3 -2.1 -1.7

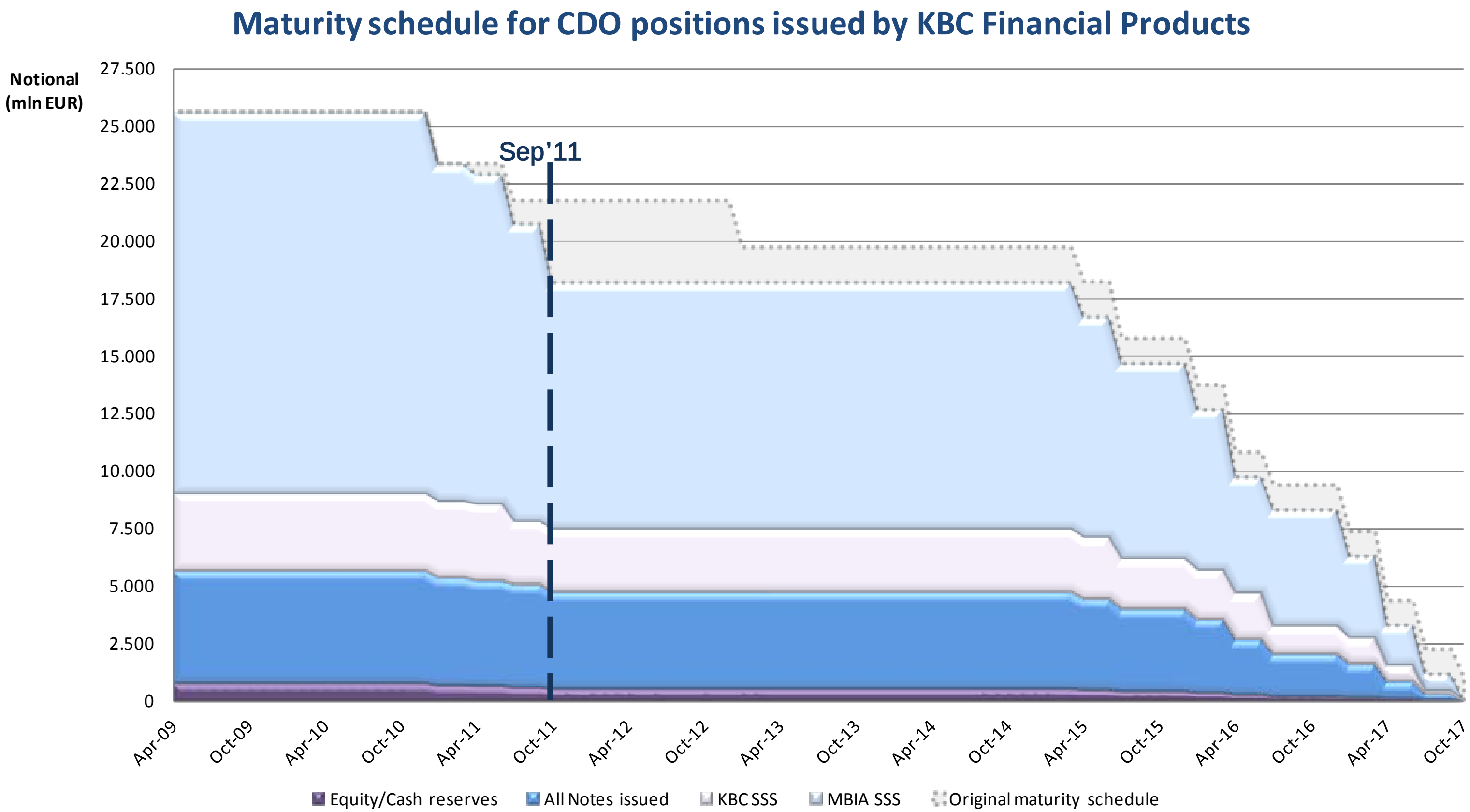
P&L impact** of a shift in corporate and ABS credit spreads (reflecting credit risk)

	10%	20%	50%
Spread tightening	+0.2bn	+0.3bn	+0.8bn
Spread widening	-0.0bn	-0.1bn	-0.4bn

- The total notional amount decreased by roughly 2.5bn EUR, mainly as a result of the early termination of the Fulham CDO (roughly -2.0 bn EUR) and the sale of the position in the Wadsworth CDO (roughly -0.5 bn EUR)
- Outstanding value adjustments amounted to 5.3bn EUR at the end of 3Q11
- Claimed and settled losses amounted to 2.1bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 17% cumulative loss in the underlying corporate risk (approx. 86% 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 CDOs
** Taking into account the guarantee transacted with the Belgian State and a provision rate for MBIA at 70%

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 on 13.9bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (3.0bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (10.9bn EUR)
  - First and second tranche: 3.6bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.5bn EUR (90% of 1.6bn EUR) from the Belgian State
  - Third tranche: 10.3bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach

		Potential *P&L* impact for KBC	Potential *capital* impact for KBC
13.9bn - 100% 1st tranche	1.9bn	100%	100%
12.0bn - 86% 2nd tranche	1.6bn	100%	10% (90% compensated by equity guarantee)
10.3bn - 74% 3rd tranche	10.3bn	10% (90% compensated by cash guarantee)	10% (90% compensated by cash guarantee)

• Excluding all cover for expired, unwound or terminated CDOs

Summary of government transactions (2)

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

Section 6

Wrap up

Key Takeaways

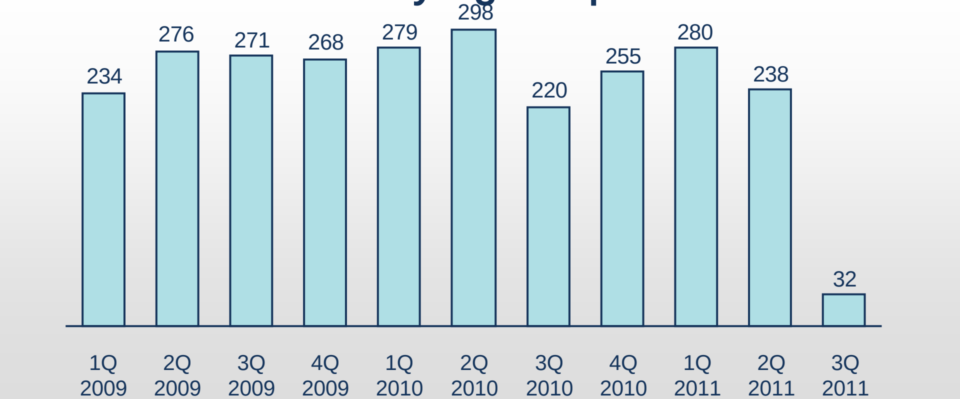
- Execution of our strategic plan gains further momentum
- Core profitability in home markets remains intact, but 3Q11 results were affected by the execution of our strategy (KBL, Fidea), one-off items (Greek government bonds, 5-5-5 bonds, Hungary, Bulgaria) and market-driven items (CDO, Ireland, share portfolio)
- Impairment on Greek gov. bonds at 30 Sep 2011 was fully booked at 58% of the nominal amount
- Sizeable reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Comfortable capital position. The Belgian regulator confirmed to us that the YES (Yield Enhanced Sec.) will be fully grandfathered as common equity under the current CRD4 proposal
- Intention to reimburse 500m EUR at 15% premium before end 2011 to Federal Government without pari passu, waived by the Flemish Government until end of 2012
- Solid liquidity position remains strong
- The run-rate of loan loss provisions in Ireland is estimated at roughly 200m EUR for the next couple of quarters
- Good Oct'11 results lead to FY11 guidance for underlying net profit of 1.2bn EUR – 1.4bn EUR

Annex

3Q 2011 underlying performance of business units

Belgium Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	54bn	28bn	73bn	138bn	22bn
Growth q/q*	+2%	+2%	+3%	-4%	+1%
Growth y/y	+5%	+8%	+9%	-9%	+4%

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

- The contribution of the Belgium Business Unit to underlying net group profit came to only 32m EUR. This can be explained by i) the provision of 132m EUR pre-tax/87m EUR post-tax for the 5-5-5 product, ii) the impairment of 79m EUR pre-tax/52m EUR post-tax for Greek government bonds, iii) the impairment of 77m EUR pre-tax/post-tax on AFS shares, iv) lower net realised gains from AFS assets and v) lower dividend income

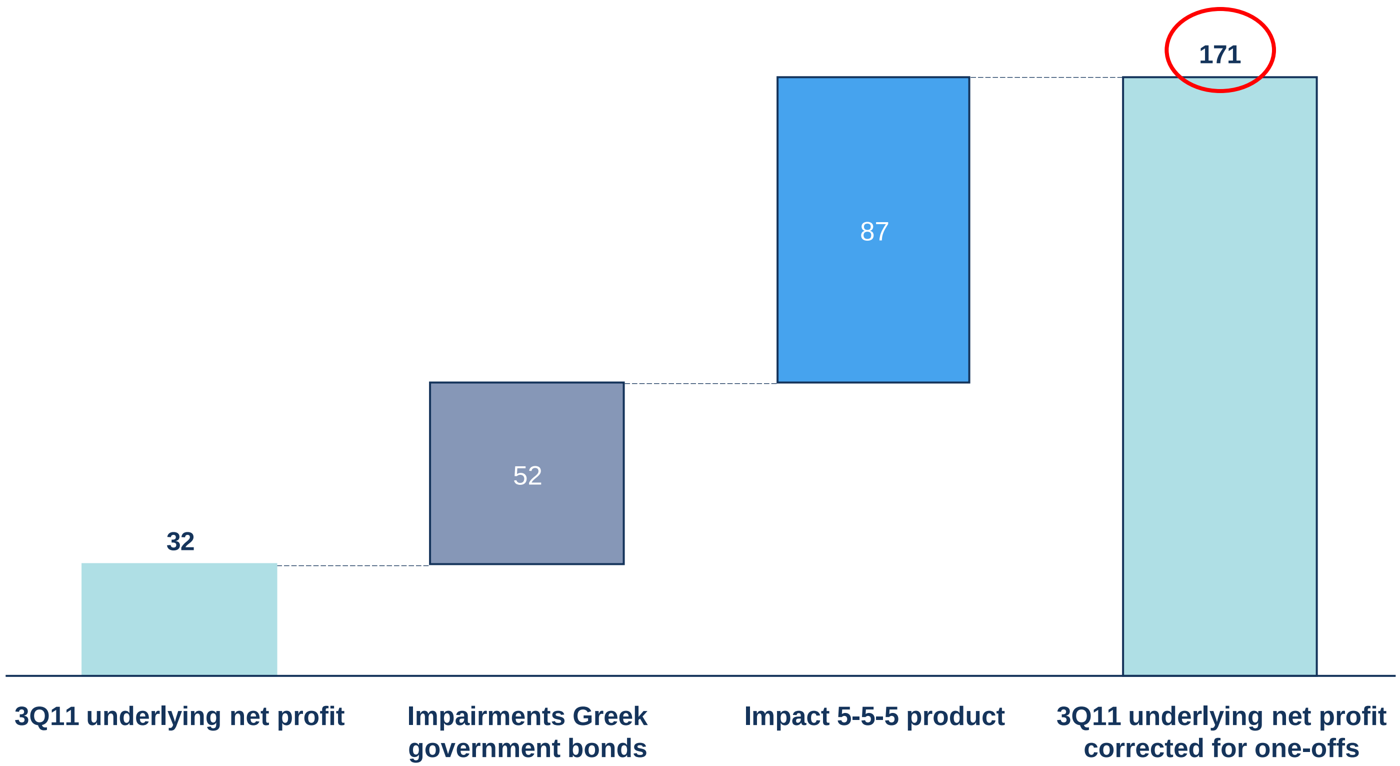
- Increase in quarter-on-quarter and year-on-year loan volume, driven by mortgage loan growth

- Deposit volumes went up by 3% quarter-on-quarter and as much as 9% year-on-year

Amounts in m EUR

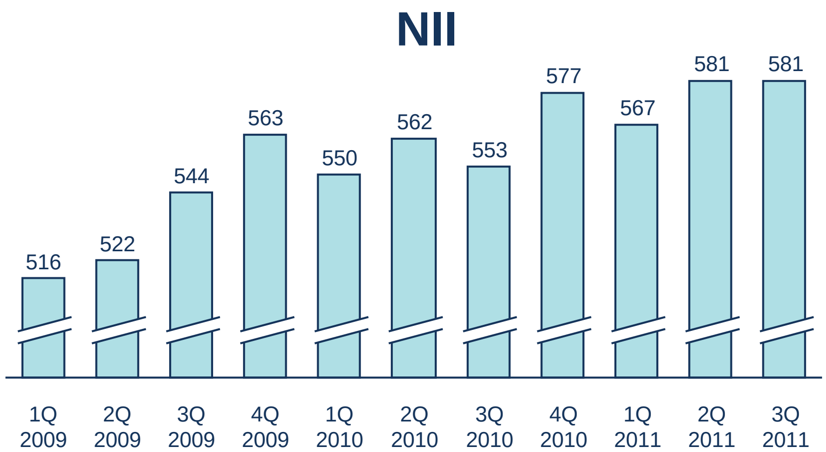
3Q11 underlying net profit in Belgium Business Unit adjusted for one-offs

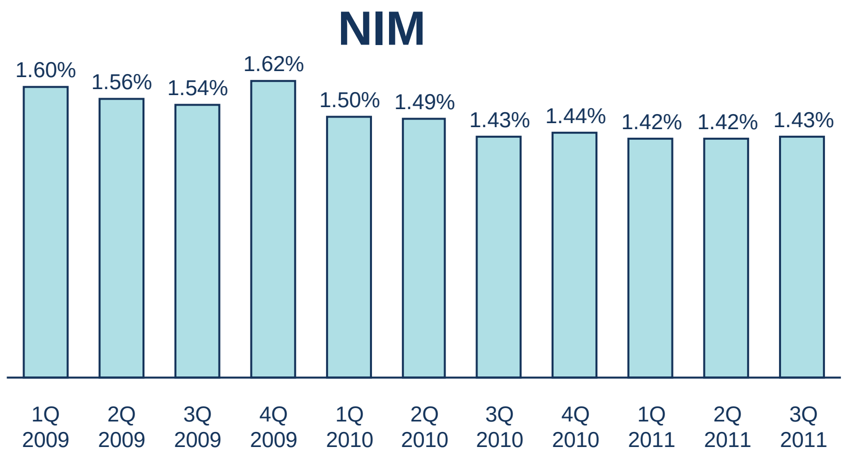
- Corrected for one-offs (impairments Greek government bonds and impact 5-5-5 product), the underlying net group profit in the Belgium Business Unit amounted to 171m EUR in 3Q11



Amounts in m EUR

Belgium Business Unit (2)

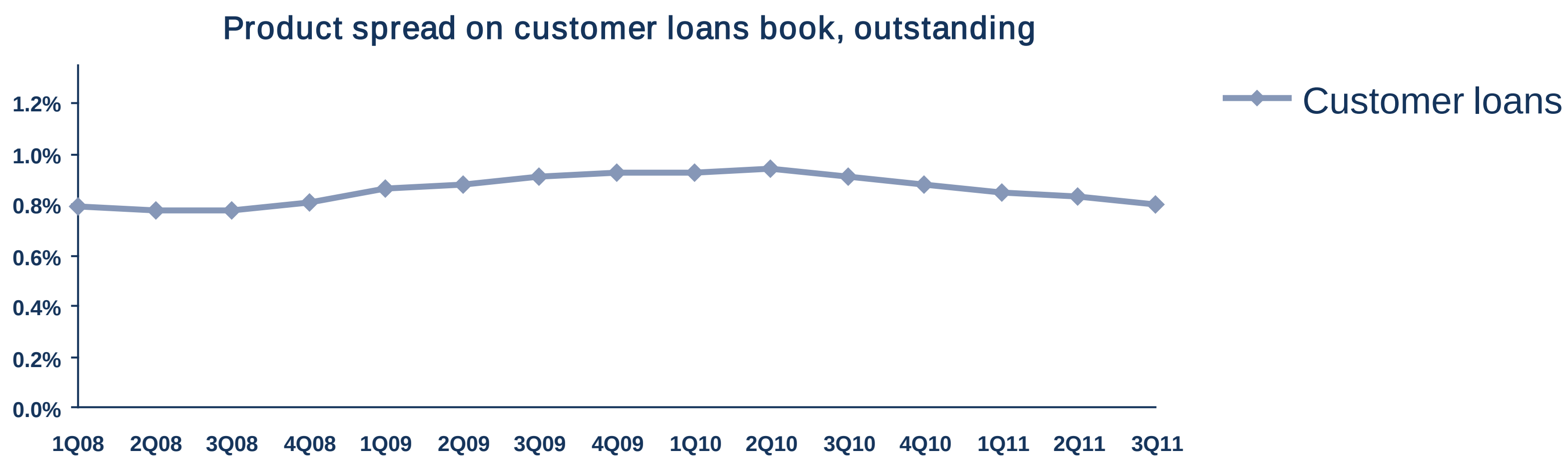


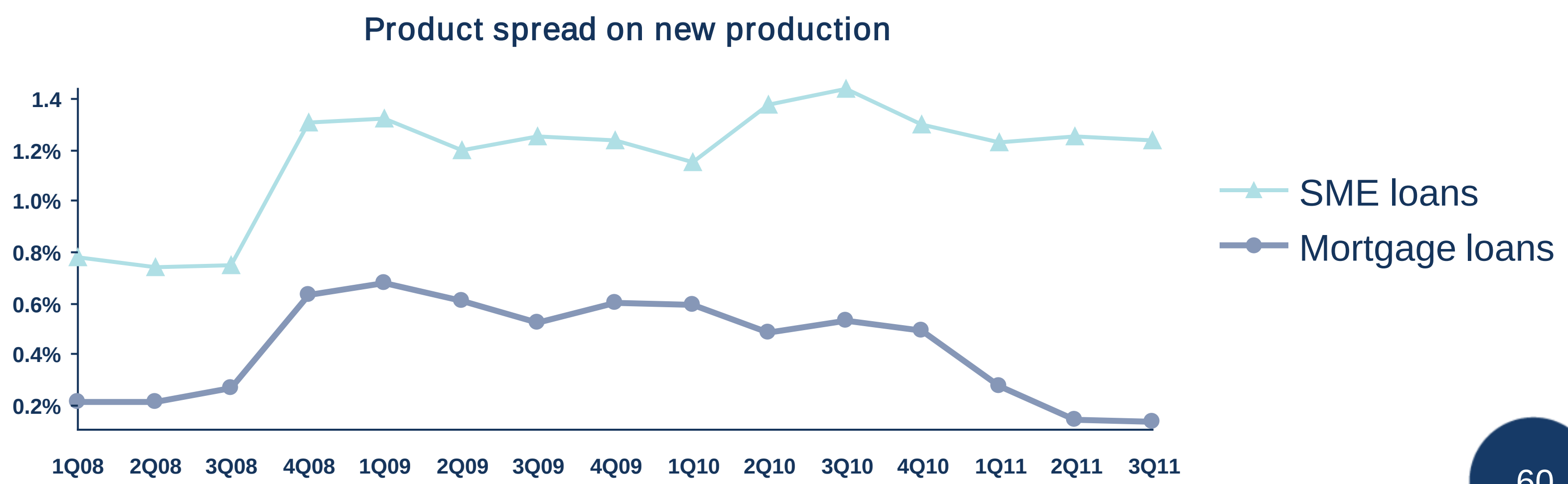


- Net interest income (581m EUR) remained healthy
  - An increase of 5% y-o-y (no less than +7% y-o-y excluding Secura in 3Q10) and flat q-o-q
  - The net interest margin increased by 1bp q-o-q to 1.43%. The negative impact of increased competition on the mortgage loan portfolio and the lower margins on current accounts were more than offset by higher margins on saving deposits. The current NIM remains much higher than the 2H 2008 level (1.19% in 3Q08 and 1.25% in 4Q08)

Amounts in m EUR

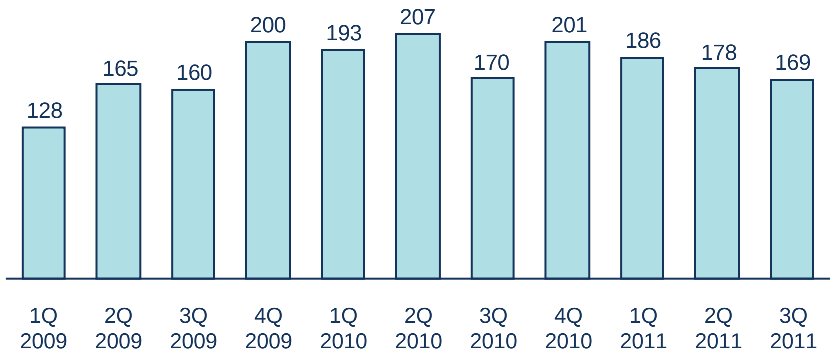
Credit margins in Belgium



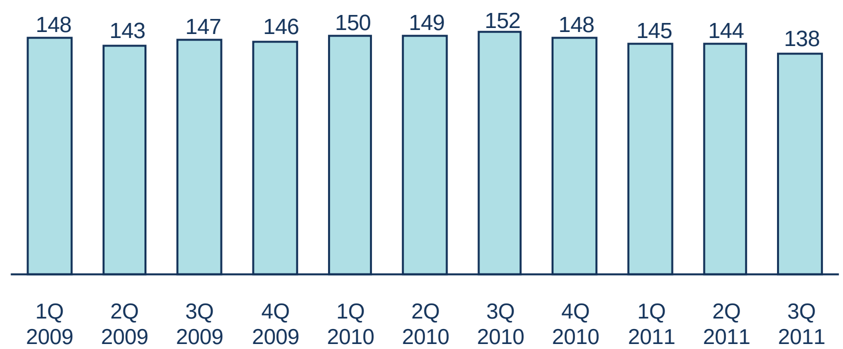


Belgium Business Unit (3)

F&C



AUM



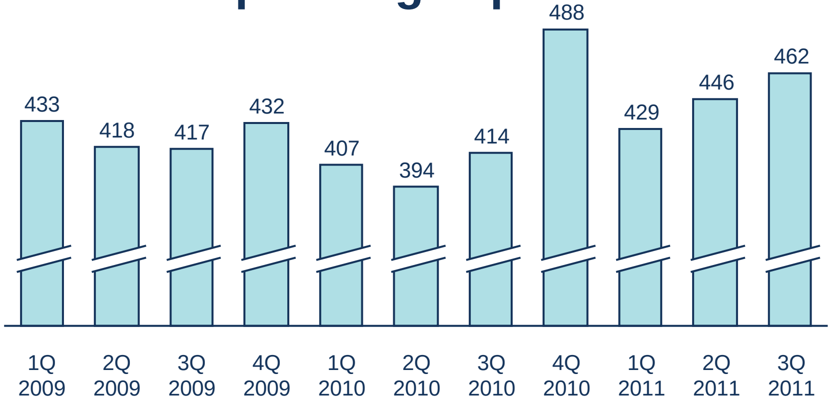
Amounts in bn EUR

- Net fee and commission income (169m EUR)
  - Net fee and commission income from banking activities (206m EUR) decreased by 3% q-o-q due to lower risk appetite, leading to lower entry fees on mutual funds. Management fees on mutual funds were impacted by lower assets under management. Net fee and commission income from banking activities decreased by 5% y-o-y, partly due to the sale of KBC Asset Management Ltd (sold in 4Q10)
  - Commission related to insurance activities (-37m EUR, mainly commission paid to insurance agents) was higher than the previous quarter (+9%), but considerably lower than a year earlier (-21%), partly related to the sale of Secura
- Assets under management fell by 4% q-o-q to 138bn EUR, partly driven by the negative price trend

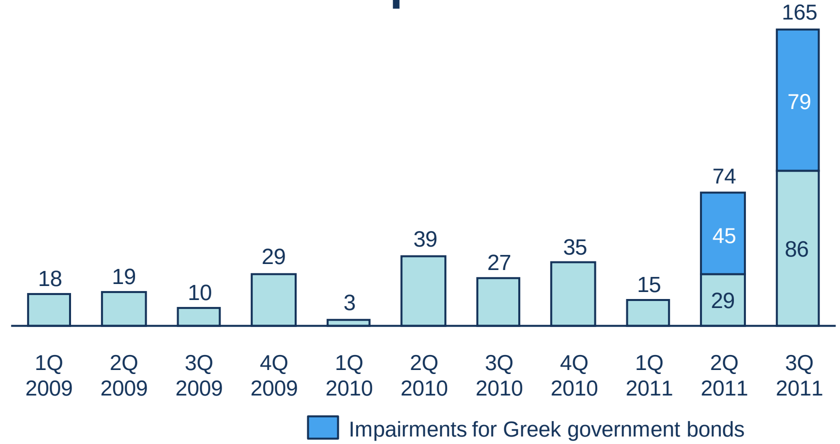
Amounts in m EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment

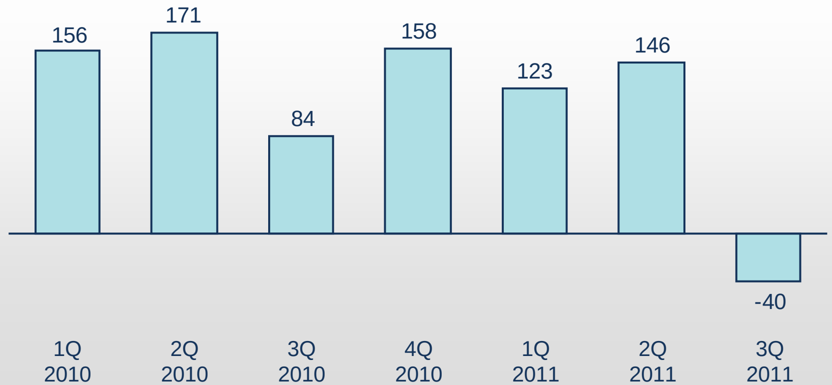


- Operating expenses: +4% quarter-on-quarter and +12% year-on-year
  - Operating expenses rose by 4% q-o-q due to several one-offs (mainly voluntary redundancy payments). Excluding these one-offs, operating expenses were flat q-o-q
  - Operating expenses were up 12% y-o-y (and 13% y-o-y excluding Secura), half of which is due to technical items and the remainder to higher staff costs, higher contribution to the Belgian Deposit Guarantee Scheme and staff expenses
  - Underlying cost/income ratio: 64% YTD (and 59% YTD excluding the provision for the 5-5-5 product)
- Loan loss provisions remained at a low level (10m EUR). Credit cost ratio of 9 bps YTD. NPL ratio at 1.6%. Furthermore, impairment of 79m EUR pre-tax was recorded for Greek government bonds and of 77m EUR was recognised on shares at KBC Insurance

Amounts in m EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	26bn	11bn	35bn	11bn	2bn
Growth q/q*	+1%	+0%	+1%	-8%	-2%
Growth y/y	+3%	+4%	+3%	-15%	+7%

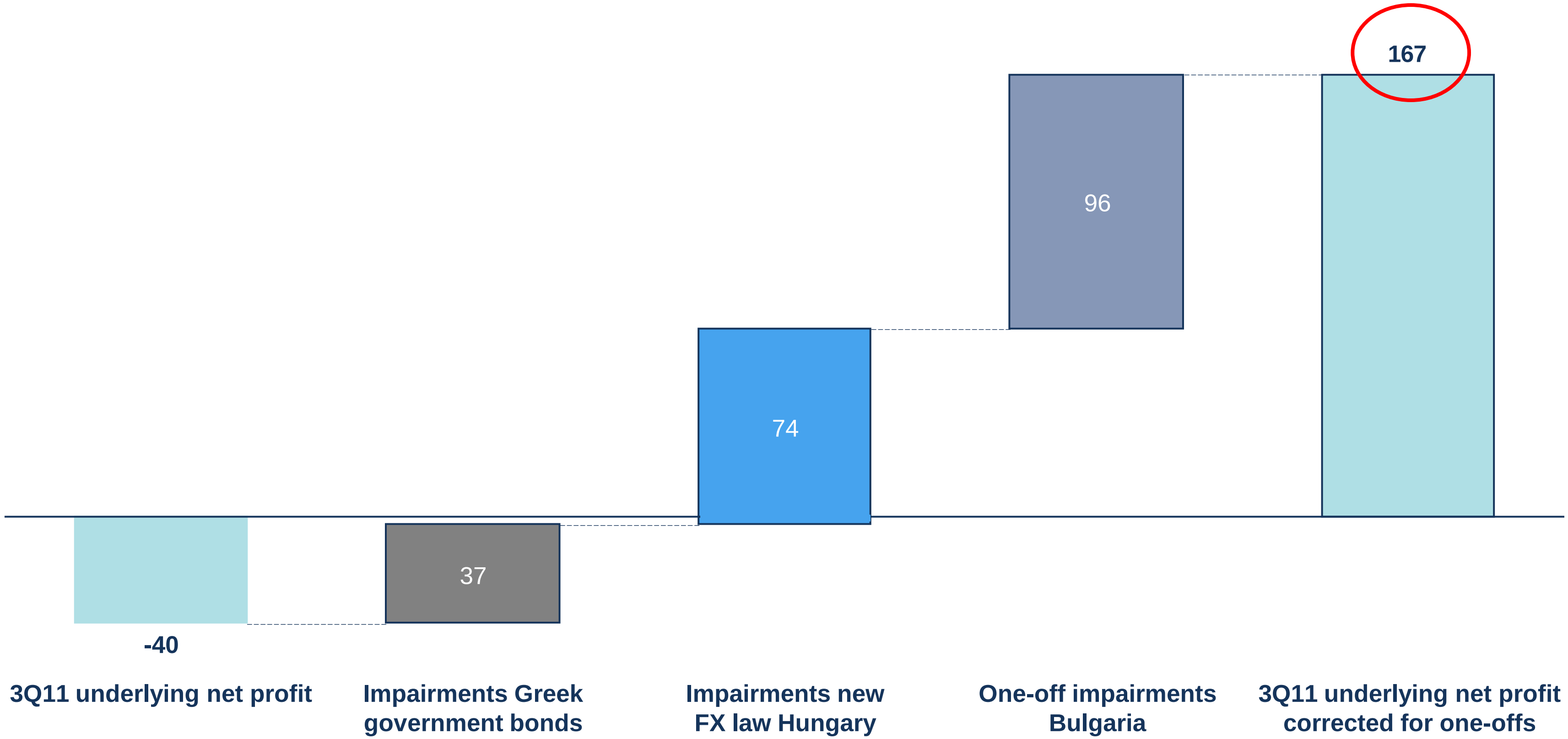
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying profit at CEE Business Unit of -40m EUR
  - CEE profit breakdown: 116m Czech Republic, 13m Slovakia, -50m Hungary, 1m Bulgaria, other -120m other (mainly due to the booking at KBC Group level for Bulgaria and funding costs of goodwill)
  - Results from the banking business were negatively impacted by significantly higher loan loss provisions (Bulgaria and K&H Bank) and impairment of 37m EUR post-tax for Greece (almost fully borne by the Czech Republic)
  - Results from the insurance business were impacted by a higher combined ratio (due almost entirely to higher claims ratio)

Amounts in m EUR

3Q11 underlying net profit in CEE Business Unit adjusted for one-offs

- Corrected for one-offs (Greek government bonds, Hungary and Bulgaria), underlying net group profit in the CEE Business Unit amounted to 167m EUR in 3Q11



Amounts in m EUR

CEE Business Unit (2)

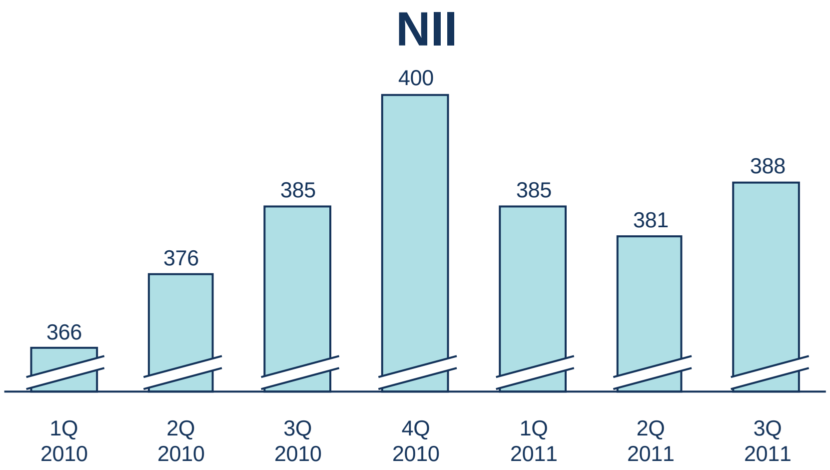
Organic growth(*)

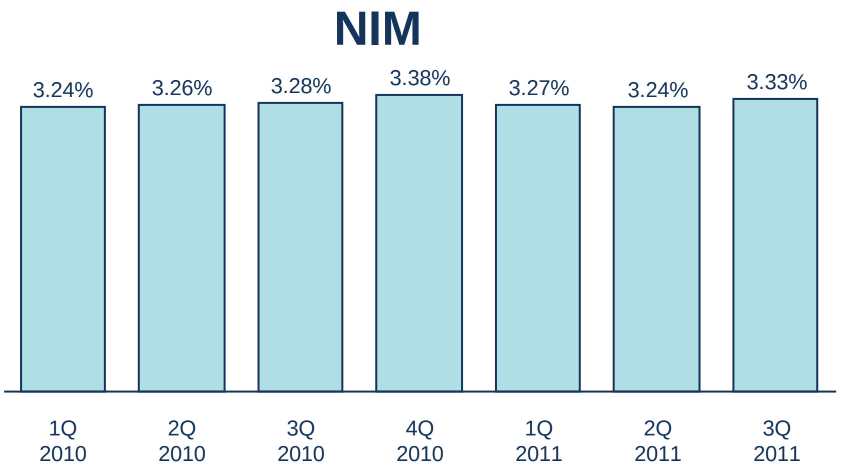
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+3%	+8%	+2%	+9%	1%	+4%
SK	+2%	+9%	+4%	+20%	-2%	0%
HU	-3%	-10%	-5%	-11%	+4%	+3%
BU	-16%	-21%	-19%	-21%	+4%	+3%
TOTAL	**+1%**	**+3%**	**+0%**	**+4%**	**+1%**	**+3%**

- The total loan book rose by 1% q-o-q and 3% y-o-y. On a y-o-y basis, the increases in Slovakia (+9% y-o-y thanks to an increase in mortgage loans) and the Czech Republic (+8% y-o-y) was only partly offset by decreases in Hungary and Bulgaria
- Total deposits increased by 1% q-o-q and 3% y-o-y
- Loan to deposit ratio at 74%

(*) organic growth excluding FX impact, q-o-q figures are non-annualised

CEE Business Unit (3)



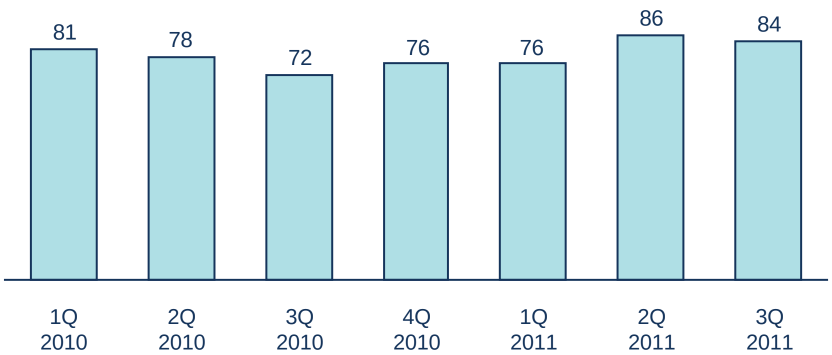


- At 388m EUR, net interest income rose by 2% q-o-q, but fell by 2% y-o-y (organic growth only)
- The net interest margin increased by 9bps to 3.33% (largely thanks to the FX effect). Net interest income was up slightly q-o-q thanks to CSOB Bank CZ

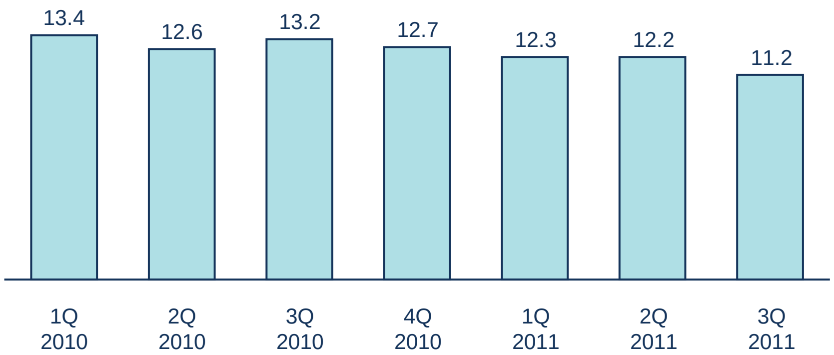
Amounts in m EUR

CEE Business Unit (4)

F&C



AUM



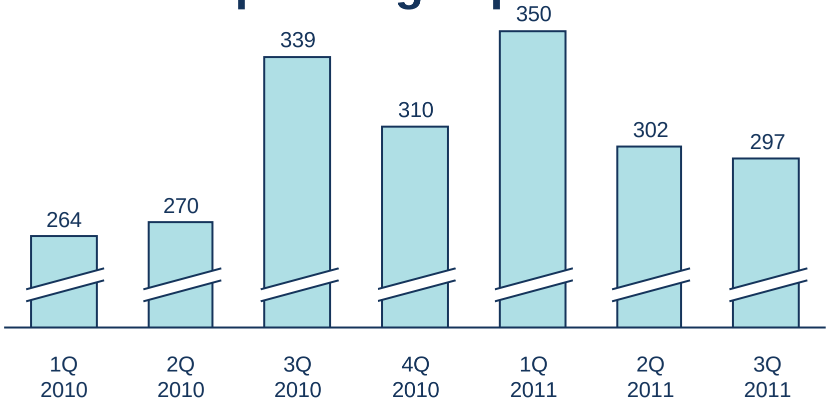
Amounts in bn EUR

- Net fee and commission income (84m EUR). Excluding technical items, net fee and commission income rose by 3% y-o-y
- Assets under management fell by 8% q-o-q to roughly 11bn EUR, mainly driven by the negative price trend (-6% q-o-q)

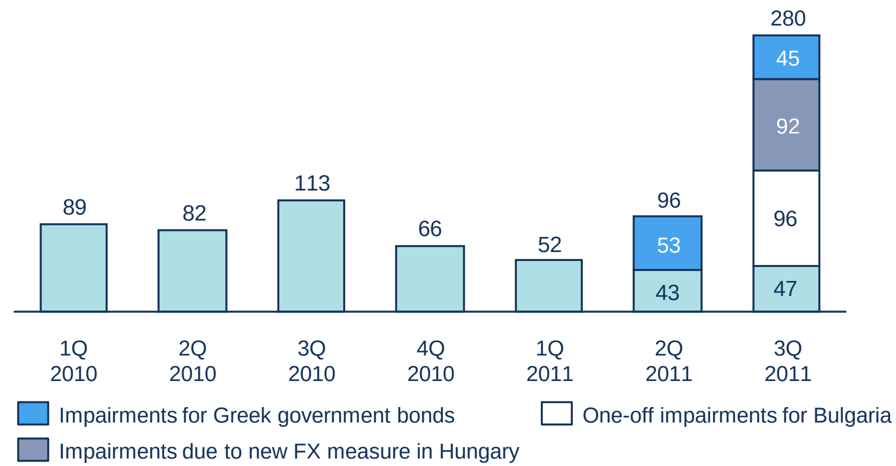
Amounts in m EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (297m EUR) fell by 1% q-o-q and 14% y-o-y on an organic basis (excluding FX impact)
  - The 14% y-o-y decrease was mainly caused by the recording of the Hungarian bank tax in 3Q10 for the full year 2010 (57m EUR pre-tax / 46m EUR post-tax). Excluding the Hungarian bank tax and other technical items, opex fell by 1% y-o-y
  - YTD cost/income ratio at 57% (53% excluding Hung. bank tax)
- Asset impairment at 280m
  - L&R impairments increased sharply due to Bulgaria (very illiquid domestic Real Estate marketplace) and K&H Bank (impact of new law on FX mortgages), leading to a credit cost ratio of 1.44% YTD (1.16% in FY10). NPL ratio at 5.7%
  - Impairment of 45m EUR pre-tax was recorded for Greek gov. bonds

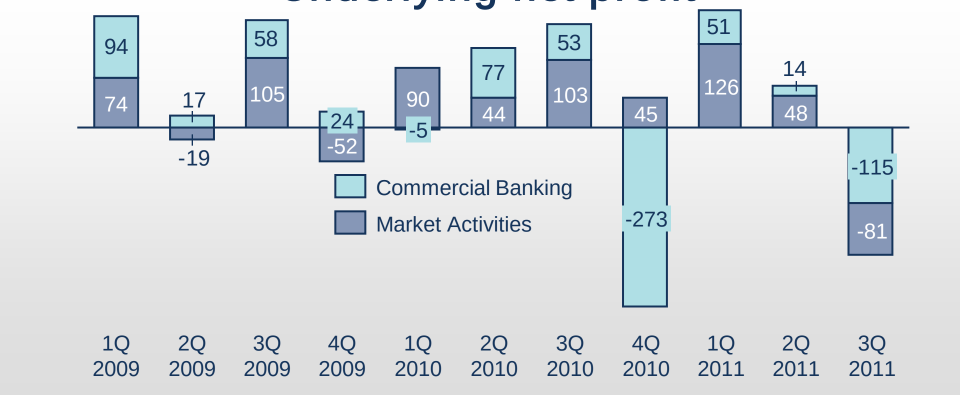
	Loan book	2008* CCR	2009* CCR	2010 CCR	9M11 CCR
CEE	**31bn**	**0.73%**	**2.12%**	**1.16%**	**1.44%**
- Czech Rep.	20bn	0.38%	1.12%	0.75%	0.27%
- Hungary	6bn	0.41%	2.01%	1.98%	3.38%
- Slovakia	4bn	0.82%	1.56%	0.96%	0.37%
- Bulgaria	1bn	1.49%	2.22%	2.00%	19.12%

** CCR according to 'old' business unit reporting'*

Amounts in m EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	43bn	51bn
Growth q/q*	0%	-8%
Growth y/y*	-4%	-17%

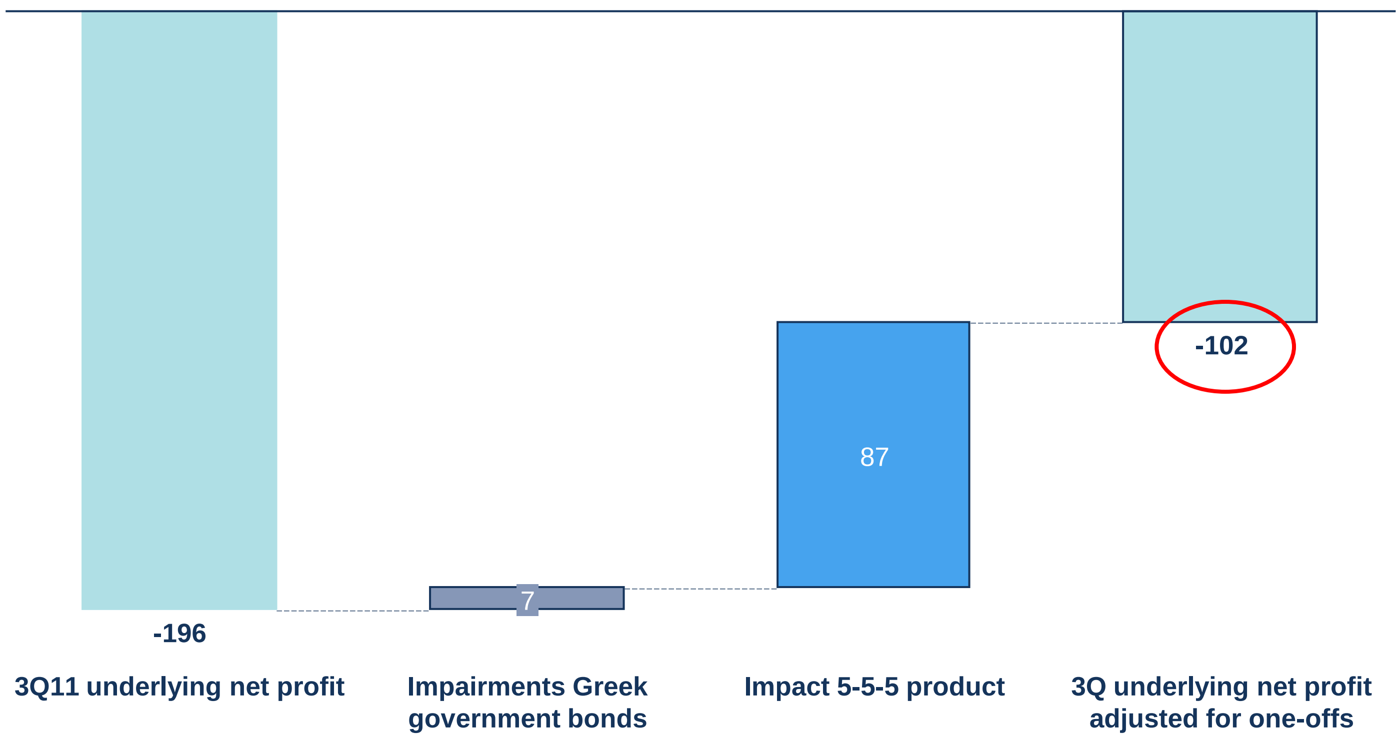
*non-annualised

- Underlying net profit in the Merchant Banking Business Unit totalled -196m EUR. Adjusted for the one-offs (Greece), underlying net profit amounted to -102m EUR
  - The lower q-o-q result from Commercial Banking of 129m EUR in 3Q11 can be explained entirely by higher loan loss provisions at KBC Bank Ireland. Excluding KBC Bank Ireland, the 3Q11 result would be 3m EUR higher q-o-q
  - The result from Market Activities of -81m EUR was also down sharply q-o-q, due mainly to provisions of 132m EUR pre-tax / 87m EUR for the 5-5-5 product and substantially lower dealing room results at KBC Bank Belgium
- Reminder: a significant part of the merchant banking activities (assets to be divested) has been shifted to the Group Centre since 1Q10

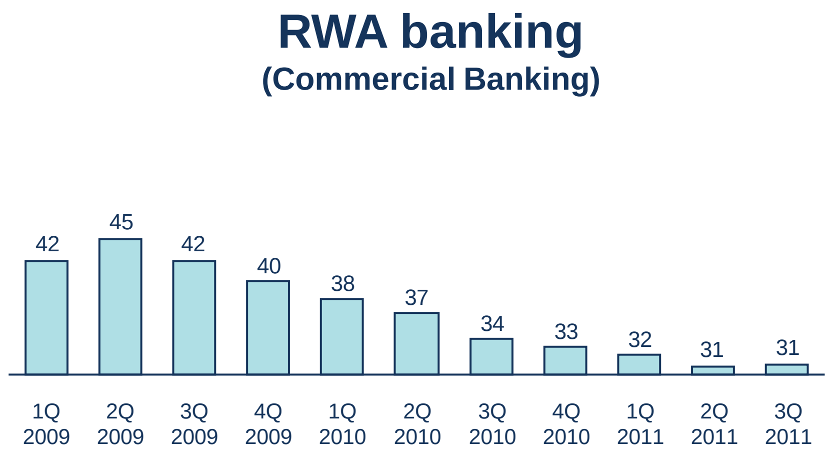
Amounts in m EUR

3Q11 underlying net profit in MEB Business Unit adjusted for one-offs

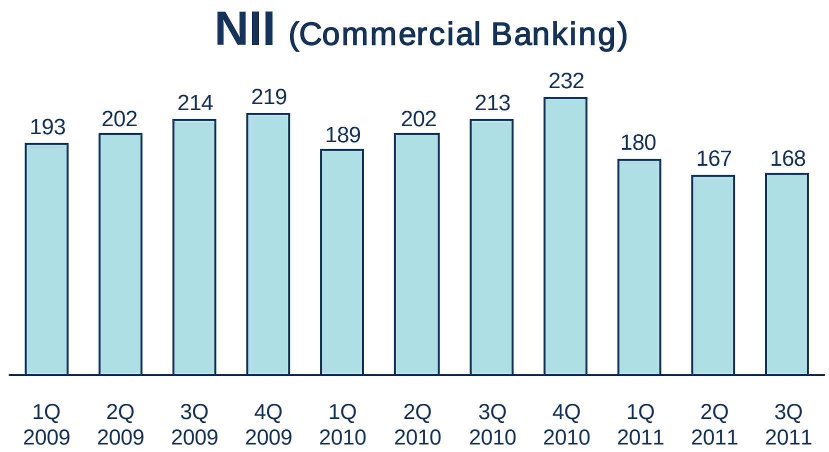
- Adjusted for one-offs (Greek government bonds and 5-5-5 bonds), underlying net group profit in the Merchant Banking Business Unit amounted to -102m EUR in 3Q11



Merchant Banking Business Unit (2)



Amounts in bn. EUR

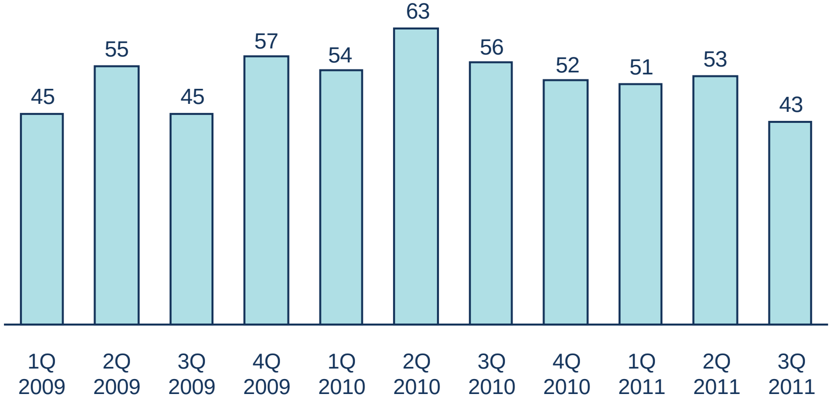


- Risk weighted assets in Commercial Banking stabilised, while risk weighted assets in Market Activities fell by 2.5bn EUR (mainly thanks to reduced CDO/ABS exposure)
- Net interest income (relating to the Commercial Banking division) remained roughly at the same level q-o-q, despite slightly higher senior debt costs. Net interest income sharply fell y-o-y due to Ireland, a reduced loan portfolio and higher senior debt costs.

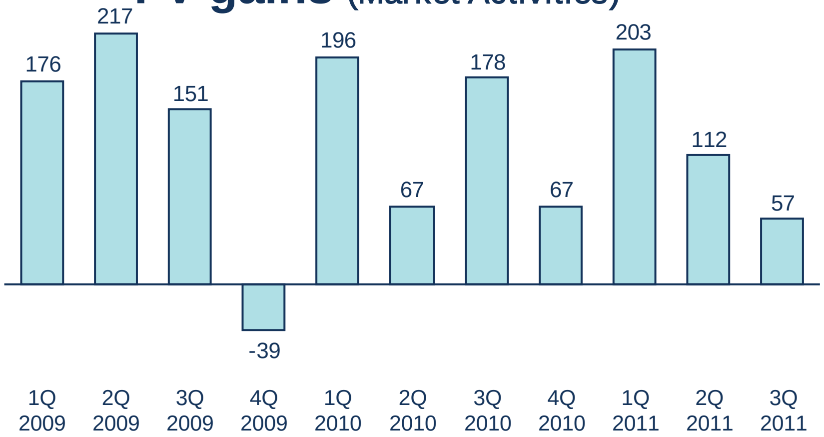
Amounts in m EUR

Merchant Banking Business Unit (3)

F&C



FV gains (Market Activities)



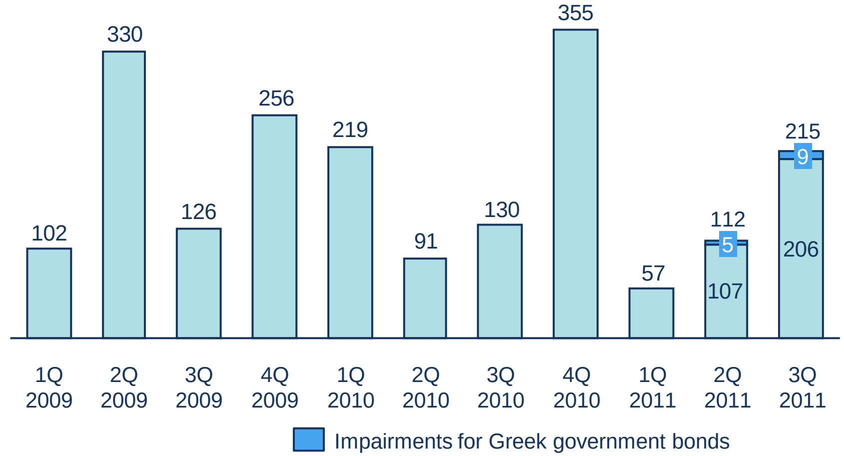
- Net fee and commission income of 43m EUR was 10m EUR lower q-o-q, partly on account of the deconsolidation in 3Q11 of the subsidiaries of KBC Securities that had been sold
- Low fair value gains within the ‘Market Activities’ sub-unit, largely due to weak dealing room activities

Amounts in m EUR

Merchant Banking Business Unit (4)

Operating expenses

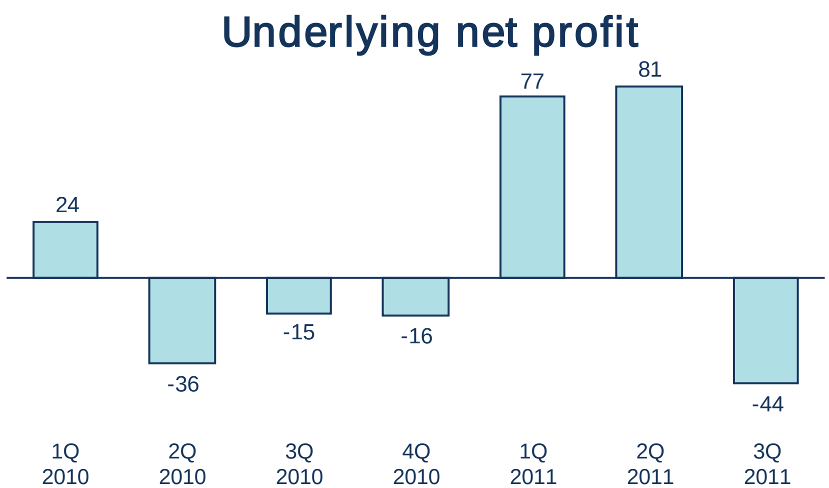
Asset impairment



- Operating expenses increased by 1% both year-on-year and quarter-on-quarter to 143m EUR. Underlying cost/income ratio: 48% YTD (and 42% YTD excluding the provision for the 5-5-5 product)
- Total impairments amounted to 215m EUR in 2Q11
  - Higher q-o-q L&R impairments can be accounted for in full by KBC Bank Ireland (loan loss provisions in 3Q11 of 187m EUR compared with 49m EUR in 2Q11). Credit cost ratio at 0.90% YTD and NPL ratio at 7.1% (0.28% YTD and 3.3%, respectively, excluding KBC Bank Ireland)
  - Impairment of 9m EUR pre-tax for Greek government bonds

Amounts in m EUR

Group Centre

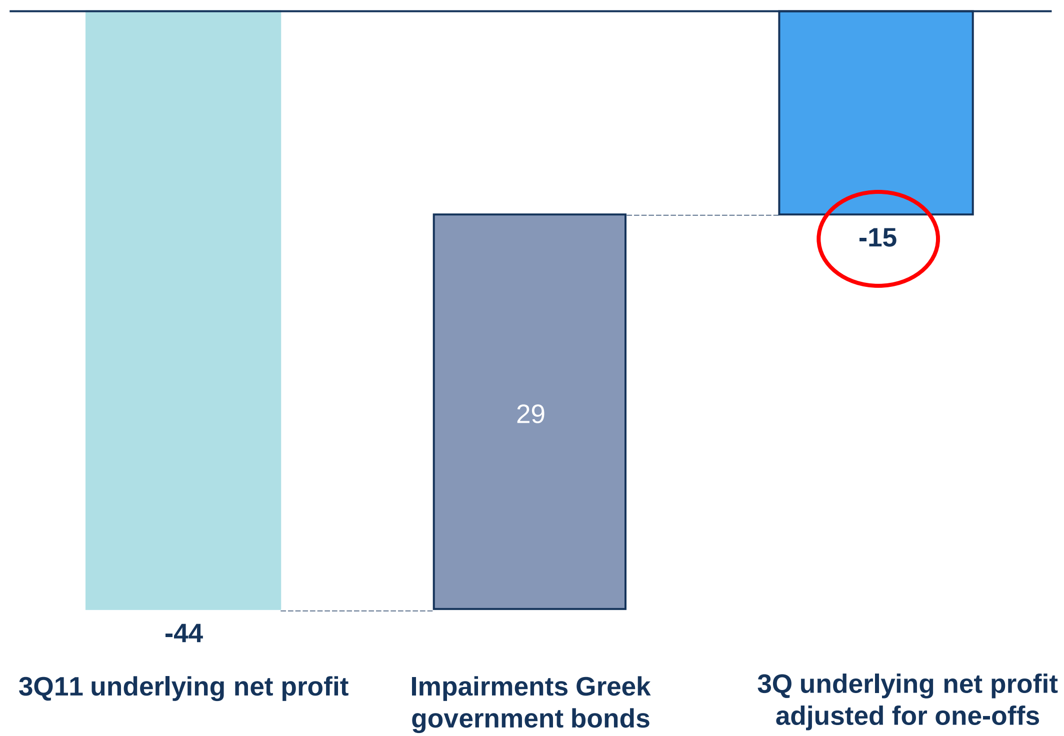


- Besides the existing activities of the holding and shared-services companies at ‘Group Centre’, all upcoming divestments were shifted to ‘Group Centre’ from 1Q10 onwards. The q-o-q decrease in net group profit is chiefly attributable to the results of the companies that have been earmarked for divestment in the coming years. Note that the divestment of Centea was finalised on 1 July 2011 (3Q11), while the sale of KBL *epb* and Fidea was announced in October 2011
- Only the planned divestments are included. The Merchant Banking activities that will be wound down organically have not been shifted to the ‘Group Centre’

Amounts in m EUR

3Q11 underlying net profit in Group Centre Business Unit adjusted for one-offs

- Adjusted for one-offs (Greek government bonds), underlying net group profit in the Group Centre Business Unit amounted to -15m EUR in 3Q11



Group Centre (2)

Breakdown of underlying net group profit

	3Q11
Group item (ongoing business)	**-17**
Planned divestments	**-27**
- Centea	0
- Fidea	-15
- Kredyt Bank	11
- Warta	15
- Absolut Bank	17
- ‘old’ Merchant Banking activities	-8
- KBL EPB	-13
- Other	-34
TOTAL underlying net group profit	**-44**

NPL, NPL formation and restructured loans in Russia

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8

Amounts in m EUR