KBC Group

EXTENDED QUARTERLY REPORT

4Q 2008

www.kbc.com

KBC Group - Investor Relations Office - E-mail: investor.relations@kbc.com

The following statements have been made in order to comply with European transparency regulations transposed into Belgian law by Royal Decree of 14 November 2007 and in effect since 2008.

Management certification of financial statements and quarterly report

"I, Herman Agneessens, Chief Financial and Chief Risk Officer of KBC Group NV, certify that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report and based on the relevant accounting standards, fairly present in all material respects the financial condition and results of KBC Group NV, including its consolidated subsidiaries."

Risk statement

As a banking, insurance and asset management group, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations such as IFRS and Basel II, as well as the economy in general.

"Based on current knowledge, we believe that the most noteworthy risks facing KBC for the coming quarters would be a deep and prolonged recession in the markets in which we are active and the impact thereof on the capital markets."

Key risk management data are provided in the annual report and the dedicated risk report, both of which are available on www.kbc.com as of 9 April 2009.

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Earnings Statement

KBC

Earnings Statement

KBC Group, 4Q 2008 and FY 2008

Regulated information* - 12 February 2008 (7 a.m. CET)

Summary

KBC posted a net loss of 2 484 million euros for financial year 2008 on the back of the financial crisis. Adjusted for the direct impact of the crisis and disregarding other exceptional items (see details in the quarterly report), (underlying) net profit came to 2 270 million euros. The net profit for the quarter ending 31 December 2008 stood at -2 625 million euros (+176 million euros on an underlying basis).

According to André Bergen, Group CEO: "The fourth quarter was truly dreadful for the financial markets, with no respite at all for the sector. Our performance was not immune to the fall-out of the crisis. We already released preliminary quarterly earnings information in mid-January and adopted a conservative stance when marking down the value of all non-super-senior tranches of Collateralised Debt Obligations to zero. We also took decisive measures to reduce costs and to de-risk the business portfolio. The financial position of the group remains solid, especially after we secured additional capital support from the Flemish Regional Government at the start of this year. Although the financial crisis has obviously not come to an end yet, the underlying business performance at the start of 2009 is encouraging, as illustrated by the fact that January 2009 was a better month than January 2008."

Key figures, overview:

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	4Q 2008 / 4Q 2007	4Q 2008 / 3Q 2008	12M 2007	12M 2008	12M 2008 / 12M 2007
Net profit (IFRS)	708	-906	-2 625	-	-	3 281	-2 484	-
Earnings per share, basic (IFRS, in EUR)	2.06	-2.66	-7.72	-	-	9.46	-7.31	-
Earnings per share, diluted (IFRS, in EUR)	2.06	-2.65	-7.70	-	-	9.42	-7.28	-
Underlying net profit	834	551	176	-79%	-68%	3 143	2 270	-28%
Underlying earnings per share, basic (in EUR)	2.42	1.62	0.52	-79%	-68%	9.06	6.68	-26%
Underlying earnings per share, diluted (in EUR)	2.42	1.62	0.52	-79%	-68%	9.02	6.66	-26%
Breakdown of underlying profit by business unit								
Belgium Business Unit	307	215	158	-49%	-27%	1 364	1 145	-16%
Central & Eastern Europe and Russia Business Unit	184	201	84	-54%	-58%	641	687	7%
Merchant Banking Business Unit	284	137	-42	-	-	965	418	-57%
European Private Banking Business Unit	50	32	15	-70%	-53%	211	161	-24%
Group Centre	8	-34	-38	-	-	- 38	- 140	-
Shareholders' equity per share (EUR, at end of period)						50.7	31.5	-38%

Highlights for 4Q 2008:

- Significant impact from marking down investments after adopting a conservative valuation approach
- Profitability in Belgium underpinned by strong market position, despite weakening environment
- Resilient volume and margin trends in CEE, with credit risk remaining at manageable levels
- Merchant banking impacted by trading losses and increasing non-domestic loan losses
- European private banking affected by adverse investment climate
- Measures were taken to contain costs and reduce credit and market risk
- Pro forma tier-1 capital ratio for banking at 11.2%, 8.6% of which core equity (including the impact of all the capital support received)

* KBC Group NV is a listed company. This news release contains information that is subject to transparency regulations for listed companies.

Financial highlights - 4Q 2008

André Bergen, Group CEO, summarised the financial highlights for 4Q 2008 as follows:

"The results were affected by markdowns on structured credit portfolios to the tune of 1.7 billion euros, after credit ratings were downgraded, benchmark credit spreads widened and non-super senior tranches of CDO investments were marked down to zero. Moreover, a 0.7-billion-euro loss was recorded in the value of the equity investment portfolio, as share prices in Europe sank another 20%, on average. Finally, write-offs in respect of exposures to Icelandic banks had a net negative impact of 0.2 billion euros."

"Since the summer of 2008, deposit pricing pressure and weak levels of income from retail investment transactions have limited profitability in Belgium. On the other hand, customer deposit growth and life insurance sales remained solid in the quarter under review, while the interest margin edged up by 6 basis points. Moreover, at 9 basis points, credit risk charges remained very low, while the underwriting result for the insurance business was very good again, bringing the combined ratio for the year to 96%. Excluding losses related to the financial crisis, the full-year return on allocated capital for the Belgium Business Unit came to 36%, illustrating the strength of our competitive position and the intrinsic value of our business."

"There is a lot of pessimism in the market about asset quality in Eastern Europe. With an underlying loan loss ratio of 73 basis points for financial year 2008, we believe that the cost of risk remained at a reasonable level. This was also the case for our presence in Hungary, which represents only 4% of our loan book. On an organic basis, overall loan growth in the region stood at 25% year-on-year. Although the loan loss trend is upwards and volume growth is expected to slow down in the coming quarters, we believe that KBC is well positioned, with its exposure being concentrated in countries that have, on average, a lower risk profile despite experiencing an economic slowdown."

"The Merchant banking unit faced severe challenges during the fourth quarter. While overall economic activity slowed, credit growth was restricted and commercial loan loss charges rose, especially in the non-domestic loan book. The underlying full-year loan loss ratio ended at 48 basis points. Capital market activities, notably in derivatives products, have been severely hit by historically high volatility, reduced effectiveness of hedges and losses incurred due to the unwinding of positions. All these factors resulted in a quarterly loss for the business unit."

"In the European private banking unit, the business model has proven to be resilient. Despite the adverse investment climate, the outflow of assets during the quarter remained limited to 1%. Obviously, core earnings were heavily impacted by the cyclical low volume of transactions and a shift to plain vanilla (i.e. low margin) products."

"KBC's financial position remains very solid thanks to its sound liquidity buffer and firm solvency ratios. When the support received from both the Belgian State and the Flemish Regional Government is included, the tier-1 ratio for the banking activities stands at 11.2%. For the insurance business, the solvency margin is 188%. Decisive measures have been taken to contain costs and reduce risk levels. Lending outside the home markets of Belgium and Eastern Europe was restricted, while market risk is also being reduced by downsizing investment banking activities."

Financial highlights – 2008

- *Net profit* according to IFRS amounted to -2 484 million euros for the 2008 financial year. This figure includes exceptional items, such as losses on investment portfolios and the unwinding of trading positions related to the financial crisis (a net 4.8 billion euros). When adjusted for these items, (underlying) profit came to a positive 2 270 million euros, reflecting an underlying return on equity of 16%.
- *Net interest income* came to 4 992 million euros, up 22% on the year-earlier figure (+10% on an underlying basis), thanks mainly to solid volume growth. Underlying loan growth stood at 8% year-on-year (8% in Belgium, 25% in Central and Eastern Europe and 0% in Merchant Banking). The net interest margin in the Central & Eastern Europe and Russia Business Unit increased from 3.0% to 3.2% (thanks in part to growth in higher-margin countries), while it fell in Belgium from 1.8% to 1.5%, due to lower savings deposit spreads.
- *Gross earned premiums* for the insurance business stood at 4 585 million euros, up 15% on the year-earlier figure. Net of *technical charges* and the *ceded reinsurance result*, income was 110 million higher (+21%). The combined ratio for the non-life business stood at a favourable 95%.
- *Dividend income* from equity holdings amounted to 259 million euros, roughly on a par with the year-earlier figure.
- *Net gains from financial instruments at fair value* came to a negative 3 481 million euros. This amount included a valuation markdown of 3.8 billion euros related to *structured credit investments*. The line item also includes income from professional money and securities trading, which was negatively impacted by the adverse capital-market climate and the unwinding of trading positions in derivative products. At the request of the external auditors, the effect of changes in own credit spreads was taken into account to determine the fair value of *liabilities at fair value*

through profit or loss. In order to meet this request, the carrying amount of own debt *designated as liabilities at fair value through profit or loss* was adjusted, resulting in a fair value gain of 371 million euros (amount excluded, however, for regulatory capital purposes).

- *Gains from available-for-sale assets* (mostly investments in shares) were limited to 95 million euros, 587 million euros less than the year-earlier figure owing to the poor performance of the equity markets.
- *Net fee and commission income* amounted to 1 714 million euros. This is 14% below the year-earlier level, largely due to lower customer investment activities consequent on the adverse investment climate.
- *Other net income* stood at 618 million euros, the same as its year-earlier level.
- *Operating expenses* came to 5 600 million euros. The 7% year-on-year increase in costs is accounted for by new acquisitions and currency appreciations. Excluding these factors, costs remained stable, with lower bonus accruals being offset by additional non-staff expenses, including restructuring charges.
- Total *impairment* charges stood at 2 234 million euros, 822 million euros of which related to the loan portfolio and 1 333 million euros to *available-for-sale* investment securities (to a large extent shares held in the insurance business). An impairment charge of 190 million euros was taken (mainly) on bonds issued by the troubled US banks *Lehman Brothers* and *Washington Mutual*, while impairment of 249 million euros related (mostly) to loans outstanding to troubled Icelandic banks.
- The contribution from *associated companies* amounted to -1 million euros, while the result attributable to *minority interests* was +105 million euros.
- Due to the negative pre-tax result, a deferred tax asset was recognised, resulting in a positive impact on the income statement.
- At the end of December 2008, parent shareholders' equity came to 14.2 billion euros. Shareholders' equity was down on the start of the year, as newly issued core capital securities (3.5 billion euros' worth issued to the Belgian State) were more than offset by the negative result for the year (-2.5 billion euros), the decrease in the revaluation reserve for available-for-sale investments (-1.9 billion euros) and treasury shares repurchased and dividends paid out in the first half of the year (-1.6 billion euros, combined), among other factors.

Strategy highlights - 2008

The 2008 financial year was one of the most eventful periods ever for the banking industry. Several banks went into difficulties when money and debt markets dried up substantially.

While the operating environment for KBC held up relatively well in the first half of the year, conditions deteriorated in the second. KBC's liquidity base remained solid, with steady inflows of customer deposits recognised in core retail markets. The solvency position was further strengthened by the issuance of hybrid capital in the first half of the year and the issuance of core capital securities to the Belgian State towards year-end. At the start of 2009, KBC also secured additional (non-dilutive) core capital support from the Flemish Regional Government of Belgium. By doing so, KBC is well positioned to weather the recessionary climate and ride out any further market turmoil.

During 2008, cost budgets were frozen throughout the group and underwriting criteria tightened for lending in non-home markets, for unsecured consumer credit and for asset-backed loans, such as leasing and real estate financing.

Future developments

The ongoing strategy review will result in a further fine-tuning of the way capital will be used in the years ahead. So far in 2009, lending outside the home markets of Belgium and Central and Eastern Europe has continued to be restricted, while market risk is also being reduced by downsizing investment banking activities.

KBC's strategy will remain focused primarily on further building on its strong competitive positions in Belgium and Central and Eastern Europe. Niche strategies in merchant banking and wealth management will be pursued on a more selective basis, while acquisitions are highly unlikely in the immediate future. Projects to contain costs throughout the group are currently being rolled out.

André Bergen, Group CEO: "*Like everybody else in the sector, we have been facing a number of strong headwinds recently, but we believe that we have taken the right steps to keep growing our core business and to safeguard its strong mid-term value.*"

Additional information on the financial statements - 2008

The external auditor has confirmed that its audit procedures for the consolidated financial statements have been substantially completed and that these procedures have not revealed any material modification that would have to be made to the accounting information derived from the consolidated financial statements and included in the communiqué.

During the financial year, no changes were made to the valuation rules that had a material impact on earnings. However, in the fourth quarter of the year, a change in the way the valuation rules are applied for impairment of available-for-sale share holdings caused the share portfolio to be impaired much earlier than before (additional impairment of 243 million euros in 2008).

During 2008, the value of local currencies in Central and Eastern European markets appreciated by an average 7% against the euro, while the value of the US dollar and British pound lost 7% and 14%, respectively. There were also a number of changes in the scope of consolidation in the past year. The resulting impact on net profit for 2008 from both changes in the value of foreign currencies and in the scope of consolidation was limited (roughly +65 million euros on a net result of -2 484 million euros).

KBC's investments in collateralised debt obligations are qualified as *financial assets designated at fair value through profit or loss* and are not eligible for being reclassified according to European IAS39 amendments. On the other hand, almost all other asset-backed securities (3.6 billion euros) were reclassified from *financial assets available-for-sale* to *loans and receivables* as of 31 December 2008.

KBC has made additional risk disclosures on its structured credit exposure as at 31 December. A dedicated PowerPoint presentation is available at www.kbc.com/ir.

Earnings per share (EPS) for 2008 (-7.31 euros) was calculated on the basis of 340.0 million shares (period average). For this purpose, the number of treasury shares held was deducted from the number of ordinary shares.

Diluted earnings per share for 2008 (-7.28 euros) was calculated on the basis of 341.0 million shares (period average). In this case, treasury shares held were excluded, while outstanding share options were included.

Shareholders' equity per share at 31 December 2008 (31.5 euros) was calculated on the basis of 339.5 million shares (end of period), with the number of treasury shares held being deducted from the number of ordinary shares. For this purpose, the amount of non-voting core capital securities outstanding was deducted from shareholders' equity.

On 30 November 2008, the KBC 1998/2008 mandatorily convertible bond (MCB) reached maturity. Holders duly received 2.5 million newly issued ordinary shares, which did not dilute the EPS, since the MCB had always been treated as shareholders' equity under IFRS.

On 19 December 2008, KBC issued 3.5-billion-euros' worth of non-voting securities qualifying as core capital to the Belgian State. KBC considers the securities to be non-dilutive for ordinary shareholders, as the State does not have the option of converting the securities into ordinary shares and KBC has no intention of using its own future substitution option.

Financial calendar

Publication of Embedded Value data, Insurance, as at 31-12-2008	2 April 2009
2008 Annual Report available as of	9 April 2009
2008 Risk Report available as of	9 April 2009
2008 Annual Corporate Social Responsibility Report available as of	9 April 2009
Annual General Meeting	30 April 2009
Publication of 1Q 2009 results	14 May 2009
Publication of 2Q 2009 results	6 August 2009
Publication of 3Q 2009 results	13 November 2009
Publication of 4Q 2009 results	11 February 2010

For an extended version of the calendar, including analyst and investor meetings, see www.kbc.com/ir/calendar.

Overview of results according to IFRS – 4Q 2008 and FY 2008

Below is a summary of the income statement of the KBC group, based on the *International Financial Reporting Standards* (IFRS). A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated financial statements' section of the quarterly report. A condensed statement of changes in shareholders' equity and several notes to the accounts are also available in the same section. In order to provide a better insight into underlying business trends, KBC also publishes its 'underlying' results (see the following section).

Consolidated income statement, KBC Group (in millions of EUR) - **IFRS-FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	cumul. 12M 2007	cumul. 12M 2008
Net interest income	1 052	1 014	930	1 093	1 163	1 311	1 249	1 269	4 089	4 992
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008	922	1 419	3 989	4 585
Gross technical charges, insurance	- 753	- 663	- 841	-1 147	-1 078	-820	- 804	-1 181	-3 404	-3 883
Ceded reinsurance result	- 15	- 5	- 17	- 28	- 10	-17	- 17	- 27	- 64	- 72
Dividend income	28	138	52	38	36	123	37	63	256	259
Net (un)realised gains from financial instruments at fair value	400	548	379	315	- 26	35	-1 688	-1 801	1 642	-3 481
Net realised gains from available-for-sale assets	317	108	115	143	198	63	80	- 246	682	95
Net fee and commission income	489	527	478	499	438	477	422	377	1 993	1 714
Other net income	155	105	128	231	129	97	210	183	619	618
Total income	2 541	2 595	2 193	2 473	2 084	2 276	411	56	9 802	4 827
Operating expenses	-1 208	-1 314	-1 266	-1 431	-1 278	-1 310	-1 351	-1 660	-5 219	-5 600
Impairment	- 27	- 56	- 62	- 121	- 98	-332	- 478	-1 325	- 267	-2 234
o/w on loans and receivables	- 25	- 55	- 51	- 54	- 27	-143	- 130	- 522	- 185	- 822
o/w on available-for-sale assets	- 4	2	- 8	- 65	- 71	-180	- 341	- 742	- 75	-1 333
Share in results of associated companies	16	22	14	4	16	8	9	- 33	56	- 1
Profit before tax	1 322	1 248	878	925	723	642	-1 410	-2 963	4 373	-3 007
Income tax expense	- 293	- 281	- 211	- 184	- 144	-121	533	360	- 970	629
Profit after tax	1 028	966	667	741	579	521	- 876	-2 603	3 403	-2 379
attributable to minority interests	31	30	28	33	26	28	30	22	123	105
attributable to the equity holders of the parent	**997**	**936**	**639**	**708**	**554**	**493**	**- 906**	**-2 625**	**3 281**	**-2 484**
Belgium	353	470	302	278	357	194	- 227	- 721	1 402	- 397
Central & Eastern Europe and Russia	151	181	150	182	159	203	- 32	- 142	664	188
Merchant Banking	261	227	160	185	31	125	- 519	-1 801	833	-2 164
European Private Banking	53	73	43	41	43	48	- 88	- 155	210	- 153
Group centre	179	- 14	- 16	23	- 35	-77	- 40	193	172	41

As stated earlier, the earnings for the third and fourth quarter were significantly impacted by value markdowns on credit and other investment portfolios.

Highlights, consolidated balance sheet and ratios (in millions of EUR or %)	31-12-2007	31-12-2008
Total assets	355 597	355 317
of which loans and advances to customers	147 051	157 296
of which securities (equity and debt instruments)	105 023	94 897
Total liabilities	337 110	339 941
of which deposits from customers and debt certificates	192 135	196 733
of which gross technical provisions, insurance	17 905	19 523
of which liabilities under investment contracts, insurance	8 928	7 201
Parent shareholders' equity	17 348	14 210
Return on equity (based on underlying results, year-to-date)	20%	16%
Cost/income ratio (based on underlying results, year-to-date)	57%	64%
Combined ratio, non-life (based on underlying results, year-to-date)	96%	95%

For a definition of ratios, see "glossary and other information". More information on the balance sheet can be found in the Consolidated Financial Statements part of the quarterly report.

Overview of the underlying results – 4Q 2008 and FY 2008

Over and above the figures according to IFRS, KBC provides a number of 'underlying' figures aimed at providing a better insight into business trends.

The differences with the IFRS figures relate to a) the exclusion of exceptional non-operating items (including losses due to the financial crisis), b) the recognition of certain hedging derivatives used for Asset and Liability Management purposes and c) the accounting treatment of certain income components related to capital-market activities. A full reconciliation of the net profit according to IFRS and the underlying net profit is provided on the next page.

Consolidated income statement, KBC Group (in millions of EUR) - **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	cumul. 12M 2007	cumul. 12M 2008
Net interest income	1 063	1 081	1 116	1 199	1 202	1 257	1 186	1 265	4 459	4 910
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008	922	1 419	3 989	4 585
Gross technical charges, insurance	-753	-663	-841	-1 147	-1 078	-820	-804	-1 181	-3 404	-3 883
Ceded reinsurance result	-15	-5	-17	-28	-10	-17	-17	-27	- 64	- 72
Dividend income	12	112	23	29	19	103	20	54	176	196
Net (un)realised gains from financial instruments at fair value	359	404	206	307	114	403	242	175	1 275	933
Net realised gains from available-for-sale assets	96	107	115	143	198	63	80	2	461	343
Net fee and commission income	513	541	539	546	464	482	430	379	2 140	1 755
Other net income	150	87	88	125	115	72	110	107	450	404
Total income	2 293	2 488	2 196	2 503	2 260	2 550	2 170	2 192	9 481	9 172
Operating expenses	-1 208	-1 314	-1 266	-1 376	-1 284	-1 383	-1 278	-1 646	-5 164	-5 591
Impairment	-23	-58	-54	-56	-28	-152	-143	-420	-191	- 743
o/w on loans and receivables	-25	-55	-51	-54	-27	-143	-130	-341	-185	- 641
o/w on available-for-sale assets	0	0	0	0	0	0	-15	-29	0	- 44
Share in results of associated companies	16	22	14	4	16	8	9	-20	56	13
Profit before tax	1 078	1 138	890	1 074	964	1 022	758	106	4 181	2 850
Income tax expense	-262	-230	-216	-207	-200	-188	-175	94	-916	- 470
Profit after tax	816	908	674	867	763	834	583	200	3 265	2 381
attributable to minority interests	32	30	28	33	26	28	32	24	123	111
attributable to the equity holders of the parent	**785**	**878**	**646**	**834**	**737**	**806**	**551**	**176**	**3 143**	**2 270**
Belgium	328	416	313	307	455	318	215	158	1364	1 145
Central & Eastern Europe and Russia	152	175	130	184	180	222	201	84	641	687
Merchant Banking	269	241	170	284	89	234	137	-42	965	418
European Private Banking	52	58	50	50	50	64	32	15	211	161
Group centre	-17	-13	-16	8	-36	-32	-34	-38	-38	- 140

Reconciliation of the accounts according to IFRS with the underlying accounts

The differences between the underlying results and the results reported according to IFRS are as follows:

- In order to arrive at the figure for underlying group profit, exceptional factors that do not regularly occur during the normal course of business are eliminated from the profit figure. These factors also include exceptional losses due to the financial crisis, such as those incurred on structured credit investments, on exposures to troubled banks (Lehman Brothers, Washington Mutual, Icelandic banks), on equity 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 (impact on net profit: see table below).
- 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 (un)realised gains 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.

  Moreover, the fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). Hence, the 'underlying figures' exclude the fair value changes in these ALM derivatives (impact on net profit: see table below).
- In the (investment banking's) IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains 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 gains 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 (un)realised gains from financial instruments at fair value', without any impact on net profit.
- Lastly, at the request of the external auditors, the effect of changes in own credit spreads 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 a positive impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures' (impact on net profit: see table below)

A detailed reconciliation of net profit under IFRS and underlying net profit is provided in the table below.

Underlying profit analysis, KBC Group (in millions of EUR)	BU*	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Profit after tax, attributable to equity holders of the parent		997	936	639	708	554	493	-906	-2 625
Minus									
- Amounts before taxes and minority items									
MTM of derivatives for hedging purposes	various	34	94	13	36	-33	41	-151	-310
MTM of own debt issued	Group								371
Sale of shares in Intesa Sanpaolo (Italy)	Group	207							
Sale of Banca KBL Fumagalli (Italy)	EPB		14						
Sale of GBC (Hungary)	CEER			35					
Adjustment staff health insurance	Group				-64				
Impairment of shares Irish Life & Permanent (Ireland)	Group						-42	-8	-17
Gain on participation NLB as a result of capital increase	CEER							54	-14
Gain on participation of the sale of Prague Stock Exchange	Merchant								33
Value mark downs of CDOs	various			-51	-143	-137	-241	-1 732	-1 895
Value losses on shares	various	-4	2	-8	-65	-71	-138	-159	-733
Impairment of exposure to troubled US and Icelandic banks	various							-172	-268
Loss due to unwinding of derivative trading positions	Merchant								-245
Other	various	-23	-13	-3	80				9
- Taxes and minority interests on the items above	various	-2	-40	8	30	58	67	712	267
Underlying profit after tax, attributable to equity holders of the parent		785	878	646	834	737	806	551	176

*Belgium = Belgium business unit; CEER = Central & Eastern Europe and Russia business unit; Merchant = Merchant Banking business unit; EPB = European Private Banking business unit; Group = Group Centre.

Analysis of underlying earnings components

Analysis of earnings components

KBC Group, 4Q 2008

Analysis of total income (underlying figures)

Total income (in millions of EUR) UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	1 063	1 081	1 116	1 199	1 202	1 257	1 186	1 265
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008	922	1 419
Non-Life	*440*	*442*	*457*	*487*	*503*	*504*	*514*	*531*
Life	*429*	*382*	*511*	*841*	*734*	*504*	*407*	*888*
Gross technical charges	- 753	- 663	- 841	-1 147	-1 078	- 820	- 804	-1 181
Non-Life	*- 298*	*- 246*	*- 272*	*- 269*	*- 289*	*- 261*	*- 310*	*- 344*
Life	*- 455*	*- 416*	*- 570*	*- 877*	*- 789*	*- 559*	*- 493*	*- 837*
Ceded reinsurance result	- 15	- 5	- 17	- 28	- 10	- 17	- 17	- 27
Net fee and commission income	513	541	539	546	464	482	430	379
*Banking**	*609*	*626*	*626*	*647*	*586*	*586*	*547*	*507*
Insurance	*- 96*	*- 85*	*- 87*	*- 101*	*- 122*	*- 104*	*- 117*	*- 128*
Net (un)realised gains from financial instruments at fair value	359	404	206	307	114	403	242	175
Net realised gains from available-for-sale assets	96	107	115	143	198	63	80	2
Dividend income	12	112	23	29	19	103	20	54
Other net income	150	87	88	125	115	72	110	107
Total income	2 293	2 488	2 196	2 503	2 260	2 550	2 170	2 192
Belgium	881	989	881	925	1 042	925	758	822
Central & Eastern Europe and Russia	523	581	564	677	659	745	799	799
Merchant Banking	696	716	565	684	420	726	517	482
European Private Banking	190	192	177	215	158	202	146	168
Group Centre	3	11	10	2	- 19	- 48	- 50	- 78

* Includes banking, KBL EPB and holding activities.

Net interest income in the quarter under review amounted to 1 265 million euros, up 7% on the previous quarter and 6% on the year-earlier quarter. Total outstanding loans to customers increased by 8% year-on-year (y/y) to 157 billion euros while deposits went up by 2% y/y to 197 billion euros. Combined with a reversal of the interest margin trend in the last quarter to a moderate increase (from 1.57% to 1.68%), this pushed net interest income up. Interest on traditional savings deposits had been higher in Belgium from July to end-November 2008, but has fallen again since 1 December, following consecutive cuts in the ECB interest rate. In Central and Eastern Europe, the net interest margin continued its upward trend in the last quarter (from 3.18% to 3.29%).

The increase in gross earned insurance premiums (at 1 419 million euros, they are 497 million euros higher than in the previous quarter) was mainly driven by the life insurance business. Life insurance premiums (excluding unit-linked products, of which a substantial part of the premium income is – in accordance with IFRS – not included in the gross earned premiums heading in the income statement), amounted to 888 million euros in the quarter under review. Sales of guaranteed-interest life insurance products rose to 1 177 million euros (double-digit growth of 96% quarter-on-quarter (q/q), 75% compared with the average of the first three quarters in 2008 and 33% y/y). This, together with depressed sales levels in the unit-linked business (168 million euros compared with 212 million euros in the previous quarter and 390 million euros in the last quarter of 2007), illustrates a shift towards more traditional banking and insurance products.

Gross earned premiums in non-life went up by 3% to 531 million euros q/q. Moreover, non-life insurance activities generated a fine technical result, with, for example, a combined ratio of 95% for the full year, a further improvement on the

96% recorded for 2007. The combined ratios for the full year for the various business units were: Belgium 96%, CEER 95% and Merchant Banking 87%. The claims reserve ratio amounted to 165%, down on the 176% recorded at the end of 2007.

Net fee and commission income went down (379 million euros compared with 430 million euros in the previous quarter and 546 million euros in 4Q 2007). The change in customers' behaviour owing to the current investment climate resulted in lower fee income from the mutual fund business, as well as decreased activity in securities brokerage and corporate finance. Moreover, net commission income was also negatively impacted by the increased *commissions paid* to insurance agents based on higher sales results in the quarter. Total assets under management for the group stood at 207 billion euros at year-end 2008, down 7% q/q and 10% y/y. This was entirely attributable to the trend in the market price of the assets themselves (-12% y/y). In 2008, there was no net outflow of assets under management but instead a slight net inflow of new funds (+1% y/y).

Net (un)realised gains from financial instruments at fair value ('trading and fair value income') amounted to 175 million euros, compared with 242 million euros in 3Q 2008 and 307 million in 4Q 2007. These underlying figures exclude the negative impact of valuation changes in the structured credit portfolio due to the current adverse financial situation.

Realised gains from available-for-sale assets amounted to 2 million euros in the quarter under review, down on the 80 million euros recorded in the previous quarter and 143 million euros recorded in 4Q 2007, although the Q4 2007 figure was boosted somewhat by gains on sales due to corporate actions.

4Q 2008 dividend income amounted to 54 million euros and other net income came to 107 million euros.

These underlying figures exclude the negative impact of changes in the value of the structured credit portfolio. This impact increased every quarter of 2008 and amounted to -2.9 billion euros in the quarter under review (the impact on the income statement and on shareholders' equity combined), mainly owing to the rating downgrades of CDOs in portfolio. The impact on the income statement in the fourth quarter amounted to 1.9 billion euros (1.7 billion euros after tax), bringing the total impact on the income statement for 2008 to 4 billion euros (3.1 billion euros after tax). The figure for the fourth quarter includes the effect of downgrades of CDO notes (-0.6 billion euros), a widening of credit spreads (-0.3 billion euros) and an increase in the provision for counterparty risk in respect of monoline insurers (-0.4 billion euros). Another -0.5 billion euros was added for of the write-downs relating to the remaining exposure to the non-super-senior tranches of CDOs issued by KBC Financial Products, but this figure was partly offset by the reversal of existing deal reserves (+0.2 billion euros). A sudden rise in asset correlations resulted in an extraordinary loss of -0.3 billion euros.

Analysis of operating expenses (underlying figures)

Operating expenses (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Staff expenses	- 745	- 764	- 761	- 823	- 765	- 812	- 719	- 835
General administrative expenses	- 381	- 446	- 412	- 501	- 447	- 485	- 467	- 584
Depreciation and amortisation of fixed assets	- 85	- 88	- 95	- 94	- 93	- 88	- 102	- 109
Provisions for risks and charges	3	- 15	2	41	22	2	11	- 119
Operating expenses	-1 208	-1 314	-1 266	-1 376	-1 284	-1 383	-1 278	-1 646
Belgium	- 432	- 471	- 461	- 485	- 464	- 486	- 479	- 601
Central & Eastern Europe and Russia	- 321	- 351	- 363	- 454	- 406	- 446	- 479	- 548
Merchant Banking	- 322	- 367	- 311	- 323	- 301	- 323	- 217	- 350
European Private Banking	- 124	- 115	- 120	- 128	- 95	- 132	- 111	- 148
Group Centre	- 8	- 9	- 11	13	- 18	4	8	0

In 4Q 2008, operating expenses amounted to 1 646 million euros, up 368 million euros on the previous quarter. This quarterly increase was largely the result of restructuring charges (135 million euros), provisions for commercial litigations (64 million euros), pension charges (68 million euros), changes in accounting treatment, and higher marketing and IT costs. The change in accounting treatment relates to the change in tax status which meant that the remuneration for profit sharing for staff in Belgium had to be grossed up (impact of 46 million euros, offset by tax credits in the 'income tax' heading).

The aforementioned one-off charges and the impact from net currency appreciations and changes in the scope of consolidation also contributed to the increase in operating expenses compared with the fourth quarter of 2007 (+270 million euros). The year-earlier quarter also included a net write-back of 41 million euros in relation to unused provisions for risks and charges.

Disregarding the direct impact of the financial crisis on income (*inter alia* write-downs on CDOs), the cost/income ratio for the banking business for the whole of 2008 increased to 64%, compared with 57% for 2007. This figure breaks down per business unit as follows: 71% for Belgium, 60% for CEER, 57% for Merchant Banking and 73% for European Private Banking. If the effect of the financial crisis is included, the 2008 cost/income ratio came to 104%.

Analysis of impairment (underlying figures)

Impairment (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Impairment on loans and advances	-25	-55	-51	-54	-27	-143	-130	-341
Impairment on available-for-sale assets	0	0	0	0	0	0	-15	-29
Impairment on goodwill	0	0	0	0	0	0	0	-15
Impairment on other	1	-3	-3	-2	0	-9	2	-36
Impairment	-23	-58	-54	-56	-28	-152	-143	-420
Belgium	3	-9	-8	-45	-4	-13	-18	-12
Central & Eastern Europe and Russia	-22	-30	-37	-1	-35	-53	-83	-151
Merchant Banking	-5	-19	-9	26	13	-85	-42	-215
European Private Banking	1	0	1	-36	-2	0	0	-41
Group Centre	0	-1	-1	0	0	0	0	-2

In 4Q 2008, the underlying figure (i.e. excluding impairment directly related to the financial crisis) for impairment stood at 420 million euros, up both on the previous quarter (143 million euros) and the 4Q07-3Q08 quarterly average (95 million euros). Impairment charges *on the loan portfolio* amounted to 341 million euros. Hence, the underlying loan loss ratio for the full 2008 year (which includes both loans and corporate and bank bonds) stood at 46 basis points for the whole group. The loan loss ratio for the Belgium Business Unit came to 9 basis points (down from 13 basis points in 2007), to 73 basis points for the CEER Business Unit (up from the low 26 basis points for the previous year, which included impairment reversals in Poland) and 48 basis points for the Merchant Banking Business Unit.

As mentioned above, in order to provide an overview of the normal course of business, the figures given here exclude the direct consequences of the financial crisis, such as the impairment losses that had to be recorded in respect of troubled Icelandic banks (194 million euros after tax, 249 million euros before tax for the quarter under review) and impairment on the equity portfolio (460 million euros for the quarter under review) owing to the steep decline of stock market prices in 2008. If the impairment in respect of the Icelandic banks was included, the full-year loan loss ratio would stand at 70 basis points, considerably higher than the previous year (13 basis points).

Loan quality deteriorated slightly. As at 31 December 2008, the non-performing loan ratio, for instance, stood at 1.8%, up from 1.5% at the end of 2007, whereas the percentage of cover for non-performing loans afforded by all loan loss provisions stood at 89%, versus 94% at the end of 2007. Since there is usually a time lag between the trend in the economic cycle and non-performing loans, this figure is expected to rise in the quarters to come.

The fourth quarter also saw impairment on goodwill and other intangible assets to the tune of 51 million euros. Due to the winding up of the activities of KBC Financial Products (investment banking), all remaining outstanding goodwill was written down.

Analysis of other earnings components (underlying figures)

Other components of the result (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Share in result of associated companies	16	22	14	4	16	8	9	-20
Income tax expense	-262	-230	-216	-207	-200	-188	-175	94
Minority interests in profit after tax	32	30	28	33	26	28	32	24

The share in the results of associated companies came to -20 million euros in 4Q 2008. This loss mainly relates to asset impairment charges.

In view of the negative result and reversals of amounts accrued in earlier quarters, the group income tax expense amounted to a *positive* 94 million euros in 4Q 2008.

The result attributable to minority shareholders came to 24 million euros.

Underlying results per business unit

The group consists of five business units: Belgium, Central & Eastern Europe and Russia (CEER), Merchant Banking, European Private Banking, and Shared Services & Operations. This last encompasses IT, payments processing and centralised ‘product factories’, such as asset management, consumer finance, leasing and trade finance. All revenue and expenses generated or incurred by Shared Services & Operations are allocated to the other business units.

The following sections of this report provide an underlying income statement and associated comments for each business unit.

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail bancassurance activities in Belgium (including the KBC-brand private banking activities). 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 Belgian subsidiaries (mainly CBC Banque, Centea, Fidea and ADD).

In the quarter under review, the Belgium Business Unit generated an underlying profit of 158 million euros, down from 215 million euros in the previous quarter and 307 million euros in the year-earlier quarter. This figure excludes the direct impact of the financial crisis, which includes *(figures relate to post-tax impact in 4Q 2008):*

- 168 million euros in downward adjustments in the value of CDOs
- 557 million euros in impairment and realised losses on the equity portfolio

Although total income increased compared with 3Q 2008, it was offset by an increase in operating expenses, leading to the lower profit in this quarter.

Income statement, Belgium Business Unit (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	483	479	478	511	532	542	441	469
Gross earned premiums, insurance	563	522	641	953	865	632	532	1 024
Gross technical charges, insurance	- 564	- 501	- 614	- 939	- 828	- 612	- 524	- 954
Ceded reinsurance result	- 4	- 5	- 4	0	- 6	- 7	- 5	- 2
Dividend income	10	90	14	15	15	77	14	41
Net (un)realised gains from financial instruments at fair value	5	20	26	12	28	- 9	16	12
Net realised gains from available-for-sale assets	68	107	93	101	200	59	79	18
Net fee and commission income	229	238	214	234	192	205	163	163
Banking	*276*	*276*	*255*	*279*	*249*	*249*	*207*	*220*
Insurance	*- 46*	*- 38*	*- 42*	*- 45*	*- 56*	*- 43*	*- 44*	*- 57*
Other net income	92	38	33	37	45	39	41	52
Total income	881	989	881	925	1 042	925	758	822
Operating expenses	- 432	- 471	- 461	- 485	- 464	- 486	- 479	- 601
Impairment	3	- 9	- 8	- 45	- 4	- 13	- 18	- 12
o/w on loans and receivables	3	- 9	- 8	- 45	- 4	- 13	- 18	- 12
o/w on available-for-sale assets	0	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	452	508	412	395	575	426	262	210
Income tax expense	- 121	- 91	- 99	- 87	- 120	- 108	- 46	- 52
Profit after tax	331	417	313	308	455	319	215	158
attributable to minority interests	3	1	1	0	1	0	1	0
attributable to the equity holders of the parent	**328**	**416**	**313**	**307**	**455**	**318**	**215**	**158**
Banking activities	*244*	*142*	*160*	*164*	*179*	*155*	*68*	*71*
Insurance activities	*84*	*275*	*153*	*144*	*276*	*163*	*146*	*86*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*23 252*	*24 336*	*23 288*	*23 380*
Allocated equity (end of period, Basel II)	-	-	-	-	*3 014*	*3 123*	*3 077*	*3 134*
Return on allocated capital (ROAC, Basel II))	-	-	-	-	*59%*	*40%*	*26%*	*21%*
Cost/income ratio (banking activities)	*50%*	*65%*	*61%*	*59%*	*58%*	*62%*	*79%*	*88%*
Combined ratio (non-life insurance activities)	*102%*	*96%*	*97%*	*102%*	*88%*	*96%*	*93%*	*96%*

For a definition of ratios, see 'glossary and other information'.

Net interest income for this business unit amounted to 469 million euros in the quarter under review 6% higher than the previous quarter due to higher volumes of deposits and loans and an increase in the net interest margin.

Both deposit and loan volumes continued to grow (+1% and +2% q/q, respectively; +6% and +8% y/y, respectively), as did mortgage volumes (+2% q/q and +9% y/y).

The net interest margin for the quarter stood at 1.25%, down on the 1.74% recorded for the year-earlier quarter but higher than the 1.19% recorded in the previous quarter.

Gross earned premiums generated by the group's insurance activities in Belgium amounted to 1 024 million euros, an increase of 492 million euros, or 92%, on the previous quarter that was driven almost entirely by an increase in the life insurance business (excluding unit-linked products for which the sales volume continued to fall). The y/y rise in gross earned premiums generated by the life insurance business came to 8%, a situation also reflected in the sales figures. Life insurance sales for the quarter under review (847 million euros) were mainly supported by the sale of interest-guaranteed products (782 million euros). Sales of unit-linked products amounted to 64 million euros (down from 135 million euros in the previous quarter and 267 million euros in 4Q 2007) as the uncertain market climate caused customers to switch to more traditional bank deposit products.

On the other hand, non-life insurance premium income continued its steady increase (outgrowing the market again). In 4Q 2008, it stood at 239 million euros, representing y/y growth of 6%. Moreover, the combined ratio (a measure of underwriting performance) for the full year was excellent. At 96%, it improved on the 98% recorded in 2007 (although the 2007 figure was impacted by exceptional windstorm damage).

Net gains from financial instruments at fair value came to 12 million euros in the fourth quarter, in line with the 4Q07-3Q08 quarterly average of 12 million euros. As explained above, these underlying results exclude the impact of the markdown on CDOs (256 million euros) as a direct consequence of the financial crisis.

Net realised gains from available-for-sale securities amounted to 18 million euros in the fourth quarter, down 79 million euros on the previous quarter owing to lower net realised gains on shares in the insurance business (9 million euros in 4Q 2008 compared with 76 million euros in 3Q 2008) resulting from the deterioration in the equity market. This figure is also down on the 101 million euros recorded in the year-earlier quarter, but that quarter included a 41-million-euro gain on the sale of ABN Amro shares during the public tender offer.

Despite the increasingly difficult investment climate, net fee and commission income remained at the same level as 3Q 2008. At the end of December 2008, assets managed by this business unit stood at 151 billion euros. While a net inflow increased the assets under management by 1% y/y, the decrease in prices had a negative impact of -9% y/y, causing the nominal amount of assets under management to fall by 7% y/y. Despite lower volumes, KBC's market share of mutual funds went up.

Dividend income came to 41 million euros. Other net income amounted to 52 million euros, in line with earlier quarters.

Operational expenses in 4Q 2008 stood at 601 million euros, compared with 485 million euros in 4Q 2007. The increase is due to restructuring costs (19 million euros), pension charges (61 million euros) and changes in accounting treatment that had no impact on the bottom line. The insourcing of payments processing caused the related costs (15 million euros) to be moved from 'fee and commission income' to 'operational expenses'. Another adjustment followed a change in tax status that meant that profit-sharing remuneration for staff in Belgium had to be grossed up (impact of 39 million euros that was offset by a tax credit in the 'income tax' heading). The full-year cost/income ratio for the Belgian banking activities came to 71% (excluding, for example, the impact of CDOs on income); in 2007, the cost/income ratio was 58%.

At 12 million euros, impairment losses were low in the fourth quarter. Since the worsening economic climate has not yet had a significant impact on loan losses; impairment on the Belgian retail *loan portfolio* remained stable and at a low level (for the full year 2008, 9 basis points of the total loan portfolio, which is in line with the 13 basis points recorded at year-end 2007).

The income tax expense stood at -52 million euros, which corresponds to an actual tax rate of 25%. This is higher than the previous quarter due to the lower non-taxable gains realised on the equity portfolio in the quarter under review.

Note that these figures exclude exceptional items and the direct impact of the financial crisis, i.e. the downward adjustment of 168 million euros, net, in the value of CDOs and 557 million euros, net, on the decline in value of the share portfolio.

CEER Business Unit (underlying trend)

The CEER Business Unit encompasses all banking and insurance activities in Central and Eastern Europe and Russia, primarily:
- Czech Republic: ČSOB Bank and ČSOB Insurance
- Slovakia: ČSOB Bank, ČSOB Insurance, and Istrobanka (included for the first time in 3Q 2008)
- Hungary: K&H Bank and K&H Insurance
- Poland: Kredyt Bank and WARTA
- Serbia: KBC Banka
- Bulgaria: CIBank (formerly Economic and Investment Bank) and DZI Insurance
- Russia: Absolut Bank
- Slovenia: Nova Ljubljanska banka (NLB) (minority participation) and NLB Life.

In the quarter under review, the CEER Business Unit generated underlying profit of 84 million euros, which breaks down as follows:

- 115 million euros in the Czech Republic
- -2 million euros in Slovakia (including the integration costs for Istrobanka)
- 1 million euros in Hungary
- 26 million euros in Poland
- 1 million euros in Russia
- -57 million euros under the 'other results' heading (mostly funding costs , see below).

The 4Q 2008 underlying profit figure excludes the direct impact of the financial crisis, which consists of *(figures relate to a post-tax impact in 4Q 2008):*

- 82 million euros in a downward adjustment in the value of CDOs
- 28 million euros in impairment relating to troubled Icelandic banks
- 56 million euros in impairment on the equity portfolio

Income statement, Central & Eastern Europe and Russia Business Unit (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	274	283	319	361	390	439	471	482
Gross earned premiums, insurance	239	231	251	297	299	319	330	338
Gross technical charges, insurance	- 139	- 103	- 166	- 165	- 186	- 164	- 235	- 201
Ceded reinsurance result	- 7	- 5	- 11	- 8	- 4	- 9	- 7	- 17
Dividend income	0	2	1	2	0	3	2	8
Net (un)realised gains from financial instruments at fair value	47	63	67	61	49	62	124	80
Net realised gains from available-for-sale assets	12	4	2	9	- 1	- 5	- 2	1
Net fee and commission income	75	84	82	82	76	75	79	70
Banking	*109*	*118*	*116*	*129*	*129*	*132*	*143*	*131*
Insurance	*- 34*	*- 34*	*- 34*	*- 47*	*- 53*	*- 56*	*- 64*	*- 61*
Other net income	23	21	17	38	36	25	36	39
Total income	523	581	564	677	659	745	799	799
Operating expenses	- 321	- 351	- 363	- 454	- 406	- 446	- 479	- 548
Impairment	- 22	- 30	- 37	- 1	- 35	- 53	- 83	- 151
o/w on loans and receivables	- 22	- 27	- 36	- 1	- 35	- 51	- 79	- 149
o/w on available-for-sale assets	0	0	0	0	0	0	0	0
Share in results of associated companies	15	19	14	3	15	8	11	- 10
Profit before tax	195	219	177	224	233	254	248	90
Income tax expense	- 35	- 35	- 42	- 34	- 48	- 25	- 38	- 4
Profit after tax	160	184	135	190	185	228	209	86
attributable to minority interests	8	9	5	6	6	6	8	3
attributable to the equity holders of the parent	**152**	**175**	**130**	**184**	**180**	**222**	**201**	**84**
Banking activities	*129*	*154*	*119*	*162*	*183*	*206*	*189*	*63*
Insurance activities	*23*	*21*	*11*	*22*	*- 3*	*16*	*12*	*20*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*34 643*	*39 943*	*39 585*	*38 380*
Allocated equity (end of period, Basel II)	-	-	-	-	*2 603*	*2 973*	*3 006*	*2 922*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*25%*	*28%*	*22%*	*10%*
Cost/income ratio (banking activities)	*62%*	*59%*	*63%*	*66%*	*58%*	*57%*	*58%*	*66%*
Combined ratio (non-life insurance activities)	*107%*	*88%*	*97%*	*92%*	*92%*	*89%*	*92%*	*95%*

For a definition of ratios, see 'glossary and other information'.

Compared with a year ago, the average exchange rates in the fourth quarter for the Czech and Slovak korunas were up against the euro (7% and 11%, respectively), while the exchange rates for the Polish zloty, Russian rouble and Hungarian forint were each down by around 2%.
Nevertheless, the q/q trend improved for some currencies and worsened for others (CZK -3%, SKK +2%, PLN -11%, RUB +1% and HUF -9%).

A number of small acquisitions were also carried out in 2008, i.e. CIBank in Bulgaria (included in the results from 1Q 2008) and Istrobanka in Slovakia (included in the results from 3Q 2008). In the quarter under review, CIBank contributed a net figure of -2 million euros to the results, and Istrobanka contributed a net -7 million euros (the latter on account of the integration costs).

Net interest income amounted to 482 million euros, a 7% increase on an organic basis (excluding the impact of exchange rates and new acquisitions) on the 471 million euros of the previous quarter that is due to higher volumes and higher margins. Lending went up by 6% during the quarter while the net interest rate margin increased from 3.18% to 3.29%. This reflects the ongoing solid business growth in KBC's main markets in the CEER region. Organic growth in net interest income amounted to 27% y/y as a result of a 25% rise in lending and a 25 basis-point increase in the net interest margin. Including the new acquisitions, growth in net interest income came to 34% y/y.

Gross earned insurance premiums in the business unit amounted to 338 million euros. Non-life gross earned premiums grew organically by 18% y/y. The combined ratio for this business unit came to 95% for the full year. This figure can be broken down as follows: Slovak Republic 104%, Bulgaria 98%, Poland 95%, Czech Republic 92% and Hungary 87%.

Gross earned premiums from the life insurance business went up by 3% y/y. However, it should be noted that sales of life insurance products grew steadily during 2008 (4Q 2008 was up by 42% on 3Q 2008, and FY 2008 by 132% on FY 2007). These higher sales volumes are not reflected in higher gross earned premiums from the life insurance business because this growth was achieved in life insurance investment products that are included under 'net fee and commission income'.

Net gains from financial instruments at fair value fell to 80 million euros (down from 124 million euros in 3Q 2008 (which included a high level of foreign currency related income) and below the 4Q07-3Q08 quarterly average of 74 million euros). As explained above, these underlying figures disregard the write-downs taken on the value of CDOs, which amounted to 82 million euros after tax in 4Q 2008. These write-downs are not included in the underlying figures because they do not reflect the normal course of business.

Total net fee and commission income fell by 9 million euros q/q, and stood at 70 million euros at the end of Q4. In addition, compared with the fourth quarter of 2007, this figure had fallen by 12 million euros, primarily as a result of the insurance business where higher sales volumes led to the payment of higher acquisition commissions.

Operating expenses stood at 548 million euros, an increase of 69 million euros on the previous quarter that is mainly due to an increase in non-staff expenses: provisions for commercial litigations (31 million euros), restructuring charges (9 million euros) and higher IT and marketing expenses. The cost/income ratio for the CEER banking activities (excluding, for example, the impact of CDO exposure) stood at 60% for the full year. In 2007, the cost/income ratio stood at 63%.

Impairment came to 151 million euros, almost entirely consequent on impairment recognised on the loan portfolio (149 million euros) which increased by 70 million euros in the last quarter. Impairment on loans went up gradually during 2008 (35 million euros in 1Q, 51 million euros in 2Q and 79 million euros in 3Q) The bulk of the impairment losses were recorded in the Czech Republic (37 million euros), Russia (31 million euros), Poland (27 million euros) and Hungary (26 million euros). The loan loss ratio for the full 2008 year came to 73 basis points and can be broken down as follows: 38 basis points for the Czech Republic, 82 basis points for Slovakia, 95 basis points for Poland, 41 basis points for Hungary and 240 basis points for Russia. The figure for Russia includes the impact of the generic provisions that were set aside (the loan loss ratio without the generic provisions would have been 1.75%). The non-performing loan ratio remained stable at a low 2%. However, as loan losses tend to follow economic downturns with a slight delay, the loan losses are expected to increase in the quarters ahead.

In addition to the above impairment, which relates to the normal course of business, a net amount of 28 million euros was also written down in respect of the troubled Icelandic banks and negative value adjustments were made on the structured credit portfolio (82 million euros, net). Moreover, the continued deterioration of the stock markets in 4Q 2008 triggered additional impairment on shares in the investment portfolio (some 56 million euros, net). However, as both items are seen as being directly related to the crisis, they are not included in the underlying figures.

The share in results of associated companies amounted to -10 million euros, down from a quarterly average of 12 million euros for 2007 and the first three quarters of 2008. This is related to impairment charges on assets.

The underlying income statements given below are provided for the main CEER countries: the Czech Republic, Slovakia, Hungary, Poland and Russia. The 'CEER funding costs and other results' section includes the funding cost of goodwill paid on acquisitions in CEER, the results of the other subsidiaries and participations (mainly NLB and NLB Life in Slovenia, KBC Banka in Serbia, DZI Insurance and CIBank in Bulgaria), minority interests in the CEER subsidiaries, some operating expenses related to CEER at KBC group's head office, and adjustments for consolidation.

Income statement, Czech Republic (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	157	163	177	196	211	221	230	232
Gross earned premiums, insurance	58	60	63	68	70	74	74	74
Gross technical charges, insurance	- 10	- 13	- 50	- 35	- 52	- 35	- 83	- 18
Ceded reinsurance result	- 3	1	- 1	- 1	- 3	- 3	- 2	- 3
Dividend income	0	1	1	1	0	1	1	3
Net (un)realised gains from financial instruments at fair value	6	14	18	5	7	22	49	- 16
Net realised gains from available-for-sale assets	8	0	1	- 2	- 3	0	1	1
Net fee and commission income	51	52	49	54	57	60	61	54
Banking	*58*	*59*	*56*	*61*	*64*	*67*	*68*	*67*
Insurance	*- 7*	*- 7*	*- 7*	*- 7*	*- 7*	*- 7*	*- 7*	*- 13*
Other net income	8	9	5	12	25	7	23	23
Total income	276	286	262	299	313	348	352	349
Operating expenses	- 125	- 136	- 133	- 157	- 155	- 151	- 163	- 180
Impairment	- 4	- 9	- 20	2	- 13	- 11	- 34	- 36
o/w on loans and receivables	- 4	- 9	- 20	2	- 13	- 10	- 30	- 37
o/w on available-for-sale assets	0	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	147	141	109	144	145	185	155	133
Income tax expense	- 32	- 30	- 26	- 31	- 25	- 31	- 16	- 17
Profit after tax	114	111	83	113	120	154	138	115
attributable to minority interests	3	4	0	0	1	0	1	1
attributable to the equity holders of the parent	**111**	**107**	**83**	**113**	**119**	**154**	**137**	**115**
Banking activities	*86*	*103*	*79*	*103*	*125*	*145*	*136*	*88*
Insurance activities	*25*	*5*	*4*	*10*	*- 5*	*9*	*2*	*26*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*15 003*	*15 003*	*15 276*	*14 569*
Allocated equity (end of period, Basel II)	-	-	-	-	*1 072*	*1 324*	*1 102*	*1 050*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*39%*	*47%*	*39%*	
Cost/income ratio (banking activities)	*50%*	*47%*	*51%*	*54%*	*47%*	*42%*	*45%*	*56%*
Combined ratio (non-life insurance activities)	*114%*	*81%*	*98%*	*95%*	*100%*	*91%*	*87%*	*92%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Slovakia (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	25	23	22	25	30	34	41	46
Gross earned premiums, insurance	13	14	13	18	13	20	16	16
Gross technical charges, insurance	- 9	- 10	- 10	- 13	- 8	- 16	- 12	- 11
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	3	11	6	7	7	9	9	7
Net realised gains from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	6	7	5	8	7	6	9	9
Banking	*7*	*8*	*6*	*9*	*8*	*7*	*11*	*11*
Insurance	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*
Other net income	4	4	3	1	1	0	3	3
Total income	41	46	39	45	50	53	67	70
Operating expenses	- 28	- 27	- 26	- 33	- 30	- 32	- 41	- 55
Impairment	- 8	- 5	- 6	- 2	- 4	- 4	- 9	- 15
o/w on loans and receivables	*- 8*	*- 5*	*- 6*	*- 2*	*- 4*	*- 4*	*-9*	- 13
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	5	15	6	10	17	16	17	- 1
Income tax expense	- 1	- 4	- 1	- 2	- 3	- 3	- 4	- 1
Profit after tax	4	11	5	8	14	13	13	- 2
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to the equity holders of the parent	**4**	**11**	**5**	**8**	**14**	**13**	**13**	**- 2**
Banking activities	*3*	*12*	*4*	*7*	*12*	*15*	*10*	*- 4*
Insurance activities	*1*	*- 1*	*1*	*1*	*2*	*- 2*	*3*	*2*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*2 899*	*2 899*	*4 510*	*5 164*
Allocated equity (end of period, Basel II)	-	-	-	-	*204*	*186*	*308*	*350*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*22%*	*19%*	*8%*	*-7%*
Cost/income ratio (banking activities)	*67%*	*54%*	*66%*	*74%*	*60%*	*56%*	*63%*	*85%*
Combined ratio (non-life insurance activities)	*96%*	*122%*	*105%*	*54%*	*86%*	*112%*	*111%*	*122%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Hungary (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	62	66	64	67	66	73	79	89
Gross earned premiums, insurance	21	24	23	22	20	23	26	23
Gross technical charges, insurance	- 12	- 17	- 18	- 16	- 14	- 15	- 21	- 14
Ceded reinsurance result	- 1	0	1	- 1	0	- 1	2	0
Dividend income	0	0	0	0	0	0	0	4
Net (un)realised gains from financial instruments at fair value	29	27	30	29	21	31	33	30
Net realised gains from available-for-sale assets	0	1	0	0	1	1	0	0
Net fee and commission income	25	27	31	29	25	26	28	19
Banking	*27*	*29*	*33*	*30*	*27*	*28*	*30*	*22*
Insurance	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*
Other net income	2	4	1	4	5	6	3	4
Total income	126	133	131	134	123	144	151	155
Operating expenses	- 79	- 79	- 75	- 79	- 65	- 85	- 89	- 113
Impairment	- 9	- 27	- 12	1	- 1	3	- 6	- 26
o/w on loans and receivables	*- 9*	*- 24*	*- 12*	*1*	*- 1*	*3*	*-6*	*- 26*
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Share in results of associated companies	0	1	0	1	1	0	0	0
Profit before tax	38	28	45	58	58	63	56	16
Income tax expense	- 8	- 5	- 13	- 16	- 22	- 15	- 15	- 15
Profit after tax	30	23	32	42	37	47	42	1
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to the equity holders of the parent	**30**	**23**	**32**	**42**	**37**	**47**	**42**	**1**
Banking activities	*27*	*19*	*30*	*41*	*34*	*44*	*38*	*- 2*
Insurance activities	*3*	*3*	*2*	*1*	*3*	*4*	*3*	*3*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*6 267*	*6 870*	*7 193*	*6 709*
Allocated equity (end of period, Basel II)	-	-	-	-	*434*	*471*	*494*	*464*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*28%*	*27%*	*20%*	*-4%*
Cost/income ratio (banking activities)	*64%*	*60%*	*57%*	*58%*	*52%*	*60%*	*60%*	*74%*
Combined ratio (non-life insurance activities)	*78%*	*89%*	*101%*	*104%*	*86%*	*89%*	*91%*	*84%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Poland (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	57	59	68	70	75	83	94	78
Gross earned premiums, insurance	147	131	148	157	158	166	182	157
Gross technical charges, insurance	- 107	- 60	- 83	- 78	- 82	- 79	- 99	- 93
Ceded reinsurance result	- 4	- 6	- 11	- 6	1	- 3	- 6	- 12
Dividend income	0	1	0	1	0	1	1	0
Net (un)realised gains from financial instruments at fair value	12	10	10	12	11	15	34	34
Net realised gains from available-for-sale assets	3	3	2	7	1	- 6	- 3	- 2
Net fee and commission income	- 8	- 3	- 6	- 8	- 17	- 20	- 26	- 13
Banking	*16*	*22*	*18*	*25*	*20*	*21*	*23*	*20*
Insurance	*- 24*	*- 26*	*- 25*	*- 33*	*- 37*	*- 41*	*- 49*	*- 33*
Other net income	10	4	7	20	7	13	7	15
Total income	110	139	136	175	154	171	184	164
Operating expenses	- 85	- 98	- 96	- 121	- 98	- 114	- 119	- 109
Impairment	- 1	10	6	- 2	- 10	- 19	- 5	- 27
o/w on loans and receivables	*- 1*	*11*	*7*	*- 2*	*- 9*	*- 18*	*- 5*	*- 26*
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	24	52	47	53	46	38	60	28
Income tax expense	- 5	- 7	- 11	- 8	- 9	- 4	- 12	1
Profit after tax	19	45	35	45	36	34	48	29
attributable to minority interests	4	5	5	6	4	4	7	3
attributable to the equity holders of the parent	**14**	**39**	**30**	**39**	**32**	**30**	**41**	**26**
Banking activities	*17*	*21*	*20*	*24*	*18*	*17*	*27*	*14*
Insurance activities	*- 2*	*18*	*10*	*15*	*14*	*13*	*14*	*12*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*6 398*	*6 885*	*7 513*	*7 453*
Allocated equity (end of period, Basel II)	-	-	-	-	*594*	*644*	*711*	*706*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*18%*	*16%*	*25%*	*15%*
Cost/income ratio (banking activities)	*67%*	*74%*	*71%*	*67%*	*66%*	*64%*	*64%*	*58%*
Combined ratio (non-life insurance activities)	*110%*	*88%*	*96%*	*90%*	*90%*	*90%*	*95%*	*107%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Russia (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	-	-	22	34	40	57	61	67
Gross earned premiums, insurance	-	-	0	0	0	0	0	0
Gross technical charges, insurance	-	-	0	0	0	0	0	0
Ceded reinsurance result	-	-	0	0	0	0	0	0
Dividend income	-	-	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	-	-	- 1	3	0	1	- 8	9
Net realised gains from available-for-sale assets	-	-	0	0	0	0	0	0
Net fee and commission income	-	-	3	4	4	2	3	3
Banking	-	-	*3*	*4*	*4*	*2*	*3*	*3*
Insurance	-	-	*0*	*0*	*0*	*0*	*0*	*0*
Other net income	-	-	0	2	0	0	1	- 3
Total income	-	-	24	42	45	60	56	76
Operating expenses	-	-	- 17	- 31	- 30	- 36	- 38	- 41
Impairment	-	-	- 4	2	- 5	- 18	- 18	- 31
o/w on loans and receivables	-	-	*- 4*	*2*	*- 5*	*- 18*	*- 18*	- 31
o/w on available-for-sale assets	-	-	*0*	*0*	*0*	*0*	*0*	0
Share in results of associated companies	-	-	0	0	0	0	0	0
Profit before tax	-	-	3	13	9	6	0	4
Income tax expense	-	-	- 1	- 3	- 3	- 1	0	- 4
Profit after tax	-	-	2	10	6	4	0	1
attributable to minority interests	-	-	0	1	0	0	0	0
attributable to the equity holders of the parent	-	-	**2**	**10**	**6**	**4**	**0**	**1**
Banking activities	-	-	*2*	*10*	*6*	*4*	*0*	*1*
Insurance activities	-	-	*0*	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*3 220*	*3 779*	*4 162*	*3 454*
Allocated equity (end of period, Basel II)	-	-	-	-	*205*	*241*	*265*	*220*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	-	-	-	-
Cost/income ratio (banking activities)	-	-	*71%*	*73%*	*68%*	*60%*	*68%*	*54%*
Combined ratio (non-life insurance activities)	-	-	-	-	-	-	-	-

For a definition of ratios, see 'glossary and other information'.

Income statement, CEER - funding cost and other results (in millions of EUR) - **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	-27	-27	-34	-32	-32	-29	-34	-30
Gross earned premiums, insurance	0	3	5	31	38	35	32	68
Gross technical charges, insurance	0	-2	-4	-23	-30	-20	-20	-65
Ceded reinsurance result	0	0	0	-1	-1	-2	-1	-1
Dividend income	0	0	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	-2	2	4	5	4	-16	7	15
Net realised gains from available-for-sale assets	0	0	0	4	0	0	0	1
Net fee and commission income	0	2	1	-4	-1	1	4	-1
Other net income	0	0	0	0	-2	-2	0	-3
Total income	-30	-23	-29	-19	-25	-31	-12	-15
Operating expenses	-5	-12	-17	-34	-28	-27	-29	-49
Impairment	0	0	-1	-2	-3	-3	-10	-15
o/w on loans and receivables	*0*	*0*	*-1*	*-2*	*-3*	*-3*	*-10*	-15
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*0*	0
Share in results of associated companies	15	18	13	1	14	7	11	-11
Profit before tax	-19	-16	-33	-54	-42	-54	-40	-90
Income tax expense	11	10	10	26	14	30	9	32
Profit after tax	-8	-6	-22	-28	-28	-24	-31	-58
attributable to minority interests	0	0	0	0	0	1	1	-1
attributable to the equity holders of the parent	**-8**	**-6**	**-22**	**-28**	**-28**	**-25**	**-32**	**-57**
Banking activities	*-4*	*-1*	*-17*	*-21*	*-11*	*-18*	*-22*	-33
Insurance activities	*-4*	*-4*	*-6*	*-7*	*-16*	*-7*	*-10*	-23

Merchant Banking Business Unit (underlying trend)

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of -42 million euros, significantly down from the 137-million-euro profit recorded in the previous quarter and the 284-million-euro profit recorded a year earlier. The 4Q 2008 underlying result is broken down as follows:

- 45 million euros for commercial banking activities
- -87 million euros for investment banking activities

The 4Q 2008 underlying figures exclude the direct impact of the financial crisis, which includes *(figures relate to post-tax impact in 4Q 2008):*

- 1 359 million euros in downward adjustments in the value of CDOs and ABS
- 245 million euros in a loss on trading positions that were unwound due to the discontinutation of the activities of *KBC Financial Products*
- 145 million euros in impairment relating to troubled Icelandic banks
- 57 million euros value losses of shares

The 'Merchant Banking' Business Unit encompasses the financial services provided to SMEs and corporate customers (including in Belgium) and capital market activities. However, all the merchant banking activities of the CEER group companies are carried out by the CEER Business Unit.
More specifically, the Merchant Banking Business Unit includes the merchant banking activities of KBC Bank in Belgium and its branches elsewhere, as well as the activities of the following subsidiaries (only the main ones are mentioned): KBC Lease, KBC Securities, KBC Financial Products, Antwerp Diamond Bank, KBC Private Equity, KBC Bank Nederland, KBC Bank Deutschland, KBC Clearing, KBC Peel Hunt, KBC Commercial Finance, KBC Finance Ireland, KBC Bank Ireland (formerly IIB Bank), Secura Re and Assurisk Re.

Income statement, Merchant Banking Business Unit (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	275	273	277	279	249	242	243	269
Gross earned premiums, insurance	74	67	78	71	71	60	69	174
Gross technical charges, insurance	- 48	- 40	- 54	- 27	- 53	- 37	- 45	- 128
Ceded reinsurance result	- 4	- 5	- 4	- 20	- 1	- 3	- 7	- 12
Dividend income	1	8	5	6	2	13	3	1
Net (un)realised gains from financial instruments at fair value	285	294	107	230	42	343	117	79
Net realised gains from available-for-sale assets	8	- 14	4	1	- 1	2	3	- 14
Net fee and commission income	74	96	121	105	79	74	81	67
Other net income	32	35	31	38	33	33	54	46
Total income	696	716	565	684	420	726	517	482
Operating expenses	- 322	- 367	- 311	- 323	- 301	- 323	- 217	- 350
Impairment	- 5	- 19	- 9	26	13	- 85	- 42	- 215
o/w on loans and receivables	*- 7*	*- 19*	*- 8*	*27*	*13*	*- 78*	*- 33*	- 180
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*- 15*	10
Share in results of associated companies	0	2	0	0	0	0	- 3	- 9
Profit before tax	369	332	244	388	132	317	256	- 92
Income tax expense	- 78	- 69	- 52	- 78	- 24	- 61	- 96	72
Profit after tax	291	262	192	310	109	256	159	- 21
attributable to minority interests	22	21	22	26	20	22	23	21
attributable to the equity holders of the parent	**269**	**241**	**170**	**284**	**89**	**234**	**137**	**- 42**
Banking activities	*257*	*223*	*156*	*268*	*83*	*216*	*117*	*- 66*
Insurance activities	*12*	*18*	*14*	*16*	*5*	*19*	*20*	*24*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*71 787*	*74 120*	*75 916*	*73 702*
Allocated equity (end of period, Basel II)	-	-	-	-	*4 657*	*4 805*	*4 925*	*4 777*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*9%*	*21%*	*13%*	*-1%*
Cost/income ratio (banking activities)	*47%*	*53%*	*57%*	*48%*	*73%*	*46%*	*43%*	*77%*
Combined ratio (reinsurance activities)	*88%*	*95%*	*97%*	*90%*	*92%*	*75%*	*92%*	*85%*

For a definition of ratios, see 'glossary and other information'.

Net interest income from this business unit's commercial banking activities amounted to 269 million euros in 4Q 2008, up on the 243 million euros recorded in 3Q 2008 as a result primarily of lower funding costs. However, higher funding costs for the year as a whole and changes in the accounting treatment of income from lease finance since 1Q 2008, explain the 4% decrease compared with the year-earlier quarter.

Gross earned premiums increased to 174 million euros, from 69 million euros in 3Q (the 4Q07-3Q08 quarterly average was 68 million euros). This was largely driven by a large life reinsurance transaction, which also led to the rise in the technical charges for the life insurance business in the quarter under review.

Net (un)realised gains from financial instruments at fair value relate to currency and securities sales and trading and other fair value income. This figure amounted to 79 million euros for the quarter under review, down from 117 million euros for the previous quarter, from 230 million euros for the year-earlier quarter and from a 4Q07-3Q08 quarterly average of 183 million euros. As stated above, these underlying figures do not include the write-downs in the value of CDOs in portfolio, whose impact amounted to 1 259 million euros after tax in 4Q 2008 as a direct consequence of the financial crisis.

Net fee and commission income stood at 67 million euros. While fee income in the commercial banking activities remained roughly stable compared with the previous quarters, a low income was realised in the investment banking activities (down by 14 million euros q/q), mainly in the derivatives business.

Realised gains on available-for-sale assets within the commercial bank amounted to a negative 14 million euros in the quarter under review.

Dividend income (1 million euros) and other income (46 million euros) were more or less in line with the previous quarters.

Operating expenses amounted to 350 million euros, up by 133 million euros on the previous quarter as a result in part of restructuring charges (58 million euros) mainly in the area of investment banking, a provision for commercial litigation in the area of commercial banking (28 million euros), pension charges (7 million euros) and changes in accounting treatment. The accounting changes relate to the insourcing of payments processing which meant that the related costs (15 million euros) had to be moved from 'fees paid' (under the 'fee and commission income' heading) to 'operating expenses', while changes in the tax status meant that profit–sharing bonuses paid to staff had to be grossed up with an impact of +7 million euros on 'operating expenses'); although the bottom line was not impacted.

Impairment stood at 215 million euros mainly owing to impairment losses on loans and receivables (180 million euros). The biggest impairment losses were incurred on corporate loans in markets outside the home markets of Belgium and CEER (mainly in the UK, Ireland and the US) and related to the restructuring of KBC Financial Products (-64 million euros, mainly on goodwill and intangible assets). As expected, the loan loss ratio in this business unit was up compared with the previous year, and amounted to 48 basis points for the 2008 year as a whole. The non-performing loans ratio remained relatively low at 1.3%. The loan loss ratio for the Irish business was 30 basis points (of which 15 basis points in the mortgage portfolio).

In addition to the above impairment, which relates to the normal course of business, a post-tax figure of 145 million euros was also provisioned in respect of loans and bonds issued by the troubled Icelandic banks and negative value adjustments were made on the structured credit portfolio (82 million euros, net). The continued deterioration of the stock markets resulted in additional losses in the value of shares held in the investment portfolio (a post-tax figure of around 57 million euros). However, as both items are considered to be exceptional and directly related to the crisis, they are not included in the underlying figures.

The underlying figures for the Merchant Banking Business Unit are broken down below into 'Commercial Banking' (mainly lending and banking services to SMEs, but also including the inbound reinsurance business) and 'Investment Banking' (sales and trading on money and capital markets, corporate finance, structured products business, etc.).

Income statement, Commercial Banking (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	275	273	277	279	249	242	243	269
Gross earned premiums, insurance	74	67	78	71	71	60	69	174
Gross technical charges, insurance	- 48	- 40	- 54	- 27	- 53	- 37	- 45	- 128
Ceded reinsurance result	- 4	- 5	- 4	- 20	- 1	- 3	- 7	- 12
Dividend income	1	8	5	6	2	13	3	1
Net (un)realised gains from financial instruments at fair value	6	7	- 2	- 21	- 9	- 8	- 16	2
Net realised gains from available-for-sale assets	8	- 14	4	1	- 1	2	3	- 14
Net fee and commission income	13	25	27	24	26	22	31	32
Other net income	32	35	31	38	33	33	54	46
Total income	356	357	363	352	317	323	334	370
Operating expenses	- 122	- 154	- 134	- 128	- 132	- 131	- 133	- 188
Impairment	- 6	- 19	- 10	29	13	- 78	- 30	- 140
o/w on loans and receivables	*- 7*	*- 19*	*- 8*	*29*	*13*	*- 77*	*- 30*	*- 140*
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*1*	*0*
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	229	185	220	253	197	114	171	41
Income tax expense	- 50	- 33	- 55	- 48	- 41	- 19	- 36	25
Profit after tax	179	152	164	205	156	95	135	66
attributable to minority interests	23	22	22	22	21	20	21	21
attributable to the equity holders of the parent	**156**	**130**	**143**	**183**	**135**	**74**	**114**	**45**
Banking activities	*144*	*112*	*129*	*167*	*130*	*56*	*94*	*21*
Insurance activities	*12*	*18*	*14*	*16*	*5*	*19*	*20*	*24*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*52 074*	*52 074*	*53 007*	*51 908*
Allocated equity (end of period, Basel II)	-	-	-	-	*3 400*	*3 313*	*3 465*	*3 388*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*18%*	*11%*	*16%*	*6%*
Cost/income ratio (banking activities)	*35%*	*46%*	*38%*	*38%*	*42%*	*43%*	*41%*	*54%*
Combined ratio (reinsurance activities)	*88%*	*95%*	*97%*	*90%*	*92%*	*75%*	*92%*	*85%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Investment Banking (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	0	0	0	0	0	0	0	0
Gross earned premiums, insurance	0	0	0	0	0	0	0	0
Gross technical charges, insurance	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	279	288	109	251	50	351	134	77
Net realised gains from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	61	71	94	81	53	52	49	35
Other net income	0	0	0	0	0	0	0	0
Total income	340	358	202	332	103	403	183	112
Operating expenses	-201	-213	-178	-195	-169	-192	-83	-162
Impairment	1	0	0	-3	0	-7	-12	-74
o/w on loans and receivables	*0*	*0*	*0*	*-2*	*0*	*-1*	*-2*	-40
o/w on available-for-sale assets	*0*	*0*	*0*	*0*	*0*	*0*	*-16*	10
Share in results of associated companies	0	2	0	0	0	0	-3	-9
Profit before tax	140	147	25	134	-65	203	85	-133
Income tax expense	-28	-36	3	-29	17	-42	-60	46
Profit after tax	112	111	28	105	-48	161	25	-87
attributable to minority interests	-1	-1	0	4	-1	1	2	0
attributable to the equity holders of the parent	**113**	**111**	**27**	**102**	**-47**	**160**	**23**	**-87**
Banking activities	*113*	*111*	*27*	*102*	*-47*	*160*	*23*	*-87*
Insurance activities	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*19 713*	*23 408*	*22 910*	*21 794*
Allocated equity (end of period, Basel II)	-	-	-	-	*1 257*	*1 492*	*1 460*	*1 389*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*-15%*	*47%*	*6%*	*-16%*
Cost/income ratio (banking activities)	*59%*	*60%*	*88%*	*59%*	*163%*	*48%*	*46%*	*145%*

For a definition of ratios, see 'glossary and other information'.

European Private Banking Business Unit

(underlying trend)

The European Private Banking Business Unit comprises the activities of the KBL European Private Bankers group. More specifically, it includes KBL European Private Bankers and its subsidiaries in the Benelux and other Western European countries (Germany, France, Monaco, the UK and Switzerland), and the insurance company VITIS Life in Luxembourg.

In the quarter under review, the European Private Banking Business Unit generated underlying profit of 15 million euros, compared with 32 million euros in the previous quarter and 50 million euros in the year-earlier quarter. Besides the weaker business environment towards the end of the year, restructuring costs partly explain the weak performance in this quarter.

The 4Q 2008 underlying profit figure excludes the direct impact of the financial crisis, which consists of *(figures relate to post-tax impact):*

- 112 million euros for write-downs on structured credit investments
- 35 million euros relating to the decline in value of the share portfolio
- 22 million euros in impairment related to troubled Icelandic banks

Income statement, European Private Banking Business Unit
(in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	36	34	41	58	57	64	63	65
Gross earned premiums, insurance	5	12	8	17	13	7	5	5
Gross technical charges, insurance	- 12	- 17	- 15	- 23	- 17	- 13	- 10	- 3
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	2	6	2	4	1	6	1	2
Net (un)realised gains from financial instruments at fair value	22	23	9	10	- 4	6	- 17	4
Net realised gains from available-for-sale assets	8	10	12	36	- 1	8	0	- 2
Net fee and commission income	121	119	116	112	107	120	99	96
Other net income	7	5	3	2	2	3	6	2
Total income	190	192	177	215	158	202	146	168
Operating expenses	- 124	- 115	- 120	- 128	- 95	- 132	- 111	- 148
Impairment	1	0	1	- 36	- 2	0	0	- 41
o/w on loans and receivables	1	0	1	- 36	- 2	0	0	0
o/w on available-for-sale assets	0	0	0	0	0	0	0	- 39
Share in results of associated companies	1	1	1	1	1	1	1	0
Profit before tax	68	78	59	52	61	70	35	- 20
Income tax expense	- 16	- 20	- 9	- 2	- 11	- 7	- 3	35
Profit after tax	52	58	50	50	50	64	32	15
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to the equity holders of the parent	**52**	**58**	**50**	**50**	**50**	**64**	**32**	**15**
Banking activities	*50*	*56*	*50*	*45*	*48*	*62*	*32*	*10*
Insurance activities	*2*	*2*	*0*	*6*	*2*	*2*	*0*	*4*
Risk-weighted assets (end of period, Basel II)	-	-	-	-	*7 529*	*8 917*	*7 716*	*5 703*
Allocated equity (end of period, Basel II)	-	-	-	-	*542*	*620*	*543*	*410*
Return on allocated capital (ROAC, Basel II)	-	-	-	-	*34%*	*39%*	*19%*	*10%*
Cost/income ratio (banking activities)	*66%*	*61%*	*67%*	*61%*	*61%*	*66%*	*76%*	*92%*

For a definition of ratios, see 'glossary and other information'.

Net interest income (65 million euros) remained at the high levels recorded since 4Q 2007 thanks to the strong liquidity position and continuing high demand for liquidity in the market.

Premium income from the life insurance business amounted to 5 million euros, in line with the 5 million euros recorded in the previous quarter, at the low end of the quarterly time series. A reversal of amounts accrued in the previous quarters for discretionary profit participation for policyholders reduced the technical charges in the fourth quarter.

Net (un)realised gains from financial instruments at fair value (mainly income from local currency dealing and securities trading) returned to positive figures again during the fourth quarter (4 million euros) while gains from available-for-sale investments came to -2 million euros.

Net fee and commission income continued to be negatively impacted by the depressed investment climate. It stood at 96 million euros (compared with 99 million euros in the previous quarter and 112 million euros in 4Q 2007). Assets under management fell by 12% q/q, almost entirely owing to the negative effect of market prices (-10%). Assets under management at the end of the quarter amounted to 44 million euros, a decrease of 19% y/y (net inflow +3%, fund performance -22%).

Despite efforts to cut costs by cancelling profit-related bonuses for 2008, operating expenses increased in the fourth quarter to 148 million euros. This increase is entirely the result of an increase in non-staff expenses (e.g., the 9-million-euro impact of restructuring charges, a contribution to the Luxembourg Deposit Guarantee Scheme, a tax on assets of 5 million euros and a provision of 5 million euros for commercial litigation). The cost/income ratio for the full financial year came to 73% (64% in 2007).

Impairment in the fourth quarter was high, with 41 million euros in impairment recorded on own investments in investment funds.

There was a net tax rebate of 35 million euros, resulting from reversals of tax accruals in previous quarters and the final settlement of taxes from previous years.

As stated above, these underlying performance figures exclude the direct impact of the financial crisis, which includes impairment on structured credit (112 million euros), on troubled Icelandic banks (22 million euros) and on equity holdings (35 million euros), as these items do not reflect the normal course of business.

Group Centre (underlying trend)

The Group Centre comprises the results of the holding company, KBC Group NV, a limited portion of the results of its subsidiaries, KBC Bank NV and KBC Insurance NV (such as strategy-related expenses, non-allocated taxes or income on non-strategic equity holdings), the results of the shared-service company, Fin-Force, and the elimination of the results of intersegment transactions.

In the quarter under review, the underlying net result of the Group Centre amounted to -38 million, more or less in line with previous quarters.

The quarter under review includes operational expenses such as restructuring costs of 40 million euros related to IT projects that were stopped as part of the cost-saving programme. There was, however, a reversal in income tax mainly owing to the cancellation of intragroup dividends for which tax provisions (15 million euros) had been accrued in earlier quarters.

Income statement, Group Centre (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008
Net interest income	-6	12	0	-10	-25	-31	-31	-19
Gross earned premiums, insurance	-12	-8	-10	-10	-10	-10	-13	-122
Gross technical charges, insurance	10	-1	7	7	6	7	10	105
Ceded reinsurance result	0	9	2	0	2	2	3	4
Dividend income	0	5	0	1	0	5	0	1
Net (un)realised gains from financial instruments at fair value	1	4	-4	-7	0	0	0	0
Net realised gains from available-for-sale assets	0	1	3	-4	0	0	0	0
Net fee and commission income	13	4	7	13	9	7	8	-17
Other net income	-4	-13	4	10	-1	-28	-27	-31
Total income	3	11	10	2	-19	-48	-50	-78
Operating expenses	-8	-9	-11	13	-18	4	8	0
Impairment	0	-1	-1	0	0	0	0	-2
o/w on loans and receivables	0	0	-1	1	0	0	0	0
o/w on available-for-sale assets	0	0	0	0	0	0	0	1
Share in results of associated companies	0	0	0	0	0	0	0	0
Profit before tax	-6	2	-3	16	-38	-45	-42	-81
Income tax expense	-12	-15	-13	-7	1	13	9	43
Profit after tax	-18	-13	-16	9	-36	-32	-33	-38
attributable to minority interests	-1	-1	0	1	0	0	0	0
attributable to the equity holders of the parent	**-17**	**-13**	**-16**	**8**	**-36**	**-32**	**-34**	**-38**
Banking activities	*-2*	*-2*	*-5*	*29*	*4*	*-5*	*2*	*14*
Insurance activities	*-1*	*0*	*1*	*-2*	*-20*	*-19*	*-17*	*-14*
Holding activities	*-14*	*-10*	*-12*	*-19*	*-20*	*-8*	*-18*	*-38*

These underlying figures exclude exceptional items such as impairment on the group's 2% financial participation in Irish Life and Permanent (-17 million euros, net) and the market value gain on own debt issued (245 million euros, net)..

Consolidated financial statements

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KBC Group, 4Q 2008 and FY 2008

Consolidated income statement

In millions of EUR	Note	4Q 2007	3Q 2008	4Q 2008	2007	2008
Net interest income	3	1 093	1 249	1 269	4 089	4 992
Interest income		3 995	4 464	4 317	15 396	17 325
Interest expense		- 2 902	- 3 212	- 3 049	- 11 307	- 12 333
Gross earned premiums, insurance	9	1 328	922	1 419	3 989	4 585
non-life		487	514	531	1 826	2 052
life	10	841	407	887	2 163	2 533
Gross technical charges, insurance	9	- 1 147	- 804	- 1 181	- 3 404	- 3 883
non-life		- 269	- 310	- 344	- 1 085	- 1 205
life		- 877	- 493	- 837	- 2 319	- 2 678
Ceded reinsurance result	9	- 28	- 17	- 27	- 64	- 72
Dividend income	4	38	37	63	256	259
Net (un)realised gains from financial instruments at fair value through profit or loss		315	- 1 688	- 1 801	1 642	- 3 481
Net realised gains from available-for-sale assets	6	143	80	- 246	682	95
Net fee and commission income	7	499	422	377	1 993	1 714
Fee and commission income		818	672	663	3 149	2 848
Fee and commission expense		- 319	- 250	- 286	- 1 155	- 1 134
Other net income	8	231	210	183	619	618
TOTAL INCOME		2 473	411	56	9 802	4 827
Operating expenses		- 1 431	- 1 351	- 1 660	- 5 219	- 5 600
staff expenses		- 878	- 793	- 849	- 3 148	- 3 139
general administrative expenses		- 501	- 467	- 584	- 1 740	- 1 984
depreciation and amortisation of fixed assets		- 94	- 102	- 109	- 361	- 392
provisions for risks and charges		41	11	- 119	31	- 84
Impairment	14	- 121	- 478	- 1 325	- 267	- 2 234
on loans and receivables		- 54	- 130	- 522	- 185	- 822
on available-for-sale assets		- 65	- 341	- 742	- 75	- 1 333
on goodwill		0	0	- 25	0	- 25
on other		- 2	- 8	- 37	- 7	- 54
Share in results of associated companies		4	9	- 33	56	- 1
PROFIT BEFORE TAX		925	- 1 410	- 2 963	4 373	- 3 007
Income tax expense		- 184	533	360	- 970	629
Net post-tax income from discontinued operations		0	0	0	0	0
PROFIT AFTER TAX		741	- 876	- 2 603	3 403	- 2 379
attributable to minority interest		33	30	22	123	105
attributable to equity holders of the parent		**708**	**- 906**	**- 2 625**	**3 281**	**- 2 484**

Earnings per share (in EUR)						
Basic		2.06	-2.66	-7.72	9.46	-7.31
Diluted		2.06	-2.65	-7.70	9.42	-7.28

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2007	31-12-2008
Cash and cash balances with central banks		4 613	4 454
Financial assets	18, 24	340 522	337 203
Held for trading		73 907	73 557
Designated at fair value through profit or loss		46 212	28 994
Available for sale		46 750	46 371
Loans and receivables		160 607	177 029
Held to maturity		12 320	10 973
Hedging derivatives		725	279
Reinsurers' share in technical provisions, insurance		291	280
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 223	169
Tax assets		919	2 453
Current tax assets		138	363
Deferred tax assets		781	2 090
Non-current assets held for sale and disposal groups		41	688
Investments in associated companies		634	27
Investment property		593	689
Property and equipment		2 234	2 964
Goodwill and other intangible assets		3 501	3 866
Other assets		2 473	2 525
TOTAL ASSETS		355 597	355 317

LIABILITIES AND EQUITY(in millions of EUR)		31-12-2007	31-12-2008
Financial liabilities	18	311 422	313 931
Held for trading		41 298	44 966
Designated at fair value through profit or loss		45 774	42 228
Measured at amortised cost		223 858	225 821
Hedging derivatives		492	916
Gross technical provisions, insurance	31	17 905	19 523
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	- 4
Tax liabilities		816	503
Current tax liabilities		481	384
Deferred tax liabilies		335	119
Non-current liabilities held for sale and liabilities associated with disposal groups		0	59
Provisions for risks and charges		456	619
Other liabilities		6 511	5 309
TOTAL LIABILITIES		337 110	339 941
Total equity		18 487	15 376
Parent shareholders' equity	35	17 348	14 210
Minority interests		1 139	1 165
TOTAL LIABILITIES AND EQUITY		355 597	355 317

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Mandatorily convertible bonds	Non-voting core-capital securities	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent share-holders' equity	Minority interests	Total equity
31-12-2007												
Balance at the beginning of the period	1 235	4 150	183	0	- 1 111	1 968	46	10 651	98	17 219	1 234	18 453
Subtotal, recognised directly in equity	**0**	**0**	**0**	**0**	**0**	**- 1 158**	**28**	**- 4**	**- 51**	**- 1 186**	**0**	**- 1 186**
Net profit for the period	0	0	0	0	0	0	0	3 281	0	3 281	123	3 403
Total income and expense for the period	**0**	**0**	**0**	**0**	**0**	**- 1 158**	**28**	**3 276**	**- 51**	**2 094**	**123**	**2 217**
Dividends	0	0	0	0	0	0	0	- 1 158	0	- 1 158	0	- 1 158
Capital increase	0	11	- 1	0	0	0	0	0	0	10	0	10
Purchases of treasury shares	0	0	0	0	- 1 000	0	0	0	0	- 1 000	0	- 1 000
Sales of treasury shares	0	0	0	0	128	0	0	0	0	128	0	128
(Results / Derivatives on) treasury shares	0	0	0	0	0	0	0	54	0	54	0	54
Cancellation of treasury shares	0	0	0	0	698	0	0	- 698	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0	0	- 217	- 217
Total change	**0**	**11**	**- 1**	**0**	**- 174**	**- 1 158**	**28**	**1 474**	**- 51**	**129**	**- 95**	**34**
Balance at the end of the period	**1 235**	**4 161**	**181**	**0**	**- 1 285**	**810**	**73**	**12 125**	**47**	**17 348**	**1 139**	**18 487**
of which revaluation reserve for shares						1 200						
of which revaluation reserve for bonds						- 389						
of which revaluation reserve for other assets than bonds and shares						- 1						
31-12-2008												
Balance at the beginning of the period	1 235	4 161	181	0	- 1 285	810	73	12 125	47	17 348	1 139	18 487
Subtotal, recognised directly in equity	**0**	**0**	**0**	**0**	**0**	**- 1 941**	**- 424**	**1**	**- 231**	**- 2 596**	**0**	**- 2 596**
Net profit for the period	0	0	0	0	0	0	0	- 2 484	0	- 2 484	105	- 2 379
Total income and expense for the period	**0**	**0**	**0**	**0**	**0**	**- 1 941**	**- 424**	**- 2 483**	**- 231**	**- 5 080**	**105**	**- 4 974**
Dividends	0	0	0	0	0	0	0	- 1 283	0	- 1 283	0	- 1 283
Capital increase	9	174	- 181	3 500	0	0	0	0	0	3 501	0	3 501
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	0	0	- 277	0	0	0	0	- 277	0	- 277
Cancellation of treasury shares	0	0	0	0	0	0	0		0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0	0	- 79	- 79
Total change	**9**	**174**	**- 181**	**3 500**	**- 277**	**- 1 941**	**- 424**	**- 3 766**	**- 231**	**- 3 137**	**26**	**- 3 111**
Balance at the end of the period	**1 244**	**4 335**	**0**	**3 500**	**- 1 561**	**- 1 131**	**- 351**	**8 359**	**- 184**	**14 210**	**1 165**	**15 376**
of which revaluation reserve for shares						- 63						
of which revaluation reserve for bonds						- 1 068						
of which revaluation reserve for other assets than bonds and shares						0						

Consolidated cash flow statement

Available in the annual report only.

Notes on the accounting policies

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that only appear in the annual report, but not in the quarterly reports, are shown below solely to ensure there is a link with the annual report.

Note 1a: Statement of compliance

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards ('endorsed IFRS') as adopted for use in the European Union.

The consolidated financial statements of KBC present one year of comparative information.
The Group will apply the IFRS 8 standard as of 1 January 2009.

As of the beginning of 2008 KBC has changed the presentation of the balance sheet to correspond with the Belgian prudential reporting presentation of banks. Whereas in previous years the "accrued interest income" and the "accrued interest expense" were disclosed separately on the face of the balance sheet, they are as of 2008 included in the corresponding line items of the financial assets and financial liabilities. The total amounts of the "accrued interest income" and of the "accrued interest expense" are still being disclosed in Note 18: Financial assets and liabilities: breakdown by portfolio and product. The reference figures for 31 December 2007 have been restated accordingly.

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the annual report. In 12M 2008, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

Note 2: Reporting according to the legal structure of the group and by geographic segment

Under IFRS, the ‘primary segment’ reporting format used by KBC is based on the group’s legal structure. KBC hence distinguishes between the following primary segments:

- Banking: KBC Bank and its subsidiaries;
- Insurance: KBC Insurance and its subsidiaries;
- European Private Banking: Kredietbank SA Luxembourgeoise and its subsidiaries;
- Holding Company Activities: mainly KBC Group NV on a non-consolidated basis and KBC Global Services.

Intersegment transactions are transactions conducted between the different primary segments at arm’s length. As a number of items are reported on a net basis (e.g., net interest income), the balance of the intragroup transactions for these items is immaterial. Intersegment transfers are measured on the basis actually used to price the transfers.

The IFRS ‘secondary segment’ reporting format is based on geographic areas, and reflects KBC’s focus on its two home markets – Belgium and Central and Eastern Europe (incl. Russia) – and its selective presence in other countries (‘rest of the world’, i.e. mainly Western Europe excluding Belgium, the US and Southeast Asia).
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.

In millions of EUR	Banking	Insurance	European Private Banking	Holding Company Activities	Inter-segment eliminations	KBC Group
INCOME STATEMENT 12M 2007						
Net interest income	3 179	669	244	0	- 3	4 089
Gross earned premiums, insurance	0	3 989	0	0	0	3 989
Non-life	0	1 826	0	0	0	1 826
Life	0	2 163	0	0	0	2 163
Gross technical charges, insurance	0	- 3 402	0	0	- 2	- 3 404
non-life	0	- 1 085	0	0	0	- 1 085
life	0	- 2 317	0	0	- 2	- 2 319
Ceded reinsurance result	0	- 64	0	0	0	- 64
Dividend income	109	136	11	0	0	256
Net (un)realised gains from financial instruments at fair value through profit or loss	1 767	- 74	- 56	5	0	1 642
Net realised gains from available-for-sale assets	136	484	61	0	0	682
Net fee and commission income	1 897	- 368	461	- 2	5	1 993
Other net income	409	69	31	801	- 693	618
TOTAL INCOME	7 498	1 439	753	804	- 693	9 802
Operating expenses	- 4 135	- 567	- 476	- 733	693	- 5 219
Impairment	- 204	- 25	- 38	- 1	0	- 267
on loans and receivables	- 148	- 4	- 33	0	0	- 185
on available-for-sale assets	- 50	- 21	- 4	0	0	- 75
on goodwill	0	0	0	0	0	0
on other	- 6	- 1	0	- 1	0	- 7
Share in results of associated companies	53	0	3	0	0	56
PROFIT BEFORE TAX	3 212	847	243	70	0	4 373
Income tax expense	- 731	- 102	- 38	- 99	0	- 970
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	2 482	746	205	- 29	0	3 403
attributable to minority interests	118	5	0	0	0	123
attributable to equity holders of the parent	2 364	741	205	- 29	0	3 281
INCOME STATEMENT 12M 2008						
Net interest income	4 020	798	212	- 38	- 1	4 992
Gross earned premiums, insurance	0	4 608	0	0	- 23	4 585
Non-life	0	2 075	0	0	- 23	2 052
Life	0	2 533	0	0	0	2 533
Gross technical charges, insurance	0	- 3 885	0	0	2	- 3 883
Non-life	0	- 1 206	0	0	1	- 1 205
Life	0	- 2 679	0	0	1	- 2 678
Ceded reinsurance result	0	- 72	0	0	0	- 72
Dividend income	116	135	7	0	0	259
Net (un)realised gains from financial instruments at fair value through profit or loss	- 2 099	- 1 130	- 259	7	0	- 3 481
Net realised gains from available-for-sale assets	- 13	103	5	0	0	95
Net fee and commission income	1 769	- 471	418	- 4	1	1 714
Other net income	538	99	12	787	- 817	618
TOTAL INCOME	4 332	185	396	751	- 837	4 827
Operating expenses	- 4 440	- 662	- 476	- 859	837	- 5 600
Impairment	- 1 281	- 740	- 210	- 3	0	- 2 234
on loans and receivables	- 760	- 7	- 56	0	0	- 822
on available-for-sale assets	- 455	- 725	- 153	0	0	- 1 333
on goodwill	- 19	- 6	0	0	0	- 25
on other	- 48	- 2	- 1	- 3	0	- 54
Share in results of associated companies	- 3	0	2	0	0	- 1
PROFIT BEFORE TAX	- 1 391	- 1 217	- 288	- 111	0	- 3 007
Income tax expense	228	227	142	31	0	629
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	- 1 163	- 990	- 146	- 79	0	- 2 379
attributable to minority interests	109	- 4	0	0	0	105
attributable to equity holders of the parent	- 1 272	- 987	- 146	- 79	0	- 2 484
BALANCE SHEET 31-12-2007						
Total assets	306 453	30 741	17 481	923		355 597
Total liabilities	289 835	27 884	18 315	1 076		337 110
BALANCE SHEET 31-12-2008						
Total assets	316 304	27 836	10 219	959		355 317
Total liabilities	295 906	27 977	14 517	1 542		339 941

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	Inter-segment eliminations	KBC Group
2007					
Gross income	4 859	2 488	2 455	0	9 802
31-12-2007					
Total assets (period-end)	191 319	52 031	112 247		355 597
Total liabilities (period-end)	184 762	47 144	105 203		337 110
2008					
Gross income	2 381	2 761	- 315	0	4 827
31-12-2008					
Total assets (period-end)	211 646	56 465	87 206		355 317
Total liabilities (period-end)	194 256	51 211	94 474		339 941

Notes on the income statement

General remark: all data in this chapter are based on IFRS. However, from an analytical point of view (for instance, due to the treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives), it may be useful to look at additional 'underlying' figures. These 'underlying' data (which are not part of the 'Consolidated Financial Statements') are provided in the 'earnings release' and 'analysis of earnings components' chapters of the extended quarterly report.

Note 3: Net interest income

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	1 093	1 249	1 269	4 089	4 992
Interest income	3 995	4 464	4 317	15 396	17 325
Available-for-sale assets	505	502	570	1 957	2 038
Loans and receivables	2 394	2 658	2 575	8 352	10 054
Held-to-maturity investments	126	106	123	516	485
Other assets not at fair value	62	51	133	141	279
Subtotal, interest income from financial assets not measured at fair value through profit or loss	3 087	3 318	3 402	10 966	12 856
Financial assets held for trading	426	325	329	1 609	1 602
Hedging derivatives	167	241	254	737	989
Other financial assets at fair value through profit or loss	315	599	340	2 084	1 905
Interest expense	- 2 902	- 3 212	- 3 049	- 11 307	- 12 333
Financial liabilities measured at amortised cost	- 2 212	- 2 363	- 2 273	- 8 287	- 9 017
Other	- 2	- 1	- 5	- 15	- 9
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial assets not measured at fair value through profit or loss	- 2 215	- 2 364	- 2 279	- 8 302	- 9 026
Financial liabilities held for trading	- 127	- 84	- 56	- 480	- 332
Hedging derivatives	- 148	- 190	- 258	- 680	- 878
Other financial liabilities at fair value through profit or loss	- 412	- 596	- 461	- 1 846	- 2 124

Note 4: Dividend income

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	38	37	63	256	259
Breakdown by type	38	37	63	256	259
Held-for-trading shares	10	17	10	81	64
Shares initially recognised at fair value through profit or loss	8	0	8	23	21
Available-for-sale shares	20	19	45	152	173

Note 5: Net (un)realised gains from financial instruments at fair value

Note available in the annual report only.

Note 6: Net realized gains from available-for-sale assets

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	143	80	- 246	682	95
Breakdown by portfolio					
Fixed-income assets	- 13	2	- 13	- 152	- 12
Shares	156	78	- 233	834	107

Note 7: Net fee and commission income

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	499	422	377	1 993	1 714
Breakdown by type					
Fee and commission income	818	672	663	3 149	2 848
Securities and asset management	546	403	372	2 153	1 730
Margin on deposit accounting (life insurance investment contracts without DPF)	10	1	12	37	31
Commitment credit	49	62	67	184	234
Payments	117	134	147	425	529
Other	96	72	64	350	325
Fee and commission expense	- 319	- 250	- 286	- 1 155	- 1 134
Commission paid to intermediaries	- 99	- 112	- 124	- 422	- 477
Other	- 220	- 138	- 161	- 733	- 658

Note 8: Other net income

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	231	210	183	619	618
Net realised gain on loans and receivables	10	- 5	- 5	18	- 2
Net realised gain on held-to-maturity investments	0	0	0	1	0
Net realised gain on financial liabilities measured at amortised cost	0	0	- 2	0	- 1
Other	221	214	190	600	622
of which: impact of sale Banca KBL Fumagalli - KBL EPB	0	0	0	14	0
of which: realised gain on sale of shares Prague Stock Exchange	0	0	40	0	40
of which: Belgian Deposit Guarantee Agency - KBC Bank	0	0	0	44	0
of which: impact of sale GBC - K&H Bank	0	0	0	35	0
of which: impact ownership percentage NLB	0	54	0	0	54
of which: sale building Banque Diamentaire (Suisse)	0	16	0	0	16

Note 9: Breakdown of the insurance results

In millions of EUR	Insurance contracts			Investment contracts		Non-technical account	TOTAL
	Life	Non-life	Total	with DPF (Life)	without DPF (Life)		
2007							
Net interest income	0	0	0	0	0	669	669
Gross earned premiums, insurance	804	1 826	2 630	1 359	0	0	3 989
Gross technical charges	- 689	- 1 085	- 1 774	- 1 635	7	0	- 3 402
Ceded reinsurance result	0	- 59	- 59	0	0	- 5	- 64
Dividend income	0	0	0	0	0	136	136
Net gains from financial instruments at fair value	0	0	0	0	0	- 74	- 74
Net realised gains from AFS assets	0	0	0	0	0	484	484
Net fee and commission income	- 86	- 315	- 402	- 28	19	43	- 368
Other net income	0	0	0	0	0	69	69
TOTAL INCOME	27	368	395	- 303	26	1 322	1 439
Operating expenses	- 88	- 359	- 447	- 31	- 18	- 71	- 567
Impairments	0	0	0	0	0	- 25	- 25
Share in results of associated companies	0	0	0	0	0	0	0
Allocation to the technical accounts	425	293	718	382	0	- 1 100	0
PROFIT BEFORE TAX	364	301	665	48	8	125	847
Income tax expense						- 102	- 102
Net post-tax income from discontinued operations							0
PROFIT AFTER TAX	364	301	665	48	8	24	746
attributable to minority interest							5
attributable to equity holders of the parent							741
2008							
Net interest income	0	0	0	0	0	798	798
Gross earned premiums, insurance	855	2 075	2 930	1 678	0	0	4 608
Gross technical charges	- 737	- 1 206	- 1 943	- 1 921	- 22	0	- 3 885
Ceded reinsurance result	- 2	- 63	- 65	0	0	- 6	- 72
Dividend income	0	0	0	0	0	135	135
Net gains from financial instruments at fair value	0	0	0	0	0	- 1 130	- 1 130
Net realised gains from AFS assets	0	0	0	0	0	103	103
Net fee and commission income	- 100	- 387	- 487	- 37	12	40	- 471
Other net income	0	0	0	0	0	99	99
TOTAL INCOME	17	419	436	- 280	- 9	38	185
Operating expenses	- 99	- 391	- 490	- 33	- 18	- 122	- 662
Impairments	0	0	0	0	0	- 740	- 740
Share in results of associated companies	0	0	0	0	0	0	0
Allocation to the technical accounts	- 123	88	- 35	- 125	0	160	0
PROFIT BEFORE TAX	- 205	116	- 89	- 438	- 27	- 663	- 1 217
Income tax expense						227	227
Net post-tax income from discontinued operations							0
PROFIT AFTER TAX	- 205	116	- 89	- 438	- 27	- 436	- 990
attributable to minority interest							- 4
attributable to equity holders of the parent							- 987

N.B.: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products.

Note 10: Gross earned premiums, life insurance

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	841	407	887	2 163	2 533
Breakdown by type					
Accepted reinsurance	7	7	5	23	26
Primary business	834	400	882	2 140	2 507
Breakdown of primary business					
Individual versus group					
Individual premiums, including unit-linked insurance	743	332	766	1 867	2 191
Premiums under group contracts	91	68	117	273	316
Periodic versus single					
Periodic premiums	201	156	254	724	810
Single premiums	633	245	628	1 416	1 697
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	43	58	49	213	212
Premiums from bonus contracts	765	314	835	1 819	2 208
Unit linked	26	28	- 1	108	87

Under IFRS, figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products.

Note 11: Overview of non-life insurance per class of business
Note 12: Operating expenses
Note 13: Personnel

Notes available in the annual report only.

Note 14: Impairment (income statement)

In millions of EUR	4Q 2007	3Q 2008	4Q 2008	2007	2008
Total	- 121	- 478	- 1 325	- 267	- 2 234
Impairment on loans and receivables	- 54	- 130	- 522	- 185	- 822
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 99	- 108	- 550	- 207	- 801
Specific impairments for off-balance-sheet credit commitments	- 3	1	1	- 17	- 6
Portfolio-based impairments	47	- 23	27	39	- 15
Breakdown by business unit					
Belgium	- 45	- 18	- 248	- 59	- 282
Central and Eastern Europe and Russia	- 1	- 79	- 149	- 85	- 313
Merchant Banking	27	- 33	- 72	- 6	- 171
European Private Banking	- 36	- 1	- 53	- 33	- 56
Group Centre	1	0	0	0	0
Impairment on available-for-sale assets	- 65	- 341	- 742	- 75	- 1 333
Breakdown by type					
Shares	- 59	- 166	- 503	- 66	- 918
Other	- 5	- 175	- 238	- 9	- 415
Impairment on goodwill	0	0	- 25	0	- 25
Impairment on other	- 2	- 8	- 37	- 7	- 54
Intangible assets, other than goodwill	- 2	0	- 29	- 4	- 32
Property and equipment	0	0	- 6	- 1	- 7
Held-to-maturity assets	0	- 14	- 1	1	- 15
Associated companies (goodwill)	0	0	0	0	0
Other	- 1	6	0	- 4	- 1

Note 15: Share in results of associated companies
Note 16: Income tax expense
Note 17: Earnings per share

Notes available in the annual report only.

Notes on the balance sheet

Note 18: Financial assets and liabilities: breakdown by portfolio and product

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2007								
Loans and advances to credit institutions and investment firms [1]	16 098	15 881	0	21 865	-	-	-	53 843
Loans and advances to customers [2]	2 067	7 730	0	137 254	-	-	-	147 051
Discount and acceptance credit	0	0	0	718	-	-	-	718
Consumer credit	0	0	0	3 893	-	-	-	3 893
Mortgage loans	0	3 254	0	43 871	-	-	-	47 125
Term loans	2 067	4 269	0	66 378	-	-	-	72 714
Finance leasing	0	0	0	6 883	-	-	-	6 883
Current account advances	0	0	0	7 853	-	-	-	7 853
Securitised loans	0	0	0	264	-	-	-	264
Other	0	207	0	7 396	-	-	-	7 603
Equity instruments	17 008	219	4 979	-	-	-	-	22 207
Investment contracts (insurance)	-	9 066	-	-	-	-	-	9 066
Debt instruments issued by	16 697	12 982	41 095	0	12 041	-	-	82 816
Public bodies	5 268	9 269	21 507	0	10 858	-	-	46 902
Credit institutions and investment firms	4 131	1 735	8 152	0	811	-	-	14 829
Corporates	7 298	1 979	11 436	0	372	-	-	21 085
Derivatives	21 689	-	-	-	-	544	-	22 232
Total carrying value excluding accrued intrest income	73 559	45 878	46 075	159 119	12 041	544	0	337 215
Accrued interest income	348	334	676	1 488	279	181	0	3 307
Total carrying value including accrued interest income	73 907	46 212	46 750	160 607	12 320	725	0	340 522
[1] Of which reverse repos								*33 503*
[2] Of which reverse repos								*6 339*
31-12-2008								
Loans and advances to credit institutions and investment firms [1]	8 288	4 544	0	23 964	-	-	-	36 796
Loans and advances to customers [2]	4 297	4 281	0	148 718	-	-	-	157 296
Discount and acceptance credit	0	0	0	153	-	-	-	153
Consumer credit	0	0	0	4 625	-	-	-	4 625
Mortgage loans	0	3 215	0	52 356	-	-	-	55 571
Term loans	4 297	910	0	72 708	-	-	-	77 915
Finance leasing	0	0	0	6 728	-	-	-	6 728
Current account advances	0	0	0	6 718	-	-	-	6 718
Securitised loans	0	0	0	0	-	-	-	0
Other	0	156	0	5 429	-	-	-	5 585
Equity instruments	5 533	193	3 419	-	-	-	-	9 145
Investment contracts (insurance)	-	6 948	-	-	-	-	0	6 948
Debt instruments issued by	16 480	12 648	42 058	3 805	10 761	-	-	85 752
Public bodies	8 947	10 961	28 581	20	9 727	-	-	58 235
Credit institutions and investment firms	3 849	316	7 867	21	751	-	-	12 804
Corporates	3 684	1 372	5 609	3 765	283	-	-	14 713
Derivatives	38 559	-	-	-	-	241	-	38 800
Total carrying value excluding accrued interest income	73 157	28 615	45 476	176 487	10 761	241	0	334 737
Accrued interest income	400	379	895	543	212	38	0	2 466
Total carrying value including accrued interest income	73 557	28 994	46 371	177 029	10 973	279	0	337 203
[1] Of which reverse repos								*11 214*
[2] Of which reverse repos								*3 838*

Full service car leases are as of 1 January 2008 considered as operational leases instead of finance leases. This results in a reclassification from Loans and advances to customers (Finance Leasing) to Property and equipment for an amount of 529 million euros.

As permitted by the amendments to IAS 39, published in October 2008 by the IASB, KBC decided to reclassify some assets previously classified as 'available for sale' into the 'loans and receivable' category.
On the date of reclassification, 31 December 2008, these assets had a fair value of 3.62 billion € and consequently the new book value in the L&R category was 3.62 billion €.
On the assets that were reclassified an unrealised loss of 171.35 million € during the third quarter and 879.08 million € during the fourth quarter was recognised in AFS reserve. Impairments on these assets recognised in P&L amounted to respectively 11.79 million € and 73.1 million € in the third and fourth quarter.
After reclassification (on 31 December 2008) the expected recoverable amount of these assets was 5.01 billion € and the (new) effective interest rate on that date varied between 5.88 % and 16.77 %.

FINANCIAL LIABILITIES (in millions of EUR)	Held for trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2007								
Deposits from credit institutions and investment firms [3]	7 409	15 028	-	-	-	-	50 667	73 104
Deposits from customers and debt certificates [4]	2 452	21 373	-	-	-	-	168 310	192 135
Deposits from customers	0	13 932	-	-	-	-	123 415	137 347
Demand deposits	0	1 415	-	-	-	-	41 073	42 488
Time deposits	0	12 516	-	-	-	-	50 840	63 357
Savings deposits	0	0	-	-	-	-	27 079	27 079
Special deposits	0	0	-	-	-	-	3 444	3 444
Other deposits	0	0	-	-	-	-	979	979
Debt certificates	2 452	7 441	-	-	-	-	44 895	54 788
Certificates of deposit	0	2 239	-	-	-	-	15 699	17 937
Customer savings certificates	0	0	-	-	-	-	2 956	2 956
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	2 452	4 156	-	-	-	-	19 716	26 324
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	1 046	-	-	-	-	6 524	7 570
Liabilities under investment contracts	-	8 928	-	-	-	-	-	8 928
Derivatives	26 042	-	-	-	-	155	-	26 197
Short positions	4 845	-	-	-	-	-	-	4 845
in equity instruments	3 724	-	-	-	-	-	-	3 724
in debt instruments	1 120	-	-	-	-	-	-	1 120
Other	243	34	-	-	-	-	3 848	4 126
Total carrying value excluding accrued interest expense	40 992	45 362	-	-	-	155	222 826	309 335
Accrued interest expense	307	412	-	-	-	337	1 032	2 087
Total carrying value including accrued interest expense	41 298	45 774	-	-	-	492	223 858	311 422
[3] Of which repos								*21 979*
[4] Of which repos								*8 284*
31-12-2008								
Deposits from credit institutions and investment firms [3]	461	17 676	-	-	-	-	42 465	60 602
Deposits from customers and debt certificates [4]	1 354	17 431	-	-	-	-	177 948	196 733
Deposits from customers	0	10 786	-	-	-	-	136 179	146 964
Demand deposits	0	847	-	-	-	-	43 892	44 739
Time deposits	0	9 927	-	-	-	-	58 655	68 582
Savings deposits	0	0	-	-	-	-	28 951	28 951
Special deposits	0	0	-	-	-	-	3 546	3 546
Other deposits	0	12	-	-	-	-	1 135	1 147
Debt certificates	1 354	6 645	-	-	-	-	41 770	49 768
Certificates of deposit	0	1 382	-	-	-	-	13 740	15 122
Customer savings certificates	0	0	-	-	-	-	3 077	3 077
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	1 354	4 426	-	-	-	-	16 063	21 843
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	836	-	-	-	-	8 889	9 726
Liabilities under investment contracts	-	6 749	-	-	-	-	452	7 201
Derivatives	39 785	-	-	-	-	683	-	40 469
Short positions	2 960	-	-	-	-	-	-	2 960
in equity instruments	394	-	-	-	-	-	-	394
in debt instruments	2 566	-	-	-	-	-	-	2 566
Other	244	101	-	-	-	-	3 739	4 085
Total carrying value excluding accrued interest expense	44 805	41 957	-	-	-	683	224 604	312 049
Accrued interest expense	161	272	-	-	-	232	1 216	1 882
Total carrying value including accrued interest expense	44 966	42 228	-	-	-	916	225 821	313 931
[3] Of which repos								18 647
[4] Of which repos								7 855

Note 19: Financial assets and liabilities: breakdown by portfolio and geography
Note 20: Financial assets: breakdown by portfolio and quality
Note 21: Financial assets and liabilities: breakdown by portfolio and remaining maturity
Note 22: Impairments for financial assets available-for-sale
Note 23: Impairments for financial assets held to maturity

Notes available in the annual report only.

Note 24: Impairments on loans and receivables (balance sheet)

In millions of EUR	31-12-2007	31-12-2008
Total	2 233	2 709
Breakdown by type		
Specific impairment, on-balance-sheet lending	1 963	2 352
Specific impairment, off-balance-sheet credit commitments	84	91
Portfolio-based impairment	186	266
Breakdown by counterparty		
Impairment for loans and advances to banks	6	128
Impairment for loans and advances to customers	2 119	2 469
Specific and portfolio based impairment, off-balance-sheet credit commitments	108	112

Note 25: Derivative financial instruments
Note 26: Other assets
Note 27: Tax assets and tax liabilities
Note 28: Investments in associated companies
Note 29: Property and equipment and investment property
Note 30: Goodwill and other intangible fixed assets

Notes available in the annual report only.

Note 31: Technical provisions, insurance

In millions of EUR	31-12-2007	31-12-2008
Gross technical provisions	17 905	19 523
Insurance contracts	9 474	9 699
Provisions for unearned premiums and unexpired risk	509	510
Life insurance provision	4 968	5 222
Provision for claims outstanding	3 557	3 586
Provision for bonuses and rebates	29	20
Other technical provisions	411	361
Investment contracts with DPF	8 431	9 824
Life insurance provision	8 367	9 813
Provision for claims outstanding	0	0
Provision for bonuses and rebates	64	11
Reinsurers' share	291	280
Insurance contracts	291	280
Provisions for unearned premiums and unexpired risk	21	17
Life insurance provision	3	6
Provision for claims outstanding	266	256
Provision for bonuses and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for bonuses and rebates	0	0

Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts. Liabilities under investment contracts without DPF are included in the overview on financial liabilities in note18.

Note 32: Provisions
Note 33: Other liabilities
Note 34: Retirement benefit obligations

Notes available in the annual report only.

Note 35: Parent shareholders' equity

in number of shares	31-12-2007	31-12-2008
Breakdown by type		
Ordinary shares	355 115 321	357 752 822
Mandatory convertible bonds	2 589 347	0
Non-voting core-capital securities	0	118 644 067
of which ordinary shares that entitle the holder to a dividend payment	*342 568 138*	*341 819 369*
of which treasury shares	*15 441 530*	*18 216 385*
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 31 December 2008, this number includes, *inter alia*:

- the shares that are held to meet requirements under the various employee stock option plans (892 925 shares).
- the shares that were bought in relation to the 2007-2009 3-billion-euro share buyback programme (13 360 577 shares).

The outstanding MCB's have been automatically converted in to KBC ordinary shares at 30 November 2008 according to a ratio of one KBC ordinary share for one MCB.

On 27 October 2008, KBC and the Belgian government reached an agreement to further strengthen KBC's financial position. Signed at the end of December 2008, the transaction entailed KBC issuing 3.5 billion euros' worth of non-transferable, non-voting core-capital securities to the Belgian State. (see also note 42 post-balance sheet events for the additional core-capital injection of 2.0 billion euros by the Flemish Regional Government).

Other notes

Note 36: Commitments and contingent liabilities
Note 37: Leasing
Note 38: Related party transactions
Note 39: Auditor's fee

Notes available in the annual report only.

Note 40: List of significant subsidiaries and associated companies

Company	Business unit (*)		Registered office	Ownership percentage at KBC Group level	Activity
BANKING					
Fully consolidated subsidiaries					
Absolut Bank	CEER	Moskou - RU	Moscow - RU	95.00	Credit institution
Antwerpse Diamantbank NV	MB	Antwerpen - BE	Antwerp - BE	100.00	Credit institution
CBC Banque SA	B	Brussel - BE	Brussels - BE	100.00	Credit institution
CENTEA NV	B	Antwerpen - BE	Antwerp - BE	99.56	Credit institution
CIBANK AD (ex-Economic and Investment Bank AD)	CEER	Sofia - BG	Sofia - BG	77.09	Credit institution
CSOB a.s. (Czech Republic)	CEER	Praag - CZ	Prague - CZ	100.00	Credit institution
CSOB a.s. (Slovak Republic)	CEER	Bratislava - SK	Bratislava - SK	100.00	Credit institution
Fin-Force NV	GR	Brussel - BE	Brussels - BE	90.00	Processing financial transactions
Istrobanka a.s.	CEER	Bratislava - SK	Bratislava - SK	100.00	Credit institution
KBC Asset Management NV	B	Brussel - BE	Brussels - BE	100.00	Asset Management
KBC Bank NV	B/MB/CEER/GR	Brussel - BE	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	MB	Bremen - DE	Bremen - DE	100.00	Credit institution
KBC Bank Funding LLC & Trust (group)	MB	New York - US	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Ireland Plc (ex-IIB Bank Plc)	MB	Dublin - IE	Dublin - IE	100.00	Credit institution
KBC Bank Nederland NV	MB	Rotterdam - NL	Rotterdam - NL	100.00	Credit institution
KBC Clearing NV	MB	Amsterdam - NL	Amsterdam - NL	100.00	Clearing
KBC Commercial Finance NV (ex-International Factors NV)	MB	Brussel - BE	Brussels - BE	100.00	Factoring
KBC Credit Investments NV	MB	Brussel - BE	Brussels - BE	100.00	Investments in credit-linked securities
KBC Finance Ireland	MB	Dublin - IE	Dublin - IE	100.00	Lending
KBC Financial Products (group)	MB	Diverse locaties	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	MB	Rotterdam - NL	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	MB	Diverse locaties	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	MB	Londen - GB	London - GB	99.99	Stock exchange broker / corporate finance
KBC Private Equity NV	MB	Brussel - BE	Brussels - BE	100.00	Private equity
KBC Real Estate NV	MB	Zaventem - BE	Zaventem - BE	100.00	Real estate
KBC Securities NV	MB	Brussel - BE	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Zrt.	CEER	Budapest - HU	Budapest - HU	100.00	Credit institution
Kredyt Bank SA	CEER	Warschau - PL	Warsaw - PL	80.00	Credit institution
Associated companies					
Nova Ljubljanska banka d.d. (group) (**)	CEER	Ljubljana - SI	Ljubljana - SI	30.57	Credit institution
INSURANCE					
Fully consolidated subsidiaries					
ADD NV	B	Heverlee - BE	Heverlee - BE	100.00	Insurance company
Assurisk SA	MB	Luxemburg - LU	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	CEER	Pardubice - CZ	Pardubice - CZ	100.00	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	CEER	Bratislava - SK	Bratislava - SK	100.00	Insurance company
DZI Insurance	CEER	Sofia - BG	Sofia - BG	89.53	Insurance company
Fidea NV	B	Antwerpen - BE	Antwerp - BE	100.00	Insurance company
Groep VAB NV	B	Zwijndrecht - BE	Zwijndrecht - BE	74.81	Automobile assistance
K&H Insurance	CEER	Budapest - HU	Budapest - HU	100.00	Insurance company
KBC Banka A.D. (formerly A Banka A.D.)	CEER	Belgrado - RS	Belgrade - RS	100.00	Credit institution
KBC Verzekeringen NV	B	Leuven - BE	Leuven - BE	100.00	Insurance company
Secura NV	MB	Brussel - BE	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	EPB	Luxemburg - LU	Luxembourg - LU	99.99	Insurance company
TUIR WARTA SA	CEER	Warschau - PL	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries					
NLB Vita d.d. (**)	CEER	Ljubljana - SI	Ljubljana - SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING					
Fully consolidated subsidiaries					
Brown, Shipley & Co Ltd.	EPB	Londen - GB	London - GB	99.91	Credit institution
KBL Richelieu Banque Privée (merger between KBL France sa and Richelieu Finance)	EPB	Parijs - FR	Paris - FR	99.91	Credit institution
Kredietbank SA Luxembourgeoise	EPB	Luxemburg - LU	Luxembourg - LU	99.91	Credit institution
Kredietbank (Suisse) SA, Genève	EPB	Genève - CH	Geneva - CH	99.90	Credit institution
Merck Finck & Co.	EPB	München - DE	Munich - DE	99.91	Credit institution
Puilaetco Dewaay Private Bankers SA	EPB	Brussel - BE	Brussels - BE	99.91	Credit institution
Theodoor Gilissen Bankiers NV	EPB	Amsterdam - NL	Amsterdam - NL	99.91	Credit institution
HOLDING-COMPANY ACTIVITIES					
Fully consolidated subsidiaries					
KBC Global Services NV (ex-KBC Exploitatie)	GR	Brussel - BE	Brussels - BE	100.00	Cost-sharing structure
KBC Group NV	GR	Brussel - BE	Brussels - BE	100.00	Holding company

(*) B=Belgium business unit, MB= Merchant Banking business unit, CEER = Central & Eastern Europe and Russia business unit, EPB = European Private Banking business unit, GR = Group Centre
(**) included in IFRS5 non-current assets/liabilities held for sale

Note 41: Main changes in the scope of consolidation

	Company	Consolidation method	Ownership percentage at KBC Group level		Comments
			31-12-2007	31-12-2008	
ADDITIONS					
Banking	Absolut Bank	Full	95.00%	95.00%	Recognised in income statement from 3Q 2007
Banking	CIBANK AD (ex-Economic and Investment Bank AD)	Full	-	77.09%	Recognised in income statement from 1Q 2008
Banking	CSOB a.s. (Slovak Republic)	Full	-	100.00%	Demerger from CSOB (Czech Republic) as of 1Q08
Banking	Istrobanka a.s.	Full	-	100.00%	Recognised in income statement from 3Q 2008
KBL European Private Bankers	Richelieu Finance	Full	-	99.91%	Recognised in income statement from 2Q 2008; merged with KBL France sa in 3Q08 - name changed into KBL Richelieu Banque Privée
CHANGES IN OWNERSHIP PERCENTAGE					
Banking	Nova Ljubljanska banka d.d. (group)	Equity	34.00%	30.57%	

Note 42: Post-balance sheet events

Significant (non-adjusting) events between the balance sheet date (31 December 2008) and the publication of this report (12 February 2009):

- KBC has reached agreement with the Flemish Regional Government for a non-dilutive, core capital injection of 2.0 billion euros (subject to approval of the qualification as core capital by the Belgian financial sector regulator CBFA). After this capital injection, the tier 1-ratio ratio would have been 11,2% on a pro forma basis at year-end 2008 (of which 8,6% core capital). The terms and conditions will be similar to those of the core capital issue subscribed by the Belgian State in December 2008. In addition, an agreement was reached for a stand-by (non-dilutive) core capital facility to the tune of 1.5 billion euros. If needed, KBC can draw on this facility to maintain capital at adequate levels in the future.

Note 43: General information (IAS 1)

Note available in the annual report only.

Glossary and other information

Glossary and other information

KBC Group, 4Q 2008 and FY 2008

Glossary of ratios used

CAD ratio (banking)
[consolidated regulatory capital] / [total risk-weighted volume]. Detailed calculations in the 'Solvency' section of this part.

Claims reserve ratio
[average net provision for claims outstanding (excl.life part)] / [net earned premiums]

Combined ratio (non-life insurance)
[net claims incurred / net earned premiums] + [net expenses / net written premiums]

Core Tier-1 capital ratio
[consolidated tier-1 capital excluding hybrid instruments] / [total weighted volume]

Cost/income ratio (banking)
[(underlying) operating expenses of the banking businesses of the group (i.e. KBC Bank and KBL EPB)] / [(underlying) total income of the banking businesses of the group].

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]

Earnings per share, basic
[profit after tax, attributable to the equity holders of the parent)] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares].

Earnings per share, diluted
[profit after tax, attributable to the 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 potentially dilutive effect of share options and ordinary convertible bonds].

Gearing ratio
[sum of the consolidated equity of KBC Bank, KBC Insurance, KBL EPB and KBC Global Services] / [consolidated equity of KBC group]

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

Parent shareholders' equity per share
[parent shareholders' equity excluding non-voting core capital securities] / [number of ordinary shares and mandatorily convertible bonds, less treasury shares (at period-end), less number of non-voting core capital securities]

Return on allocated capital (ROAC - for a particular business unit)

[profit after tax, including minority interests, of a business unit, corrected for income on allocated instead of real equity] / [average allocated equity to the business unit]

Profit of a business unit is the sum of the profit of the companies belonging to the business unit, corrected for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses.

The allocated equity to a business unit is based on a tier-1 ratio of 8.5% of risk-weighted assets for banking activities and a solvency ratio of 200% for the insurance activities. In the banking business, allocated tier-1 capital consists of core equity (75%) and hybrid instruments (25%), while in the insurance business, allocated capital consists purely of core equity. To calculate ROAC, only core equity is taken into account in the denominator. The risk-weighted assets of the banking activities are calculated according to Basel II.

Return on equity

[profit after tax, attributable to the equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments and excluding non-voting core capital securities]

Solvency ratio (insurance)

[consolidated available capital of KBC Insurance] / [minimum required capital of KBC Insurance]. Detailed calculations in the 'Solvency' section of this part.

Tier-1 ratio (banking)

[consolidated tier-1 capital] / [total risk-weighted volume]. Detailed calculations in the 'Solvency' section of this part.

Credit ratings

KBC Group and some of its main operating subsidiaries are rated by the international rating agencies Fitch, Standard and Poor's and Moody's. The long-term ratings for KBC Bank, KBC Insurance and KBC Group are mentioned in the table.

There have been the following changes in the ratings since 30 September 2008:

- October 2008: S&P and Fitch put the ratings of KBC Group, KBC Bank and KBC Insurance on 'negative watch'.
- November 2008: S&P's downgrades the LT ratings of KBC Group, KBC Bank and KBC Insurance to A, A+ and A+, respectively, and the ST rating of KBC Bank to A1.
- December 2008: Fitch downgrades the LT ratings of KBC Group, KBC Bank and KBC Insurance (claims paying rating) to A+, A+ and AA-, respectively, and the ST ratings of KBC Group and KBC Bank to F1
- January 2009: Moody's downgrades the LT ratings of KBC Group and KBC Bank to A1 and Aa3, respectively.

Ratings, 12-01-2009	Long-term rating (+ outlook)		Short-term rating
Fitch			
KBC Bank	A+	(negative outlook)	F1
KBC Insurance (claims-paying ability)	AA-	(negative outlook)	-
KBC Group NV	A+	(negative outlook)	F1
Moody's			
KBC Bank	Aa3	(negative outlook)	P-1
KBC Group NV	A1	(negative outlook)	P-1
Standard and Poor's			
KBC Bank	A+	(negative outlook)	A1
KBC Insurance (claims-paying ability)	A+	(negative outlook)	-
KBC Group NV	A	(negative outlook)	A1

Assets under management

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-12-2007	31-12-2008
By business unit		
Belgium	162 538	151 037
Central & Eastern Europe and Russia	12 999	11 729
Merchant Banking	891	36
European Private Banking	54 462	44 040
Total	230 891	206 842
By product or service		
Investment funds for private individuals	93 507	79 674
Assets managed for private individuals	81 874	68 825
Assets managed for institutional investors	38 344	39 832
Group assets (managed by KBC Asset Management)	17 165	18 510
Total	230 890	206 841

Note: The figures for the year 2007 were restated slightly.

Solvency

KBC Bank and KBL EPB

In millions of EUR	31-12-2007 Basel I	31-12-2007 Basel II	31-12-2008 Basel I	31-12-2008 Basel II
Regulatory capital				
Regulatory capital, KBC Bank and KBL EPB (after profit appropriation)	16 990	17 170	18 787	19 028
Tier-1 capital	12 406	11 823	14 037	13 643
Parent shareholders' equity	13 650	13 650	11 576	11 576
Intangible fixed assets	- 244	- 244	- 169	- 169
Goodwill on consolidation	- 2 053	- 2 053	- 2 451	- 2 451
Innovative hybrid tier-1 instruments	1 815	1 815	1 652	1 652
Non-innovative hybrid tier-1 instruments	0	0	1 793	1 793
Minority interests	584	584	599	599
EliminationMandatorily convertible bonds and other tier 2 instruments	- 204	- 204	- 18	- 18
Revaluation reserve available-for-sale assets (AFS)	7	7	946	946
Hedging reserve (cashflow hedges)	- 73	- 73	352	352
Valuation diff. in fin. liabilities at fair value - own credit risk	0	0	- 245	- 245
Minority interest in AFS reserve & hedging reserve, cashflow hedges	2	2	1	1
Dividend payout	- 1 077	- 1 077	0	0
Items to be deducted (*)	0	- 583	0	- 395
Tier-2 & 3 capital	4 584	5 347	4 750	5 385
Mandatorily convertible bonds	186	186	0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)	599	599	820	820
Revaluation reserve, available-for-sale shares (at 90%)	233	233	29	29
Minority interest in revaluation reserve AFS shares (at 90%)	2	2	- 7	- 7
IRB provision excess	0	139	0	209
Subordinated liabilities	4 754	4 754	4 586	4 586
Tier-3 capital	18	18	144	144
Items to be deducted (*)	- 1 209	- 583	- 821	- 395
Weighted risks				
Total weighted risk volume	154 053	135 146	165 220	141 370
Credit risk	142 631	113 415	147 988	108 038
Market risk	11 422	12 984	17 232	20 333
Operational risk	0	8 747	0	12 999
Solvency ratios				
Tier-1 ratio	8.1%	8.7%	8.5%	9.7%
Core Tier-1 ratio	6.9%	7.4%	6.4%	7.2%
CAD ratio	11.0%	12.7%	11.4%	13.5%

(*) 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), as well as KBC Group shares held by KBC Bank.

Note: Including the impact of the core capital transaction in the banking business (2.25 billion euros) announced on 27 October 2008, but excluding the core capital transaction of 2.0 billion euros by the Flemish Regional Government (please see Note 42).

The table shows the tier-1 and CAD ratios calculated under Basel II. It should be noted that Basel II rules have been implemented in all entities throughout the group since the first quarter of 2008 (this was not yet the case at 31 December 2007, the end of the transition year). Primarily the Basel II IRB Foundation approach is being used (for about 70% of the weighted risks), while the weighted risks of the other companies (roughly 30% of such risks) are calculated according to the standardised method.

In order to strengthen the solvency ratios of KBC Bank and with a view to optimising the use of those hybrid instruments allowed by the regulator, KBC Bank issued so-called non-innovative hybrid tier-1 capital instruments worth 2 billion euros in the second quarter of 2008. In Belgium, banks may issue both innovative and non-innovative hybrid capital instruments which qualify to a maximum of 25% of tier-1 capital (with additional limits for the innovative hybrid component). To be classified as non-innovative, the instrument must have a number of features, viz. they need to be subordinated, should not provide for any step-up in dividends, should be perpetual (no general redemption right for investors) and may be converted to ordinary shares subject to certain limits and approvals.

KBC Insurance

in millions of EUR		31-12-2007	31-12-2008
Available capital			
Share capital		29	59
Share premium account		122	1 842
Reserves		2 600	796
Revaluation reserve available-for-sale (AFS) investments		953	- 176
Translation differences		37	5
Dividend payment (-)		- 617	0
Minority interests		35	56
Subordinated liabilities		0	0
Intangible fixed assets (-)		- 24	- 32
Goodwill on consolidation (-)		- 495	- 485
Elimination:	Revaluation reserve available-for-sale (AFS) investments		176
	Equalization reserve		- 123
Available capital		2 641	2 117
Required capital			
Non-life and industrial accidents - legal lines		301	341
Annuities		8	8
Subtotal, non-life		308	349
Class 21		661	756
Class 23		24	14
Subtotal, life		685	770
Other		4	8
Total required solvency margin		997	1 127
Solvency ratios and surplus			
Solvency ratio (%)		265%	188%
Solvency surplus, in millions of EUR		1 643	990

KBC Insurance has followed the regulator's new guidelines and been applying new rules to calculate the solvency ratio since 30 September 2008.

Note: Including the impact of the core capital transaction in the insurance business (1.25 bn euros) announced on 27 October 2008.

Risk management information

Extensive risk management data for 31-12-2008 will provided in KBC's 2008 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 data

The main source of credit risk is the loan portfolio of the bank. A snapshot of this 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 Bank and KBL EPB 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. Ratios are defined in the 'glossary and other information' section of the quarterly report.

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2007	31-12-2008
Total loan portfolio (in billions of EUR)		
Amount granted	208.2	217.2
Amount outstanding	163.5	178.0
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	27.9%	28.4%
Central & Eastern Europe and Russia Business Unit	21.4%	23.6%
Merchant Banking	48.8%	46.2%
European Private Banking	1.9%	1.8%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	6.6%	6.5%
Electricity	1.8%	1.7%
Aviation	0.4%	0.4%
Automobile industry	2.6%	2.1%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 446	5 118
Specific loan impairment	2 048	2 790
Portfolio-based loan impairment	186	266
Credit cost ratio, per business unit *		
Belgium	0.13%	0.09%
Central & Eastern Europe and Russia Business Unit[1]	0.26%	0.83%
Merchant Banking	0.02%	0.90%
European Private Banking	1.03%	4.02%
Total	0.13%	0.70%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 386	3 239
Specific loan impairment for NP loans	1 505	1 949
Non-performing ratio, per business unit		
Belgium	1.6%	1.7%
Central & Eastern Europe and Russia Business Unit	2.1%	2.1%
Merchant Banking	1.0%	1.6%
European Private Banking	1.7%	4.9%
Total	1.5%	1.8%
Cover ratio		
Specific loan impairment for NP loans / outstanding NP loans	63%	60%
Specific & portfolio-based loan impairment for performing and NP loans / outstanding NP loans	94%	94%

Definition of ratios: see 'Glossary and other information'.

[1]Broken down as follows for 31-12-2008:

CZ: 0.567%, SK: 0.815% , Hungary: 0.408%, Poland:0.946%, Russia:2.396%

*The figures are negatively impacted due to Lehman Brothers, Washington Mutual and Icelandic banks defaults.

As at 31 December 2008, a total of 2.8 billion euros of credit exposure relates to leveraged finance financing (LBO/MBO transactions, see footnote under the table for a definition); the average transaction size is 16 million euros. The maximum engagement of KBC in leveraged financing is limited to maximum 3% of the portfolio of the Merchant Banking Business Unit and to 500 million euros for the CEER business unit.

Additional information on leveraged finance* (KBC Bank and KBL EPB)	31-12-2007	31-12-2008
Total granted amount of leveraged finance deals (in billions of EUR)	2.7	2.8
Granted leveraged finance portfolio, by sector		
Services	17.9%	18.6%
Distribution	14.9%	13.2%
Chemicals	11.0%	12.7%
Telecom	8.2%	7.9%
Machinery	6.9%	7.8%
Other	41.1%	39.8%
Total	100.0%	100.0%
Granted leveraged finance portfolio, by transaction size (total amount in a size interval / total leveraged finance portfolio)		
Up to and incl. 10 million euros	12.5%	7.5%
Over 10 million and up to and incl. 25 million euros	65.0%	65.5%
Over 25 million and up to and incl. 50 million euros	18.7%	18.2%
Over 50 million and up to and incl. 100 million euros	0.0%	8.8%
Over 100 million euros	3.8%	0.0%
Total	100.0%	100.0%

* In order to be included in this scope, following criteria must be met:

1. Involvement of a private equity fund and/or management buyout.
2. Consolidated total net debt / EBITDA >= 4.5 or consolidated net senior debt / EBITDA >= 2.5.

Information on structured credit investments and on exposure towards monoline insurers

Detailed information on securitizations (including CDO and subprime exposure data) and data on the exposure towards monoline insurers can be found in the presentation: 'Investment in structured credit products, 31 December 2008', which is available on www.kbc.com.

Asset/Liability management data

The first table shows - for the banking business - the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Bank Deutschland, IIB Bank, KBC Bank Nederland, Antwerp Diamond Bank, ČSOB CZ, CSOB SK, K&H Bank, Kredyt Bank, KBL EPB, Absolut Bank and KBC Credit Investments.

The second table provides - for the insurance business - an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items.

ALM risk: BPV of the ALM book, banking (in millions of EUR)	
Average 1Q 2007	70
Average 2Q 2007	54
Average 3Q 2007	44
Average 4Q 2007	46
Average 1Q 2008	59
Average 2Q 2008	74
Average 3Q 2008	76
Average 4Q 2008	76
31-12-2008	
Maximum in 12M 2008	84
Minimum in 12M 2008	48

*Figures are calculated based on the information available as at the date of publication.

ALM risk: investment portfolio, insurance (carrying value, in millions of EUR)	31-12-2007	31-12-2008
Bonds and other fixed-income securities	14 643	15 600
Shares and other variable-yield securities	4 328	2 385
Other securities	20	155
Loans and advances to customers	156	203
Loans and advances to banks	1 775	3 147
Property and equipment and investment property	285	349
Liabilities under investment contracts, unit-linked	9 099	6 948
Other	112	115
Total investment portfolio KBC Insurance	30 417	28 904

Market risk data

The table shows the Value-at-Risk (99% confidence interval, 1-day holding period) for the bank's dealing rooms on the money and capital markets (KBC Bank in the table – including KBL EPB) and for KBC Financial Products.

Market risk: VAR (in millions of EUR; 1-day holding period)	KBC Bank	KBC Financial products
Average 1Q 2007	4	10
Average 2Q 2007	4	10
Average 3Q 2007	4	13
Average 4Q 2007	5	15
Average 1Q 2008	5	15
Average 2Q 2008	7	11
Average 3Q 2008	7	15
Average 4Q 2008	13	24
31-12-2008	10	15
Maximum in 12M 2008	17	30
Minimum in 12M 2008	3	9

Gearing Ratio

Gearing ratio calculation, 31-12-2008, in millions of EUR	Own funds	Minus dividend payout	Own funds for calculation
Own funds KBC Group (A)	14 210	-	14 210
Own funds subsidiaries (B)	14 810	- 128	14 683
KBC Bank	10 728	-	10 728
KBC Insurance	2 525	-	2 525
KBL EPB	848	-	848
KBC Global Services	262	-	262
KBC Asset Management (part owned by KBC Group)	447	- 128	319
Gearing ratio (B) / (A)			103.3%

Quarterly time series for financial assets and liabilities

FINANCIAL ASSETS (in millions of EUR)

	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008
Loans and advances to credit institutions and investment firms [1]	46 390	52 080	52 336	53 843	53 351	53 399	52 665	36 796
Loans and advances to customers [2]	135 512	134 065	139 887	147 051	149 161	165 263	163 947	157 296
Discount and acceptance credit	233	292	252	718	210	212	270	153
Consumer credit	3 221	3 689	3 761	3 893	4 030	4 683	4 810	4 625
Mortgage loans	41 010	42 471	44 297	47 125	49 310	52 181	54 420	55 571
Term loans	71 386	66 433	69 373	72 714	73 365	84 109	83 522	77 915
Finance leasing	6 110	6 404	6 720	6 883	6 514	6 805	6 923	6 728
Current account advances	7 989	8 896	8 342	7 853	7 505	9 462	8 001	6 718
Securitised loans	293	284	304	264	255	0	0	0
Other	5 270	5 596	6 839	7 603	7 972	7 811	6 000	5 585
Equity instruments	25 005	25 377	24 228	22 207	19 206	18 140	17 235	9 145
Investment contracts (insurance)	9 237	9 272	9 179	9 066	8 626	8 356	7 972	6 948
Debt instruments issued by	89 967	87 517	86 242	83 080	84 450	88 131	88 097	85 752
Public bodies	56 972	55 958	55 292	47 166	49 473	53 915	53 642	58 235
Credit institutions and investment firms	15 435	15 251	15 409	14 829	14 757	14 651	14 472	12 804
Corporates	17 560	16 307	15 541	21 085	20 220	19 565	19 982	14 713
Derivatives	16 913	19 050	20 662	22 232	25 182	25 676	29 694	38 800
Total carrying value excluding accrued intrest income	322 731	327 077	332 232	337 215	339 720	358 965	359 609	334 737
Accrued interest income	2 633	2 929	2 946	3 307	2 410	2 321	2 386	2 466
Total carrying value including accrued interest income	325 364	330 006	335 178	340 522	342 130	361 286	361 995	337 203
[1] *Of which reverse repos*	*24 745*	*23 018*	*35 111*	*33 503*	*29 168*	*27 194*	*28 557*	*11 214*
[2] *Of which reverse repos*	*21 775*	*16 754*	*6 451*	*6 339*	*5 808*	*13 390*	*9 458*	*3 838*

FINANCIAL LIABILITIES (in millions of EUR)

	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008	30-09-2008	31-12-2008
Deposits from credit institutions and investment firms [3]	64 779	65 483	67 660	73 104	68 690	63 804	71 038	60 602
Deposits from customers and debt certificates [4]	183 850	186 295	191 928	192 135	197 261	218 105	215 381	196 733
Deposits from customers	128 584	134 949	137 040	137 347	143 569	157 068	157 192	146 964
Demand deposits	37 319	40 419	40 744	42 488	46 704	54 120	51 384	44 739
Time deposits	58 141	61 015	64 115	63 357	65 877	72 430	74 615	68 582
Savings deposits	28 735	28 866	27 115	27 079	26 245	25 263	26 109	28 951
Special deposits	3 057	3 053	3 172	3 444	3 566	3 846	3 706	3 546
Other deposits	1 331	1 596	1 894	979	1 177	1 408	1 378	1 147
Debt certificates	55 266	51 346	54 887	54 788	53 692	61 037	58 189	49 768
Certificates of deposit	24 894	17 867	18 844	17 937	16 770	21 110	18 409	15 122
Customer savings certificates	2 716	2 690	2 869	2 956	3 028	3 141	3 137	3 077
Convertible bonds	0	0	0	0	0	0	0	0
Non-convertible bonds	21 221	24 251	25 997	26 324	26 369	27 314	26 728	21 843
Convertible subordinated liabilities	0	0	0	0	0	0	0	0
Non-convertible subordinated liabilities	6 435	6 538	7 178	7 570	7 525	9 472	9 915	9 726
Liabilities under investment contracts	9 223	9 255	8 972	8 928	8 480	8 349	8 155	7 201
Derivatives	23 823	25 917	26 956	26 197	27 599	28 134	33 866	40 469
Short positions	7 420	8 280	4 703	4 845	4 430	5 594	4 645	2 960
in equity instruments	2 578	2 812	3 985	3 724	3 303	4 398	3 603	394
in debt instruments	4 841	5 468	718	1 120	1 127	1 196	1 042	2 566
Other	5 227	4 789	4 152	4 126	4 759	8 148	6 205	4 085
Total carrying value excluding accrued interest expense	294 322	300 019	304 371	309 335	311 220	332 133	339 289	312 049
Accrued interest expense	1 809	2 008	2 411	2 087	2 043	2 208	2 397	1 882
Total carrying value including accrued interest expense	296 131	302 027	306 782	311 422	313 263	334 341	341 686	313 931
[3] *Of which repos*	*25 500*	*20 440*	*22 897*	*21 979*	*21 388*	*13 522*	*17 866*	*18 647*
[4] *Of which repos*	*6 670*	*8 061*	*9 753*	*8 284*	*10 233*	*13 573*	*13 221*	*7 855*

Financial calendar

Publication of Embedded Value data, Insurance, as at 31-12-2008	2 April 2009
2008 Annual Report available as of	9 April 2009
2008 Risk Report available as of	9 April 2009
2008 Annual Corporate Social Responsibility Report available as of	9 April 2009
Annual General Meeting	30 April 2009
Publication of 1Q 2009 results	14 May 2009
Publication of 2Q 2009 results	6 August 2009
Publication of 3Q 2009 results	13 November 2009
Publication of 4Q 2009 results	11 February 2010

For the most up-to-date version of the financial calendar, including investor relations events such as analyst meetings and investor road shows, see www.kbc.com.

Powerpoint presentation

KBC Group
2008 4Q Results

Analyst tele-conference
12 February 2009 - 9.30 AM CET

www.kbc.com/ir/financialreports

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until 28 February 2009

KBC

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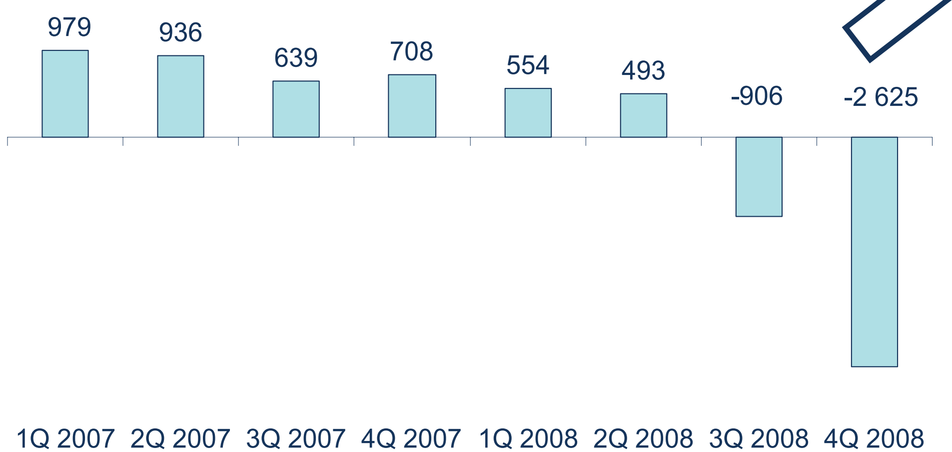
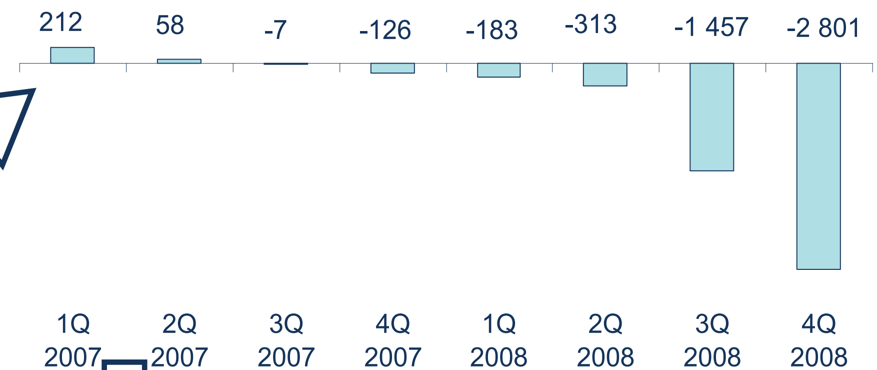
- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete.
- This presentation contains forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. The risk exists that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.
- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

Financial highlights 4Q 2008

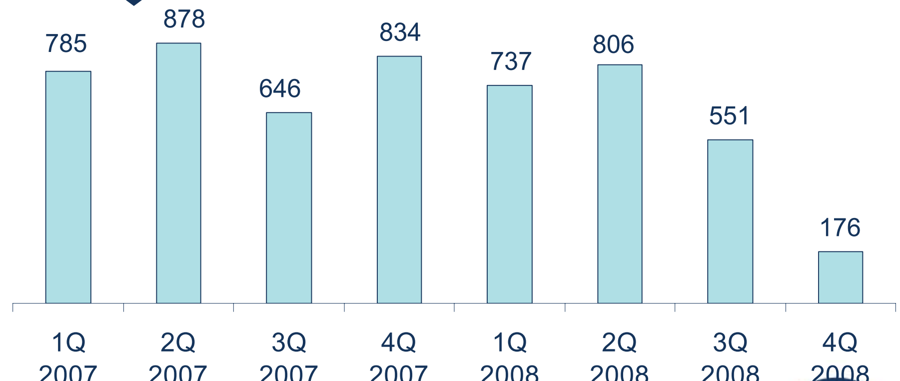
Net profit, reported



One-off items + result of ALM-hedges +impact of financial crisis*



Underlying net profit



This presentation refers to the underlying figures only in the next slides

* Impact of financial crisis consists of losses on structured credits, on exposures to troubled banks, on equity investments and on trading positions unwound due to the discontinuation of activities

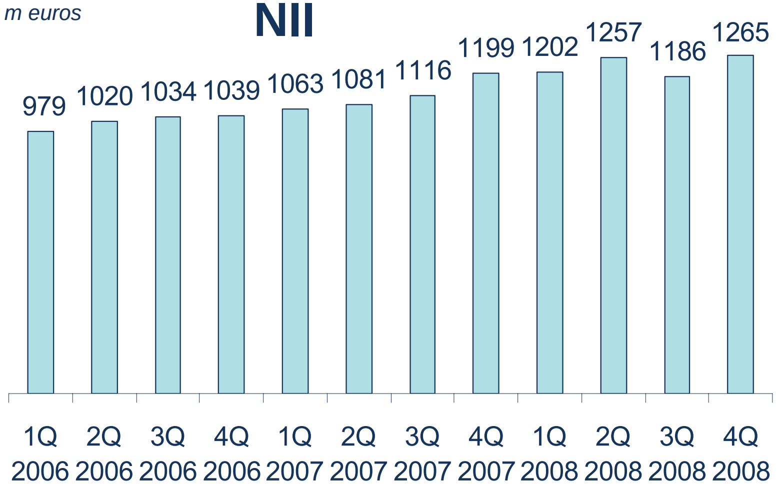
Financial headlines 4Q 08 (2)

- Significant impact from investments markdown after having applied a conservative valuation approach
- Profitability in Belgium underpinned by strong market position, despite weakening environment
- Resilient volume and margin trends in CEE with credit risk remaining at manageable levels
- Merchant banking impacted by trading losses and increasing non-domestic loan losses
- European private banking impacted by adverse investment climate
- Measures taken to contain costs and reduce credit and market risk
- Pro forma Tier-1 capital ratio, banking at 11.2%, of which 8.6% core equity (including all state support received)

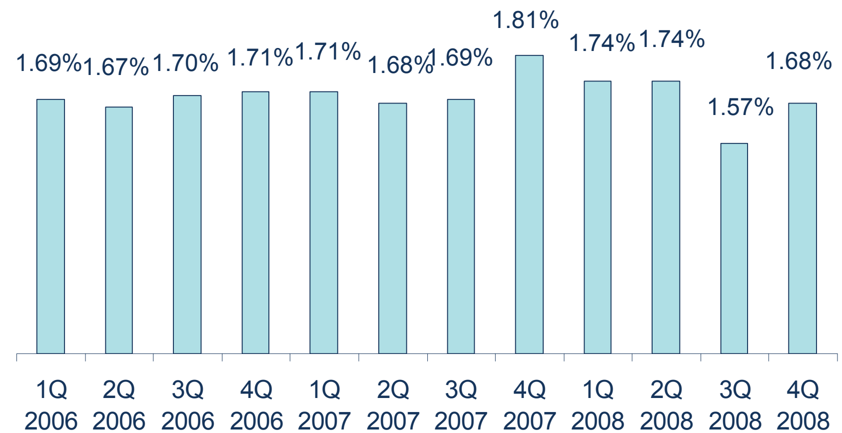
Revenue trend - Group

in m euros

NII



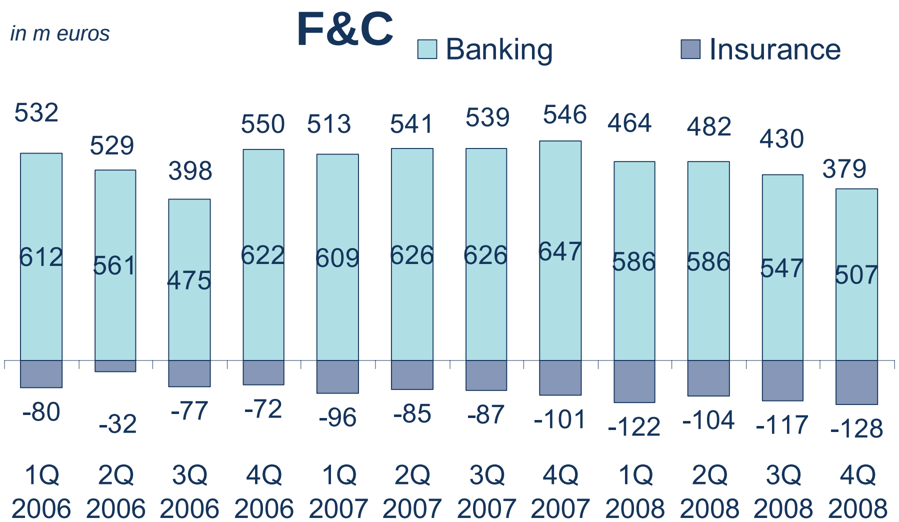
NIM*

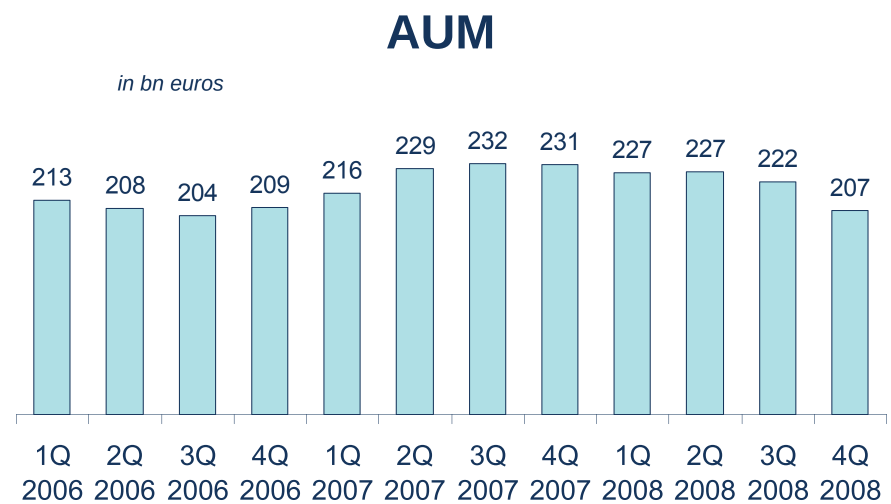


- NII (1265m), up 7% q/q and 6% y/y, on the back of:
- Continued volume-growth (loans up 8%, or 11.7bn y/y, deposits up 2%, or 3.7bn y/y)
- a moderate increase in NIM (1.68%), up 11 bps q/q:
  - increased traditional saving deposit remuneration in Belgium since July 2008, but was lowered as of 1 December, following consecutive decreases in the ECB interest rate
  - In CEE NIM continued its upward trend q/q (from 3.18% to 3.29%)

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

Revenue trend - Group

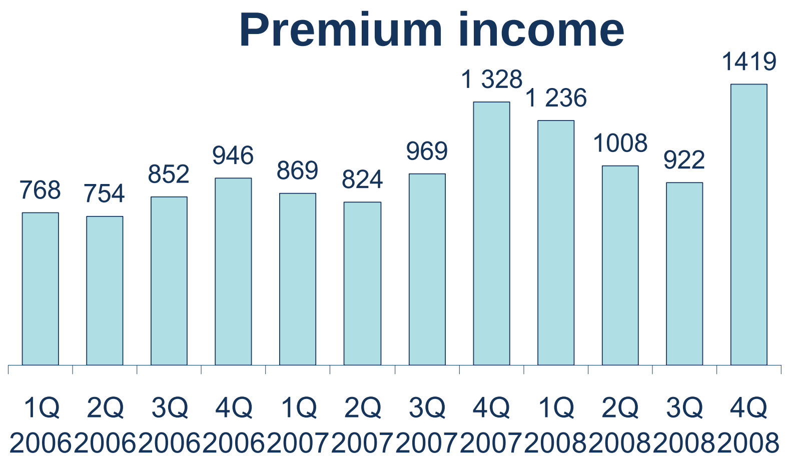


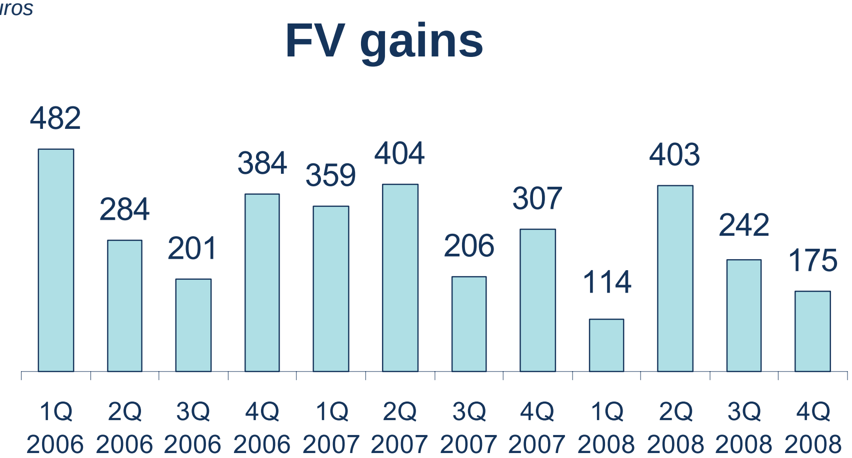


- F&C (379m) down 12% q/q and 31% y/y, as a result of:
  - Lower fees received (banking), due to low customer appetite for investment products
  - Increased paid fees to insurance agents based on higher sales
- AUM (207bn) down 7% q/q, and down 10% y/y, negatively impacted by the depressed market performance. 1% net new inflow overshadowed by -12% negative price-impact

Revenue trend - Group

All figures are in m euros





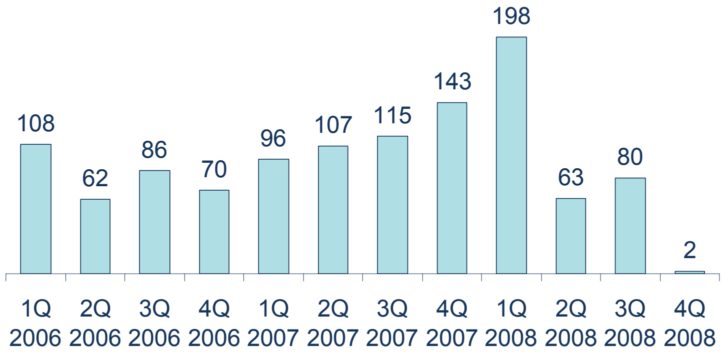
- Premium income (1 419m) significantly up q/q (+54%) and 7% y/y, as a balance of:
  - outstanding sales volumes in interest-guaranteed products (almost doubled q/q).
  - continued downward trend in sales of unit linked-policies, resulting from adverse customer investment sentiment

- FV gains ('trading and other fair value income'): 175m gain, down 28% q/q and 43% y/y. These underlying figures exclude the negative impact of valuation changes of the structured credit portfolio and 'unwinding losses' of trading positions in derivative products (operations to be discontinued)

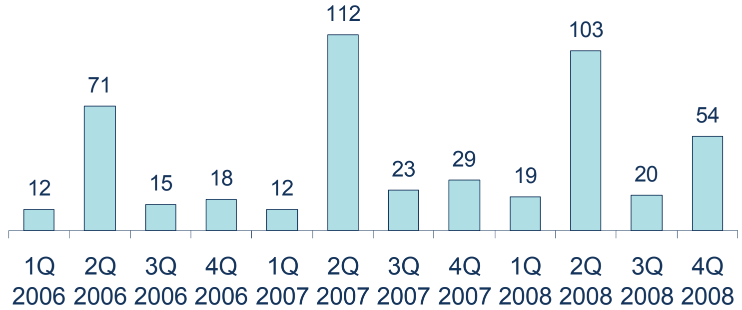
Revenue trend - Group

All figures are in m euros

AFS realised gains



Dividend income



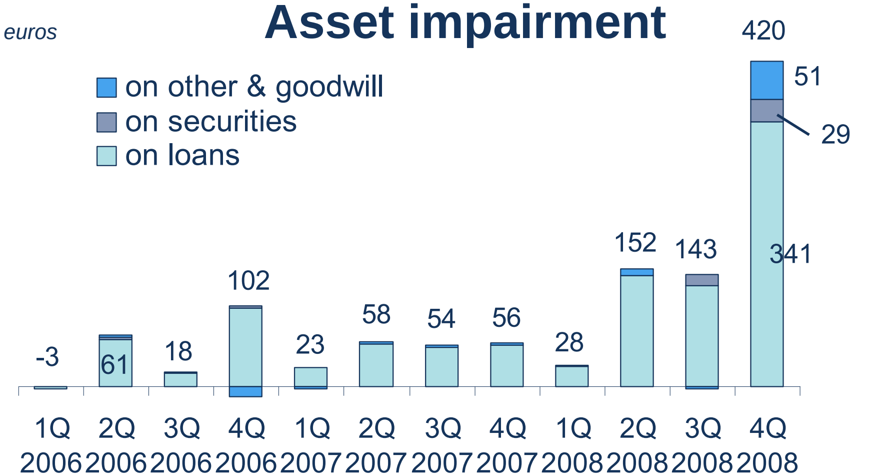
- Realised gains from AFS-assets (2m), down q/q and y/y. 4Q 07 result was boosted somewhat by gains on sales due to corporate actions. However, the decrease is largely caused by the equity market weakness (limited availability of value gains on equity holdings)
- Dividend income (54m) somewhat higher than in the previous quarter (20m) and in 4Q 07 (29m)

Operating expenses and asset impairment – Group

Operating expenses

All figures are in m euros

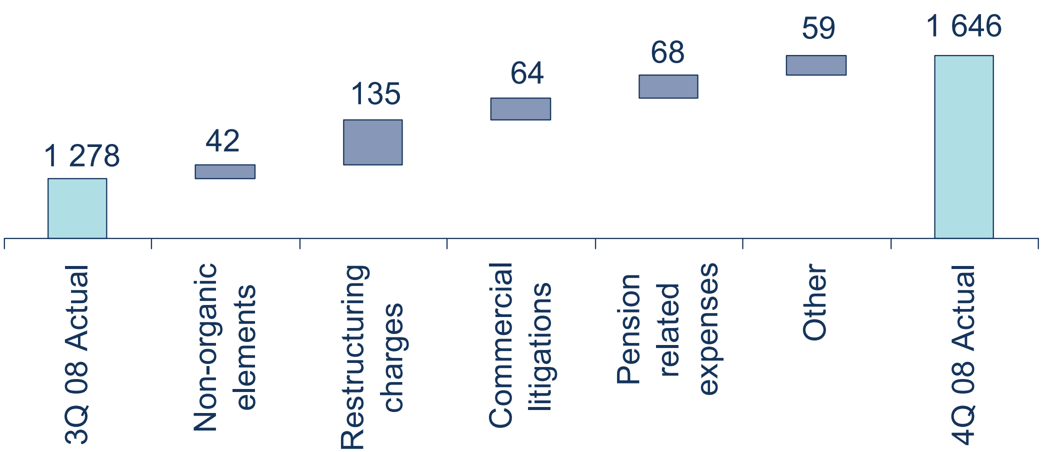
Asset impairment



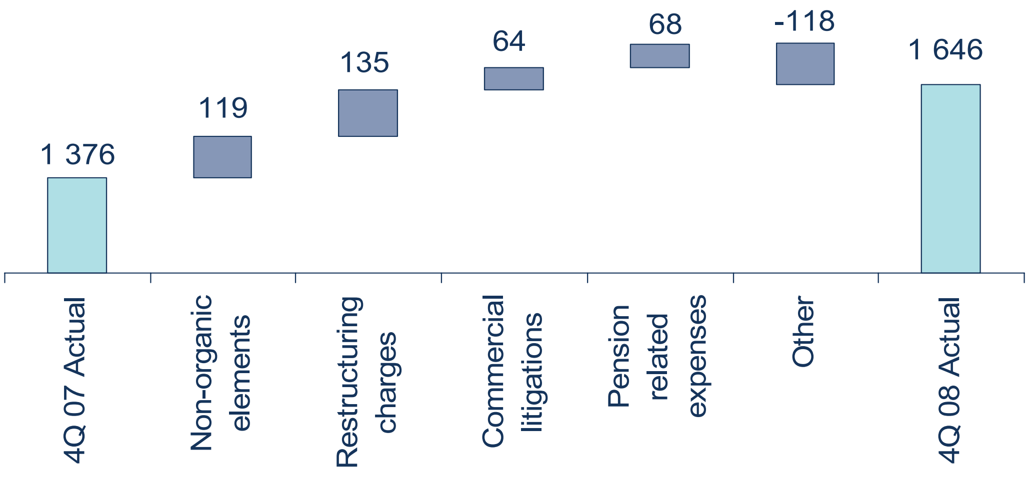
- Costs up significantly q/q and y/y, boosted by one-off items; for the details please see the next slide
- YTD C/I ratio (banking) at 64% on an underlying basis (FY 2007: 57%)
- Asset impairments, excluding financial crisis-impact, at 420m, of which 341m in loan impairments and 29m AFS-related impairments
- Impact of financial crisis: impairments on Icelandic credit exposure: 194m, impairments on share portfolio: 460m
- YTD credit cost ratio at 70bps. Excl. crisis-impact: 46 bps (FY 07: 13 bps)
- Loan quality showed a moderate deterioration. NPL ratio at 1.8% (up from 1.5% at the end of 2007)

Operating expenses (2)

Quarter-on-quarter developments



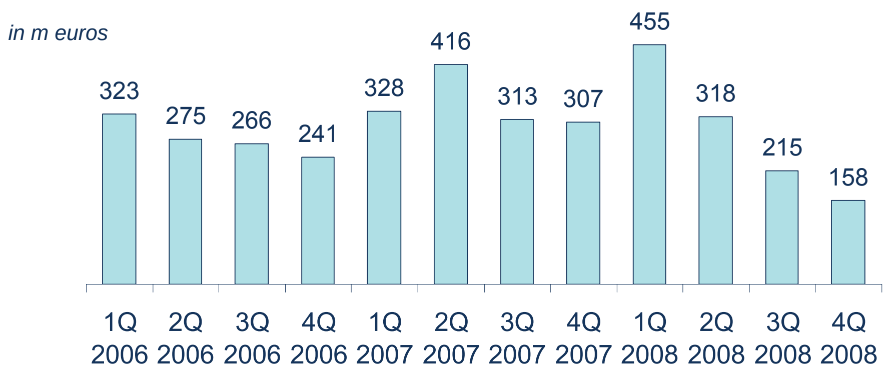
Year-on-year developments



Non-organic elements: FX-impact, Acquisition costs, Change in accounting treatment (without impact on the bottom-line)

KBC Business Unit Belgium

Underlying net profit



Volume trends

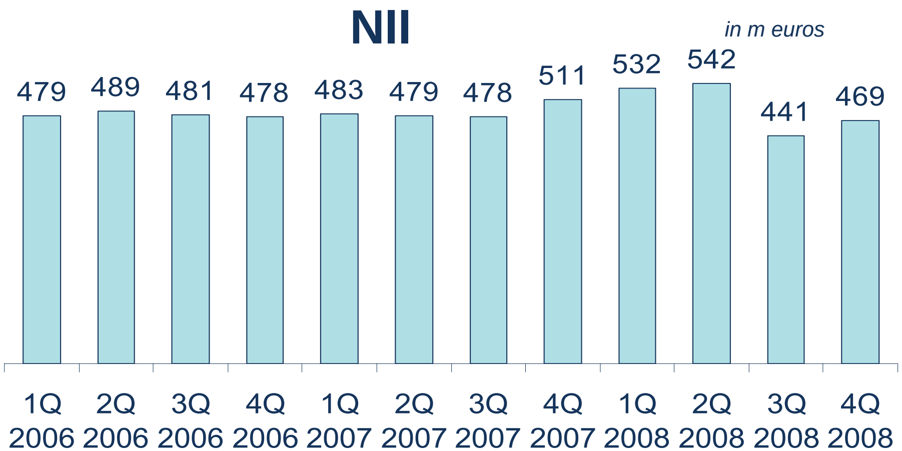
	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Growth q/q*	+1%	+2%	+2%	-4%	0%
Growth y/y	+8%	+9%	+6%	-7%	0%

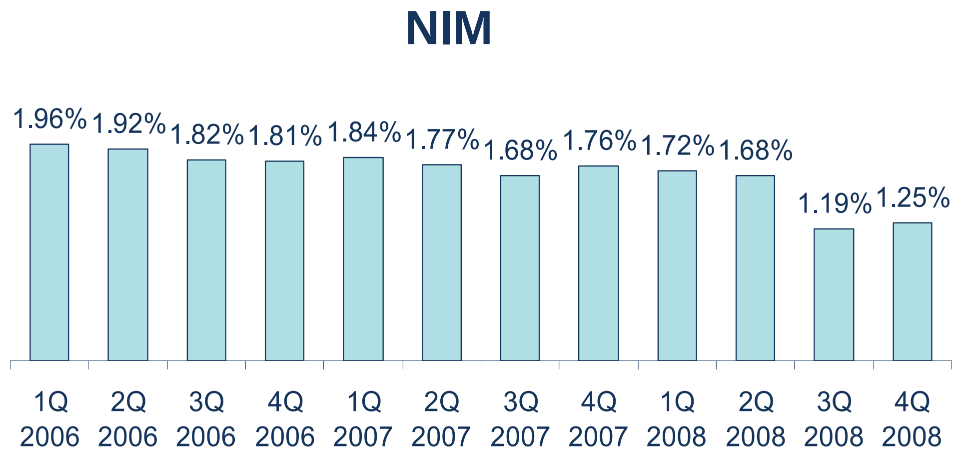
**non-annualized*

- Underlying result at 158m, down 27% q/q and 49% y/y, excluding direct impact of the financial crisis, consists among others of:
  - 168m negative valuation adjustments on CDOs
  - 557m impairments and realised losses on the share portfolio
- Increased total income q/q offset by an increase in operating expenses

- Total loans up 1% q/q and 8% y/y. Mortgages grew 2% q/q, 9% y/y
- Customer deposits up 2% q/q and 6% y/y

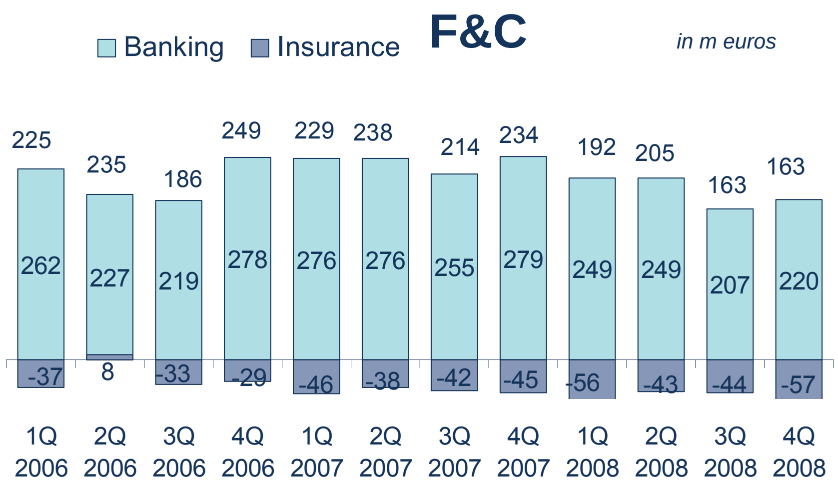
Business Unit Belgium (2)

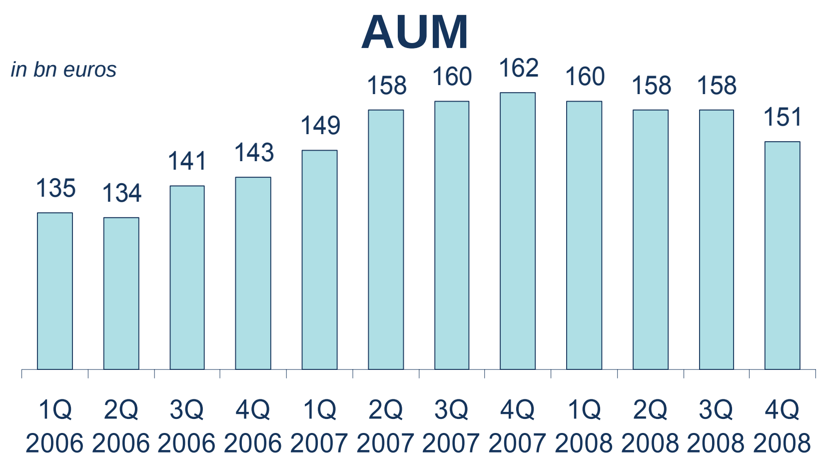




- NII (469m) increased 6% q/q, thanks to higher volumes in deposits and loans and increased NIM
- NIM at 1.25%, up 6bps q/q, thanks to the lowered interest rate paid on traditional saving deposits. (Margins recovered by year-end. This trend is expected to gather pace in 1Q 09)

Business Unit Belgium (3)





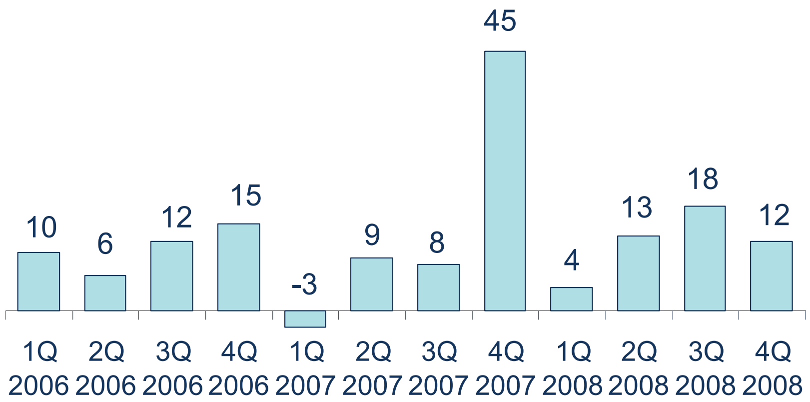
- AUM (151bn) down 4% q/q and 7% y/y (+1% y/y net new inflow fully offset by negative price impact)
- Net F&C (163m) remained stable q/q, but down 30% y/y
- ‘Fees paid’ had been shifted from F&C to operating expenses (15m) due to the in sourcing of payment transactions (no bottom-line impact)

Business Unit Belgium (4)

Operating expenses

All figures are in m euros

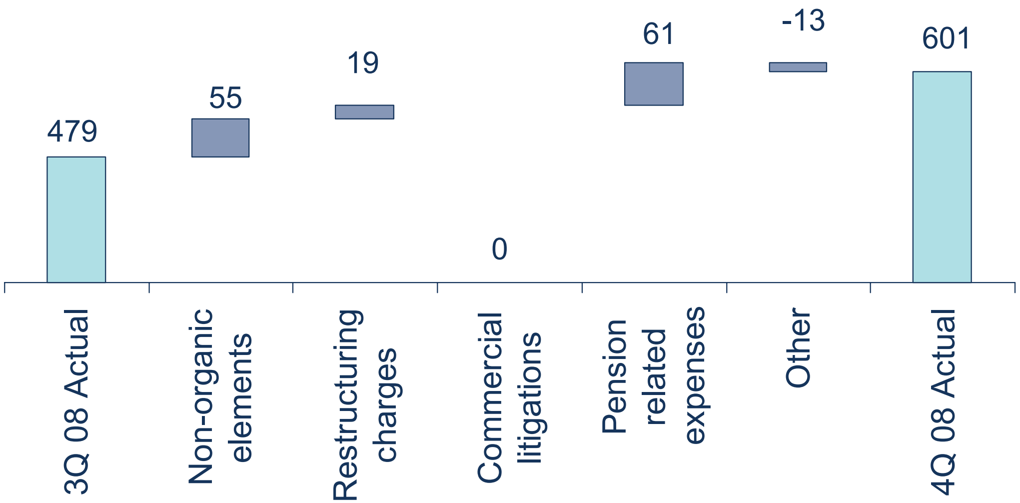
Asset impairment



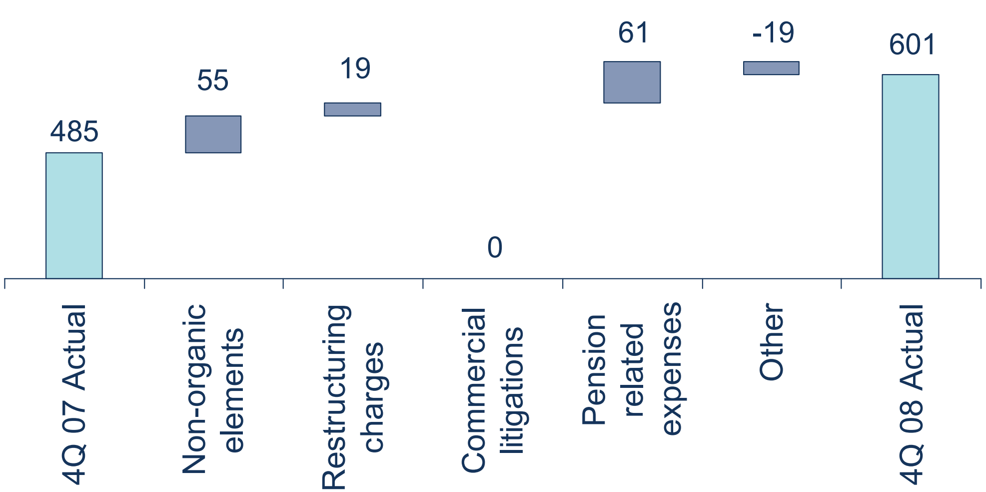
- Operating expenses (601m) boosted by:
  - pension charges (61m)
  - restructuring costs (19m)
  - changes in accounting treatment without impact on the bottom-line (55m):
    - 15m shift from ‘fees paid’ to opex, due to insourcing of payments processing
    - 40m due to grossing up of profit-sharing remuneration (offset under ‘income tax’ heading)
- FY C/I ratio at 71%
- Impairments stood at a low 12m. The worsening economic climate did not yet have a significant impact on loan losses; loan impairments remained stable at a low level (FY 08: 9bp, in line with the 13bp of FY 07)

Business Unit Belgium (5)
Operating expenses

Quarter-on-quarter developments



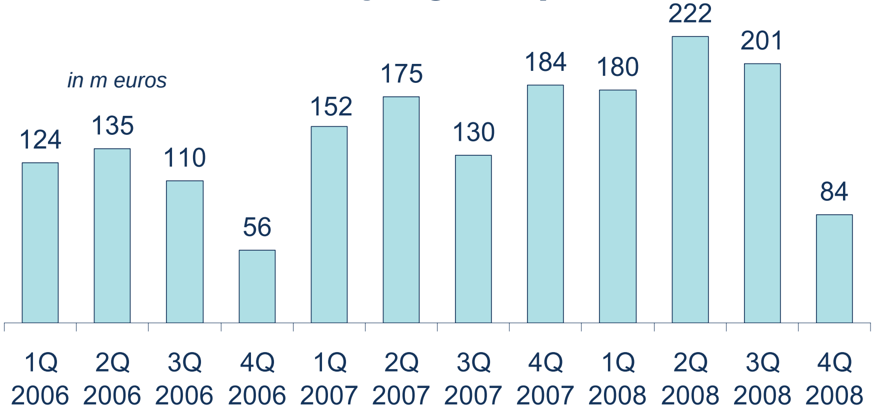
Year-on-year developments



Non-organic elements: for Business Unit Belgium, essentially accounting changes

Business Unit CEER

Underlying net profit



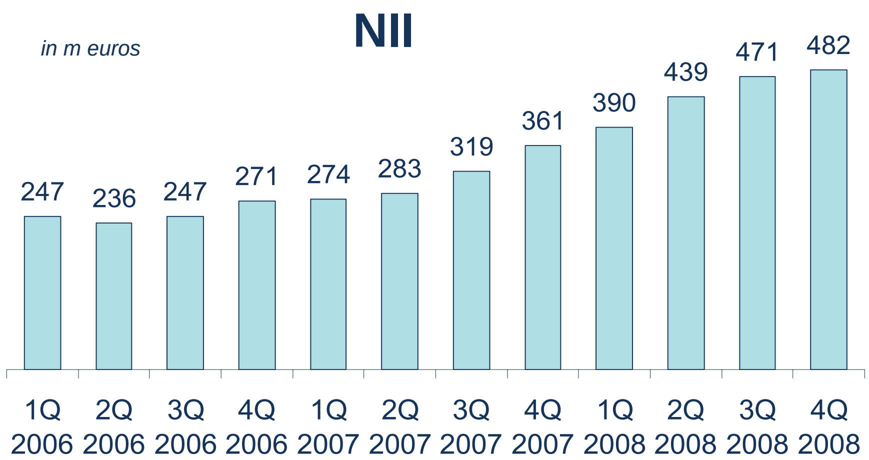
Volume trends

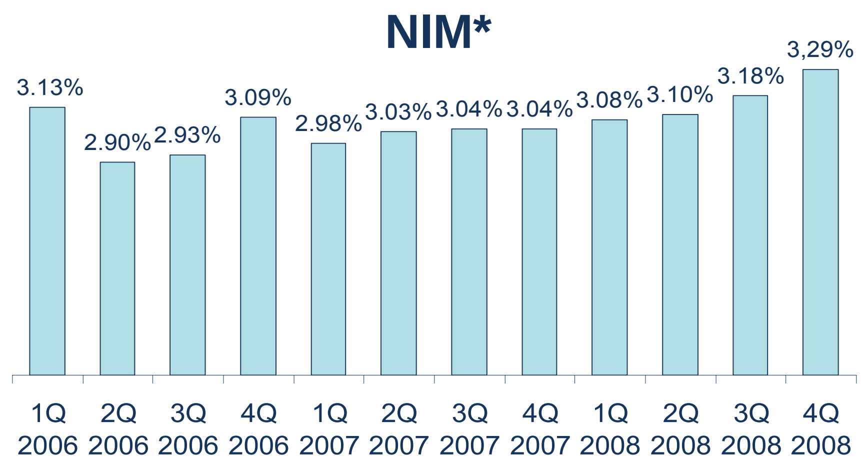
Organic trends	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Growth q/q*	**+6%**	**+15%**	**+1%**	**-8%**	**+14%**
Growth y/y	**+25%**	**+52%**	**+8%**	**-6%**	**+28%**

**non-annualized*

- Underlying quarterly net profit at 84m, excl. direct impact of the financial crisis, which consists of:
  - 82m negative valuation adjustments on CDOs, net
  - 28m impairments on troubled Icelandic banks, net
  - 56m impairments on the share portfolio, net
- Underlying net profit broken down as follows: 115m in the Czech Republic, -2m in Slovakia (including integration costs of Istrobanka), 1m in Hungary, 26m in Poland, 1m in Russia and -57m other results (mostly funding costs on goodwill)
- Organic volume-growth (excluding FX-impact and changes in consolidation scope): loans: 6% q/q, 25% y/y; deposits: +1% q/q, 8% y/y

Business Unit CEER (2)



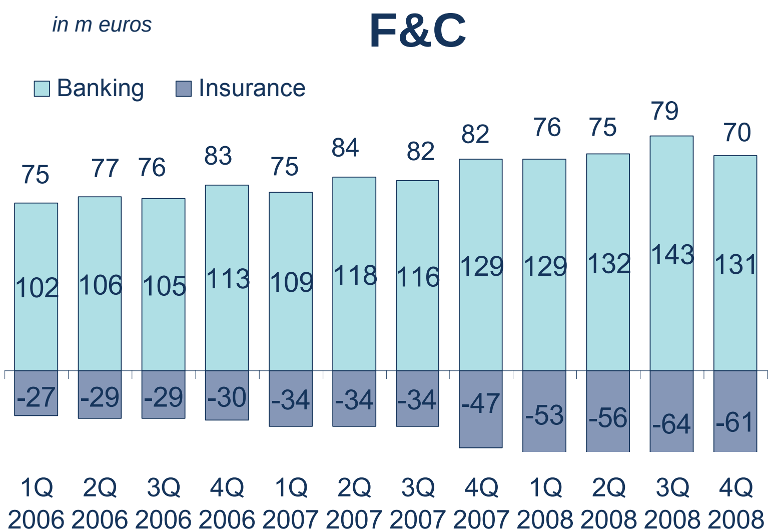


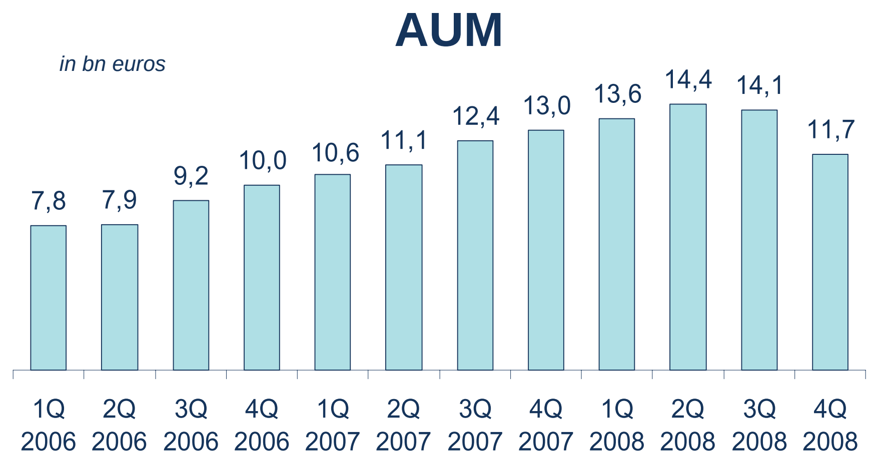
- NII (482m) up 7% q/q and 27% y/y on an organic basis (excluding FX-impact and changes in consolidation scope), thanks to increased loan- and deposit volumes and increasing NIM
- NIM (3.29%) up 11bps q/q and 25bps y/y, as margins edged up further, partially due to FX-changes (ca. 50% of the increase)
- RWA dropped 3% q/q due to currency-depreciations

All growth figures above are organic growth y/y; FX-impact excluded

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

Business Unit CEER (3)





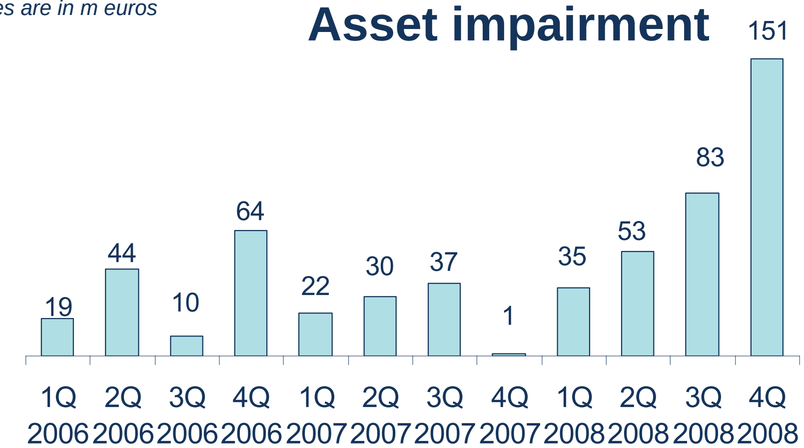
- Net F&C (70m) down 11% q/q and 15% y/y (driven mainly by insurance, where higher sales volumes led to higher commissions paid to agents)
- AUM (11.7bn) down 8% q/q and 6% y/y on an organic basis (excluding FX-impact). 5% of the decrease y/y is due to negative market performance

Business Unit CEER (4)

All figures are in m euros

Operating expenses

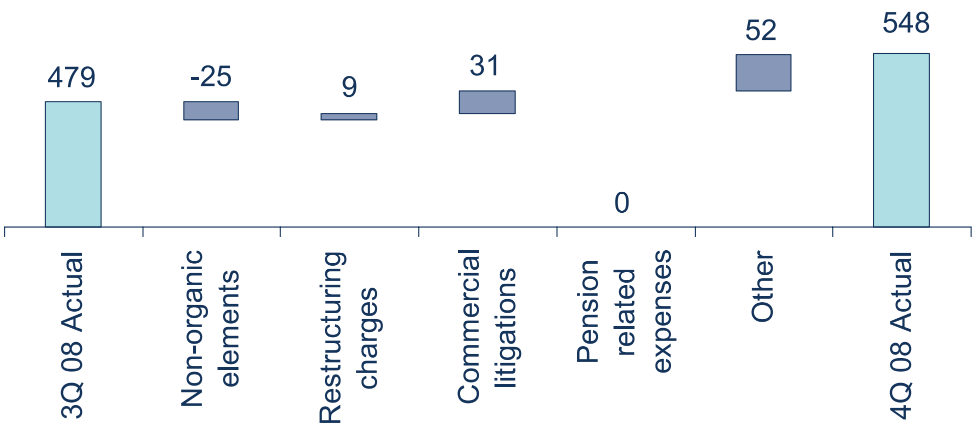
Asset impairment



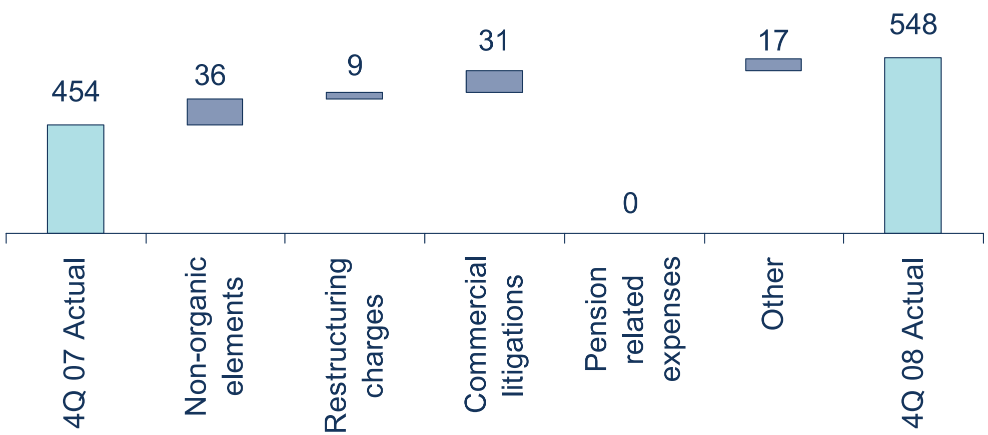
- Operating expenses (548m) up, pushed up partially by provisions for commercial litigation (31m), restructuring charges (9m) and higher IT and marketing costs
- FY C/I ratio, excluding negative CDO impact at 60% (FY 07: 63%)
- Loan impairments stood at 149m, significantly up both q/q and y/y
- FY credit cost ratio in CEER stood at 73bps, 57bps in the Czech Republic (38 bps excl. troubled US and Icelandic banks), 82 bps in Slovakia, 95bps in Poland, 41bps in Hungary and 240bps Russia (174bps excl. generic provisions)
- NPL ratio stable at 2%. As loan losses tend to follow economic downturns with some delay, one might expect the loan losses to increase in the quarters to come

Business Unit CEER (5) Operating expenses

Quarter-on-quarter developments



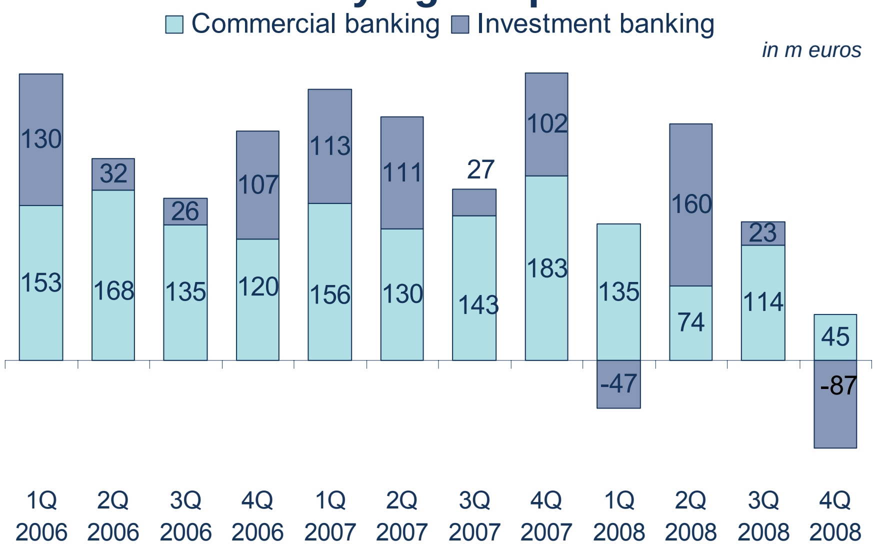
Year-on-year developments



Non-organic elements: FX-impact, Acquisition costs, Change in accounting treatment (without impact on the bottom-line)

Business Unit Merchant Banking

Underlying net profit



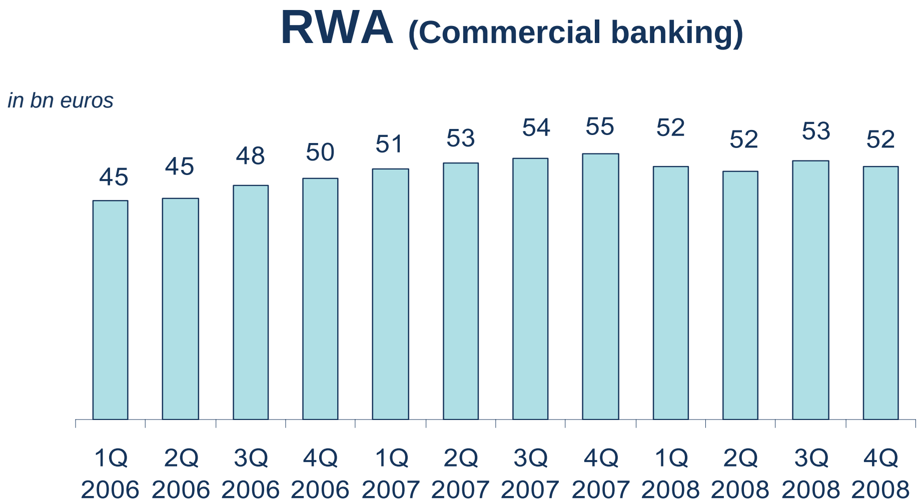
Volume trends

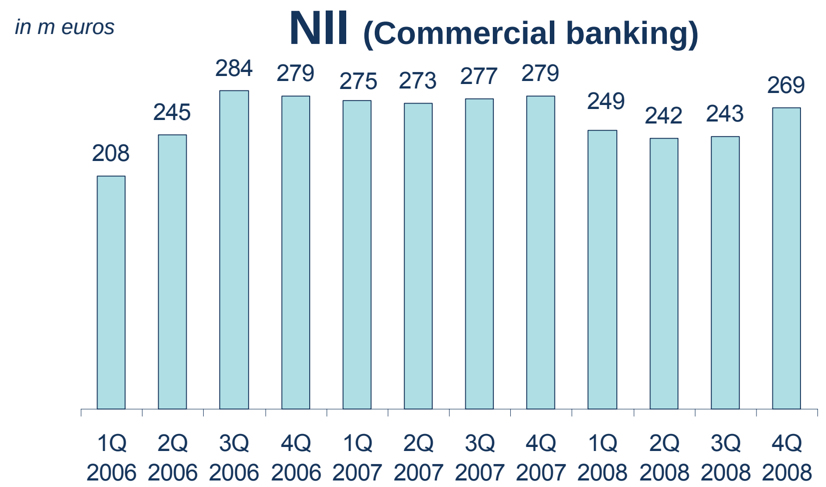
Organic trends	Total loans	Customer deposits
Growth q/q*	**-3%**	**-14%**
Growth y/y	**0%**	**-4%**

*non-annualized

- Underlying net profit, excluding the direct impact of the financial crisis (negative valuation adjustments on CDOs, as well as impairments on the share portfolio, on troubled US banks and trading losses on unwinding of derivative positions) at -42m, significantly down from the previous quarters' results
- The net result can be broken down into 45m gain for commercial banking and -87m loss for investment banking activities

Business Unit Merchant Banking (2)





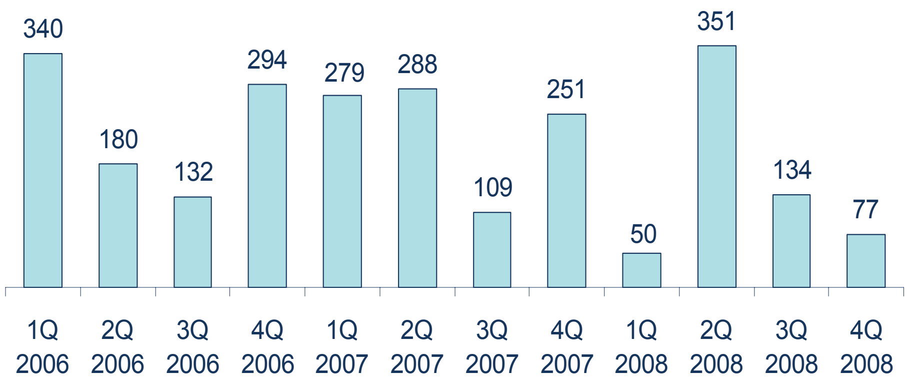
- RWA, commercial banking (52bn) down 2% q/q and down 5% y/y
- NII relates to commercial banking (269m) up 11% q/q, driven by improved lending margins and lower funding costs
- Higher funding costs, however, together with the changed income treatment for lease finance since 1Q 2008, explain the 4% drop y/y

Business Unit Merchant Banking (3)

F&C

All figures are in m euros

FV gains (Investment banking)

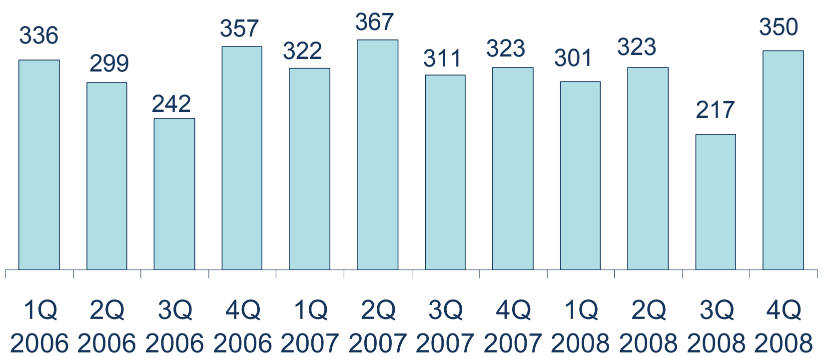


- Net F&C-income (67m) remained roughly stable q/q in the commercial banking activities, but a negative income was realised in the investment banking activities (-14m), mainly in the derivatives business
- FV gains in investment banking (77m , excluding crisis-impact) down significantly q/q and y/y
- FV-markdowns on CDOs and ABSs amounted to 1 259m (after-tax) in 4Q 08 (excluded from underlying results)
- 245m trading loss on unwound derivative trading positions and 57m value losses on shares also excluded from underlying results

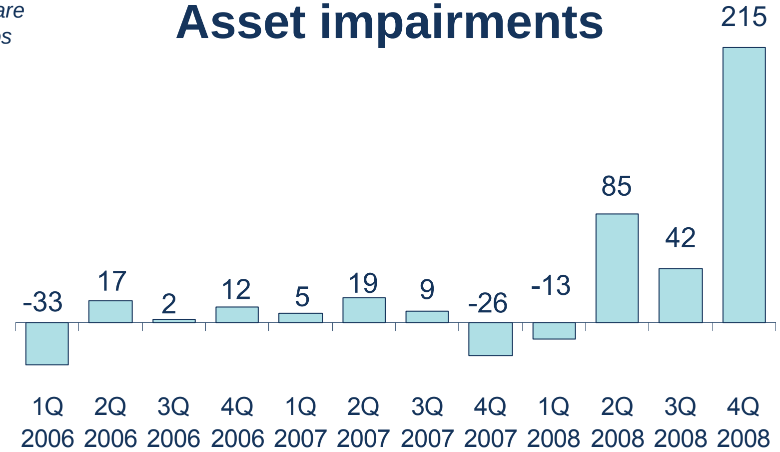
Business Unit Merchant Banking (4)

All figures are in m euros

Operating expenses



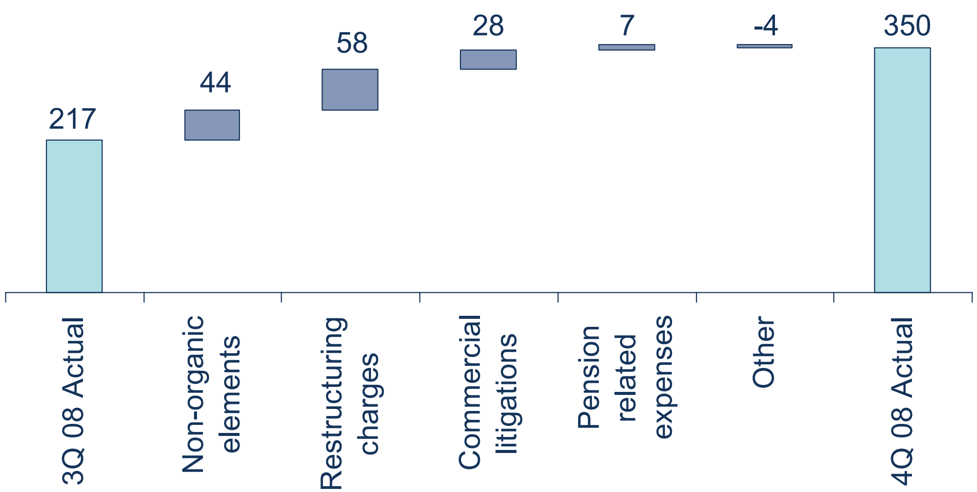
Asset impairments



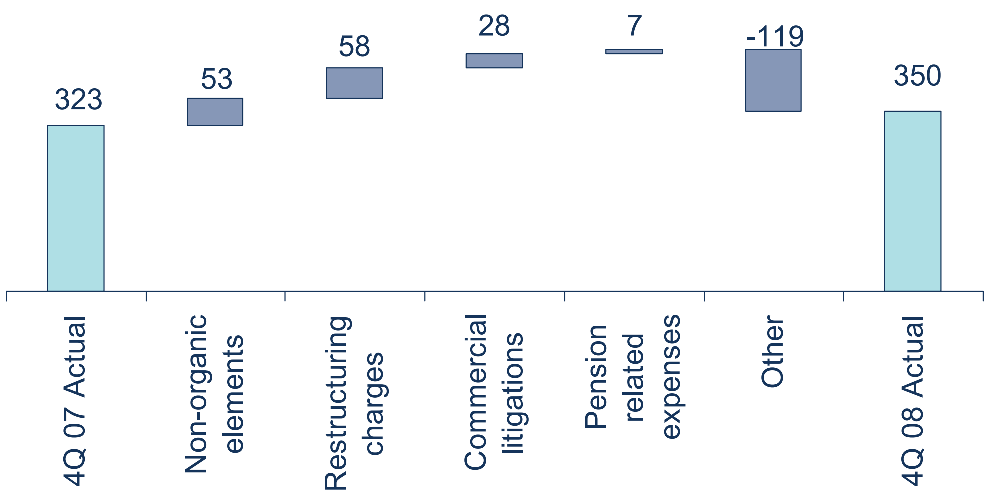
- Operating expenses (350m) up 133m compared to 3Q 08, due to, among others, restructuring charges (58m), commercial litigation (28m) and accounting changes (22m)
- Impairments stood at 215m, mainly on loans and receivables (180m), of which 99m relates to corporate loans in non-home markets (mainly US, Ireland, UK)
- Impairment of 64m related to the restructuring of *KBC Financial Products* (mainly on goodwill and intangible assets)
- Over and above these impairments, net145m set aside on troubled Icelandic banks and 57m on share portfolio. Both items are seen as exceptional and excluded from the underlying figures
- FY credit cost ratio stood at 48bps (FY 2007 stood at extremely low, 2bps)
- Credit loss ratio for the Irish business was 30 bps (of which 15bps on the mortgage portfolio)

Business Unit Merchant Banking (5) Operating expenses

Quarter-on-quarter developments



Year-on-year developments



Non-organic elements: FX-impact, Acquisition costs, Change in accounting treatment (without impact on the bottom-line)

Changes in accounting treatment without impact on the bottom-line (22m):

- 15m shift from ‘fees paid’ to opex, due to insourcing of payments processing
- 7m due to grossing up of profit-sharing remuneration (offset under ‘income tax’ heading)

Business Unit Private Banking

Underlying net profit

Volumes

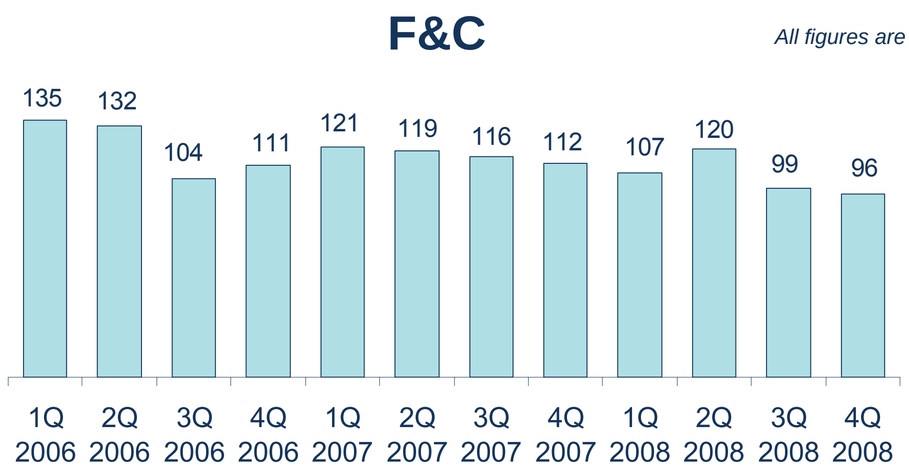
Organic trends	Customer deposits	AUM	Life reserves
Growth q/q*	**-12%**	**-12%**	**-26%**
Growth y/y	**-13%**	**-19%**	**-28%**

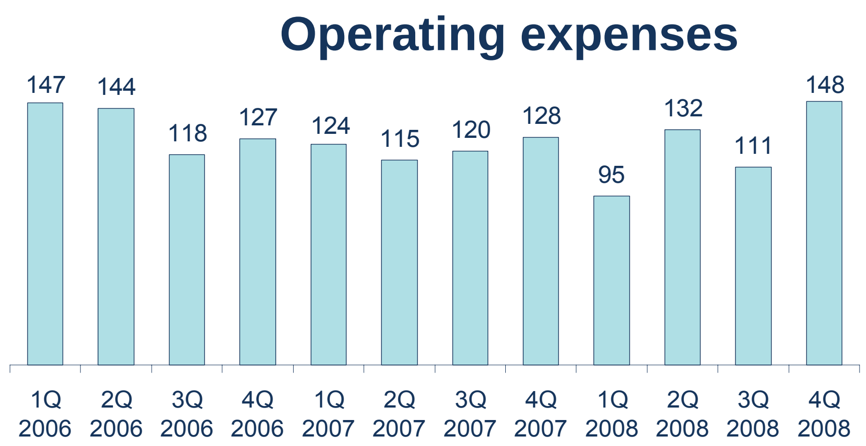
**non-annulized*

- Underlying net profit, excluding the direct impact of financial crisis at 15m, compared to 32m in 3Q 08 and 50m in 4Q 07
- 4Q 08 underlying profit figure excludes the direct impact of the financial crisis, which consists of:
  - 112m impact on structured credit investments, net
  - 35m value loss on the share portfolio, net
  - 22m impairment on troubled Icelandic banks, net
- AUM (44bn) down 12% q/q and 19% y/y
- Notwithstanding the difficult market climate, 3% net inflows recognized y/y, more than offset by negative price effect (-22%)

Business Unit Private Banking (2)

All figures are in m euros

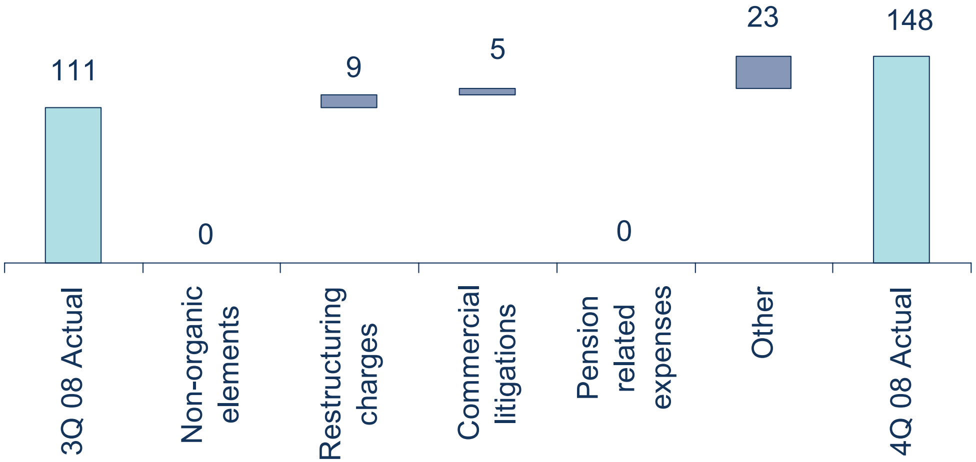




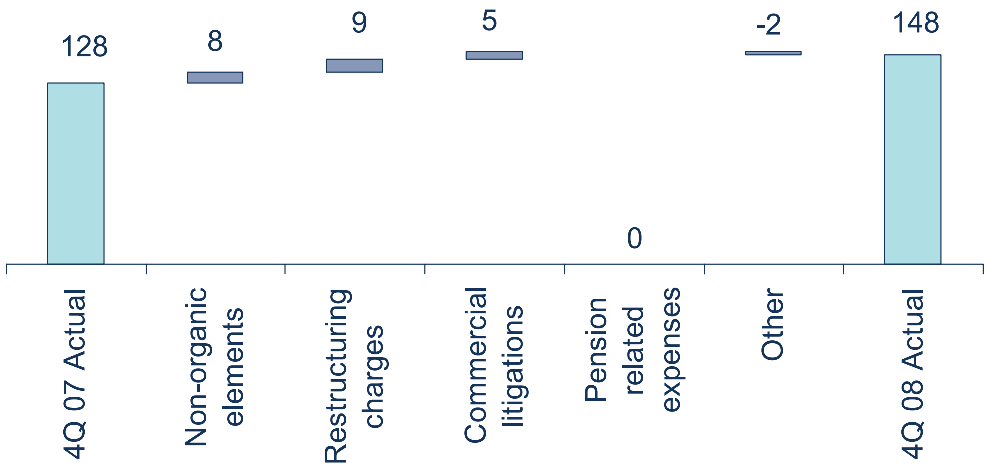
- F&C (96m) income continued to be negatively impacted by the depressed investment climate
- Operating expenses (148m) increased markedly q/q and y/y, due to higher non-staff expenses, among others:
  - 8m contribution to the Luxembourg Deposit Guarantee Scheme
  - 9m restructuring charges
  - 5m asset tax
  - 5m provision for commercial litigation

Business Unit Private Banking (3) Operating expenses

Quarter-on-quarter developments



Year-on-year developments



Non-organic elements: FX-impact, Acquisition costs, Change in accounting treatment (without impact on the bottom-line)

Update on topics

Update on loan portfolio

	Outstanding loan volumes	Share of sectors: mortgages	automotive	building and construction	real estate risk	banks	Small-cap LBO/MBO
KBC Group total	178bn	30%	2%	4%	7%	4%	2%

	Total mortgages	LTV outst. mortgages	LTV new production	Share of FX-mortgages	LTV FX-mortgages	NPL – Total mortgages
KBC Group total	54bn	60%	76%	9%	75%	1.4%

	Outstanding volume	NPL ratio		
		In % of outst. volume	YTD change	q/q change
Belgium	55bn	1.70%	+0.10%	+0.30%
CEER	43bn	2.10%	0%	+0.20%
Merchant Banking	76bn	1.60%	+0.60%	+0.40%
EPB	4bn	-	-	-
KBC Group total	178bn	1.80%	0.30%	0.30%

<u>Stress test</u>
If Moody’s current 2009 corporate default expectations were to materialise, loan loss ratio would rise to around 100 bps

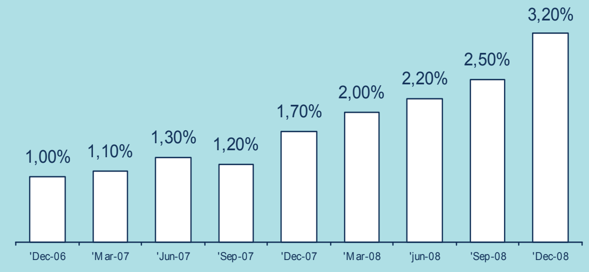
Update on Ireland

Areas of concerns

- Falling real estate prices (-16% since 4Q 2006 peak level) and climbing unemployment raising questions about asset quality (notably retail mortgage and commercial real estate exposure)

Key figures, KBC, Dec-08

- Loan book: 18.6 bn o/w 13.7 bn home loans (indexed LTV 75%, high granularity)
- NPL: 3.0% (3.2% in retail)
- Loss ratio '08: 29 bps (15 bps in retail)



Our experience before

- Selective underwriting policy pursued (10y avg loan loss ratio: 7 bps, o/w 3 bps for retail)
- No sub-prime or self-certification mortgages and mortgage LTV 'top slice' (>80%) highly covered by mortgage insurance

Additional measures taken in 2008

- Further tightening of underwriting criteria (e.g. mortgage LTV cap currently reduced to 80%)
- Commercial real estate nominal outstanding reduced (-8% y/y)

Economic outlook for 2009

	Real GDP-growth 2008	Forecasts for 2009	
		KBC-estimation	Market consensus (Jan 2009)
Eurozone	1.0%	-1.8%	-1.4%
Belgium	1.4%	-1.8%	-0.7%
US	1.2%	-2.1%	-1.8%
Ireland	-1.5%	-5.0%	-2.6%
Poland	4.8%	1.3%	1.9%
Czech Republic	3.3%	0.8%	0.3%
Hungary	0.6%	-1.9%	-2.4%
Slovakia	7.0%	1.1%	2.9%
Bulgaria	6.0%	0.9%	1.9%
Russia	7.0%	0.3%	1.1%

Source: KBC

Measures taken (summary)

	Strategy	Financial impact (2009)
Belgium	Committed to keep lending Adjusted pricing to obtain sustainable margins	Single-digit RWA-growth anticipated for 2009 (incl. pro-cyclicality) Cost savings: 5% reduction of salary base
CEER	“Ban” on growth in higher-risk markets Reduced transferability-risk on Russia	Single-digit RWA growth anticipated Cost growth restricted to CPI-level
Merchant Banking	Consolidation of position in Belgium Downsizing of investment banking *(KBC Financial Products)* Restrictions on non-home market lending	Net freeze of allocated capital (incl. pro-cyclicality) Targeted cost savings > 10%
EPB	Business model to continue Low-profile start-up in CEE	8% reduction of RWA and allocated capital Stable underlying cost basis targeted

Revaluation of structured credit portfolio

- CORPORATE SYNTHETIC CDO PORTOLIO
- - 4.1bn financial impact since start of crisis, booked against revenue
- Outstanding book: 5.4bn (57% of original value), backed by 84% corporate instruments - 13% Alt A/subprime RMBS - 3% other
- Reduced future earnings sensitivity due to write-down of non super senior exposure on all KBC FP's CDOs

ABS PORTFOLIO

- - 1.7 bn financial impact since start of crisis, mostly booked against shareholders' equity
- Outstanding book: 4.8bn (74% of original value), backed by 51% prime RMBS* - 16% Alt A/subprime RMBS* - 16% CLO - 15% other ABS
- Accounting reclassification to 'loans and receivables' at end-2008 (largely sheltering earnings sensitivity to market value changes)

*RMBS: 28% US, 72% Europe

Full details available on www.kbc.com

Scenario analysis for KBC FP CDO portfolio

Amounts in bn €	Value KBC FP CDOs	Loss	as % of nominal
Nominal (excl. CDO in run-off)	7.4		
Market value	4.2	-3.2	-43%
Impairment scenario	7.1	-0.3	-4%
"Expected loss" scenario	6.2	-1.2	-16%
Stress scenario 1	5.6	-1.8	-24%
Stress scenario 2	4.1	-3.3	-44%

KBC, total, nominal outstanding

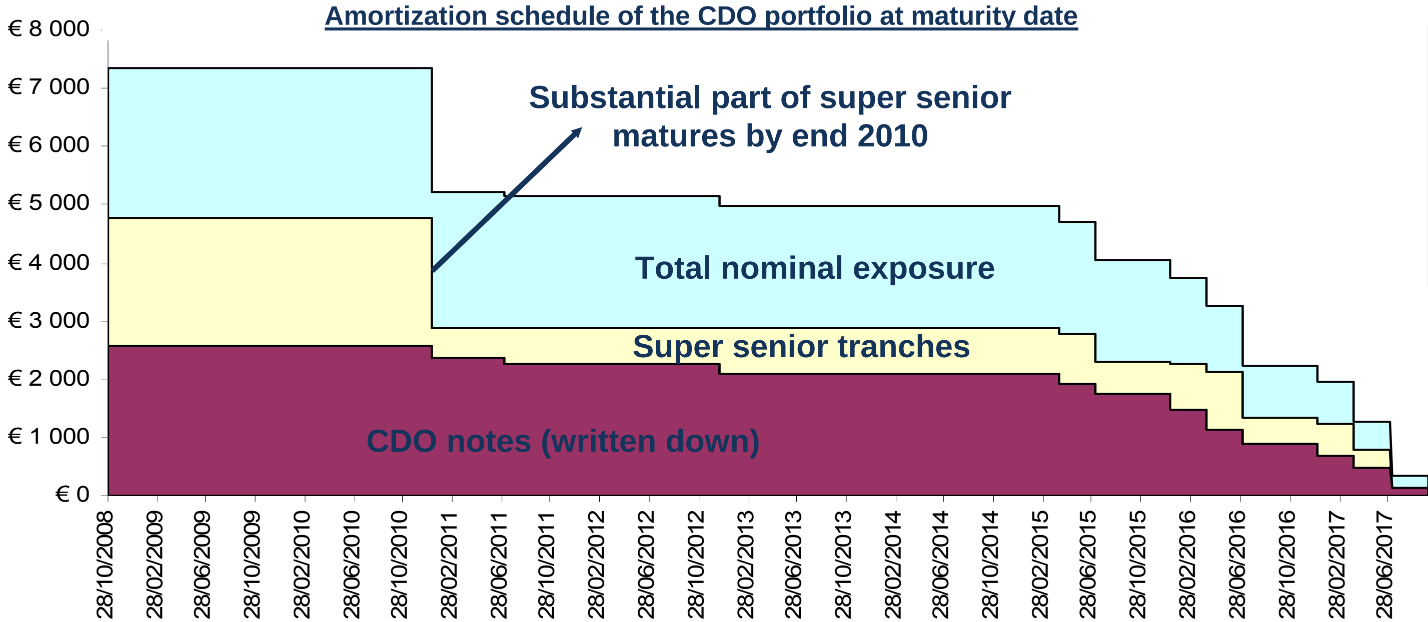
Total CDO	8.7bn
o/w third party CDO	-0.8bn
Total CDO issued by KBC FP	7.9bn
o/w CDO in run-off	-0.5bn
Total CDO issued by KBC FP (excl. CDO in run-off)	7.4bn

Test assumptions

- Impairment scenario: expected losses on ABS, claimed corporate names and corporates with highest near term credit event risk
- "Expected loss scenario": (fundamental value): expected losses on ABS and claimed corporate names and 8% expected cumulative losses on the underlying corporate portfolio
- Stress scenario1: expected losses on ABS and claimed corporate names and 13% expected cumulative losses on the underlying corporate portfolio
- Stress scenario 2: 26% subprime Alt/A underlying cumulative losses, 100% losses on structured finance CDOs, claimed corporate names, 80% losses on monoline insurers, corporates with highest near term credit event risk and 9% losses on remaining underlying corporates

Amortization schedule of KBC FP CDO portfolio

CDOs issued and managed by *KBC Financial Products* and invested in by KBC
Nominal amount in millions of EUR, net of provision for equity & junior pieces and before mark-downs and excl. CDO in run-off



KBC, total, nominal outstanding

Total CDO	8.7bn
o/w third party CDO	-0.8bn
Total CDO issued by KBC FP	7.9bn
o/w CDO in run-off	-0.5bn
Total CDO issued by KBC FP (excl. CDO in run-off)	7.4bn

Solvency position

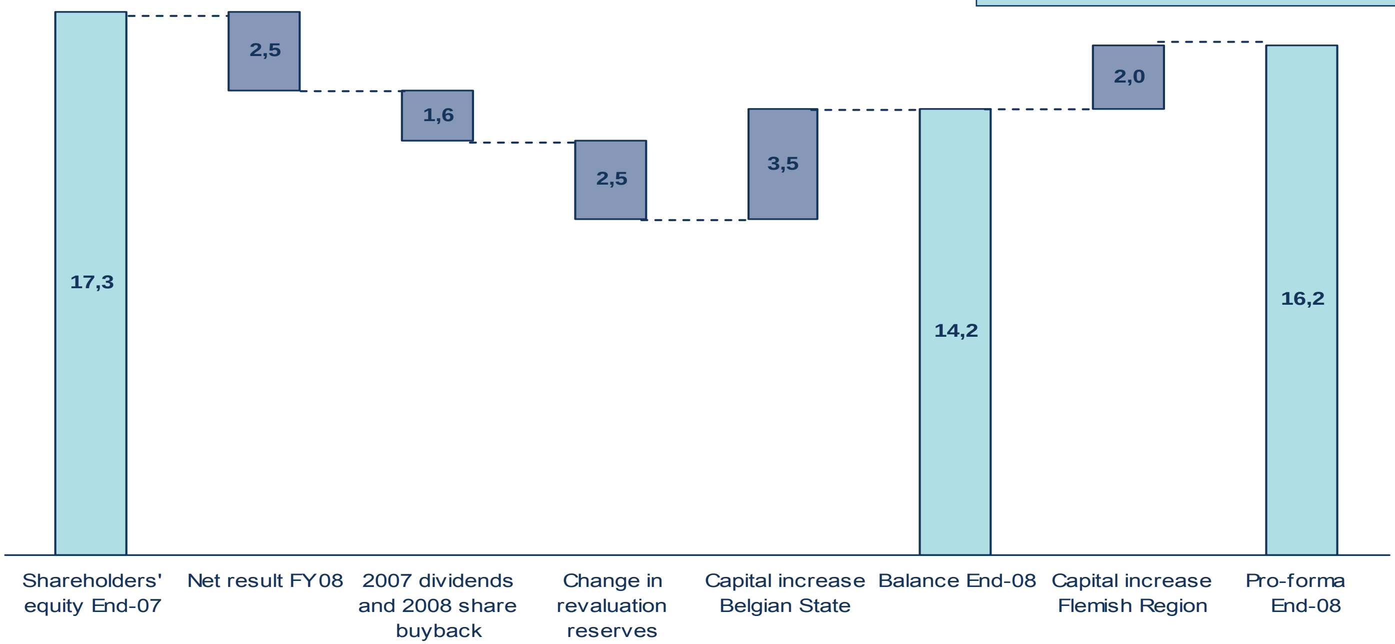
Solvency,
(pro-forma end-08*)

Tier-1	11.2%
Core Tier-1	8.6%
Insurance	188%

* Including the support received from the Belgian Federal Government and Flemish Regional Government

Stress test 1
If Moody's 2009 corporate rating migration expectations were to materialise, ceteris paribus, procyclical impact on Tier-1 ratio due to higher RWA would be around 85 bps (bringing the Tier 1 ratio from 11.2% to 10.4%)

Stress test 2
If equity markets were to fall further by 25%, impact on revaluation reserve (booked in shareholder's equity) would be immaterial



Wrap up

Wrap Up

- Significant impact from investments markdown after having applied a conservative valuation approach
- Profitability in Belgium underpinned by strong market position, despite weakening environment
- Resilient volume and margin trends in CEE with credit risk remaining at manageable levels
- Merchant banking impacted by trading losses and increasing non-domestic loan losses
- European private banking impacted by adverse investment climate
- Measures taken to contain costs and reduce credit and market risk
- Pro forma Tier-1 capital ratio, banking at 11.2%, of which 8.6% core equity (including all state support received)
- The financial crisis has obviously not come to an end, yet. However, underlying business performance in the beginning of the year showed to be encouraging. Underlying results in January 2009 were better than in January 2008

Annexes

Annex 1: Volumes y/y

	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Outstanding (in bn)	157	56	197	207	23
Growth, y/y	**+8%**	**+19%**	**+2%**	**-10%**	**+2%**
Belgium	**+8%**	**+9%**	**+6%**	**-7%**	**+0%**
CEE R	**+25%**	**+52%**	**+8%**	**-6%**	**+28%**
- Czech Republic	+16%	+30%	+2%	-3%	+9%
- Slovakia	+21%	+19%	+12%	-5%	+17%
- Hungary	+11%	+28%	+35%	-8%	+14%
- Poland	+62%	+90%	+10%	-15%	>100%
Merchant Banking	**+0%**	**-**	**-4%**	**-**	**-**
Private Banking	**-**	**-**	**-**	**-19%**	**-28%**

Notes:
- Organic growth rates only
- Growth rates excluding repo and reverse repo actvities
- Trends for CEE in local currency

Annex 2: Volumes q/q – non-annualised

	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Outstanding (in bn)	157	56	197	207	23
Growth, q/q	**+1%**	**+4%**	**-4%**	**-7%**	**+1%**
Belgium	**+1%**	**+2%**	**+2%**	**-4%**	**+0%**
CEE R	**+6%**	**+15%**	**+1%**	**-8%**	**+5%**
- Czech Republic	+2%	+5%	-2%	-10%	+0%
- Slovakia	+3%	+1%	+9%	-15%	+3%
- Hungary	+8%	+8%	+9%	-8%	+4%
- Poland	+21%	+13%	-2%	-4%	+14%
- Serbia	+58%	>100%	+3%	-	-
- Russia	-3%	+5%	+1%	-	-
- Bulgaria	+2%	+4%	-3%	-	+2%
Merchant Banking	**-4%**	**-**	**-14%**	**-**	**-**
Private Banking	**-**	**-**	**-**	**-12%**	**-26%**

Notes: Organic growth rates only. Growth rates excluding repo and reverse repo actvities. Trends for CEE in local currency

Annex 3: Structured Credit Portfolio – Overview

Portfolio in million euros As of 31 Dec 2009	TOTAL	ABS	CDO
Initial nominal amount	15 944	6 439	9 505
Initial write down	-779		-779
Nominal outstanding	**15 165**	**6 439**	**8 726**
Value mark downs (1,2,3,4 next slide)	-4 962	-1 680	-3 282
Outstanding (Fair Value)	**10 203**	**4 759**	**5 444**

Other financial impact (5,6,7 next slide)	-759		-759
TOTAL FINANCIAL IMPACT	**-5 721**	**-1 680**	**-4 041**

Annex 4: Structured Credit Portfolio – Detailed financial crisis impact

All figures are in million euros	3Q 07	4Q 07	1Q 08	2Q 08	3Q 08	4Q 08	TOTAL 2008	GRAND TOTAL
Value markdowns	**-100**	**-208**	**-220**	**-263**	**-1 642**	**-2 529**	**-4 654**	**-4 962**
CDO through P&L (1)	-51	-114	-125	-169	-1 420	-1 403	**-3 117**	**-3 282**
CDO through equity (2)	0	0	0	0	0	0	**0**	**0**
ABS through P&L (3)	0	-13	-4	11	-22	-147	**-162**	**-175**
ABS through equity (4)	-49	-81	-91	-105	-200	-979	**-1375**	**-1 505**
Other financial impact	**0**	**-39**	**-12**	**-156**	**-191**	**-361**	**-720**	**-759**
On monoliners (5)	0	-39	0	-148	-100	-355	**-603**	**-642**
On CDOs (6)	0	0	-12	-8	-91	-6	**-117**	**-117**
On ABSs (7)	0	0	0	0	0	0	**0**	**0**
TOTAL IMPACT	**-100**	**-247**	**-232**	**-419**	**-1 833**	**-2 890**	**-5 374**	**-5 721**

Total through P&L	**-51**	**-166**	**-141**	**-314**	**-1 633**	**-1 911**	**-3 999**	**-4 216**
Total through equity	**-49**	**-81**	**-91**	**-105**	**-200**	**-979**	**-1 375**	**-1 505**

Annex 5:
Credit cost ratio per business units

Credit cost ratio	FY 06	FY 07	FY 08	FY 08 excl LB, WaMu, Iceland
Belgium	0.07%	0.13%	0.09%	0.09%
Czech Republic	0.36%	0.18%	0.57%	0.38%
Slovakia	-	0.96%	0.82%	0.82%
Hungary	1.50%	0.62%	0.41%	0.41%
Poland	0.00%	0.00%	0.95%	0.95%
Russia	-	0.21%	2.40%*	2.40%*
Merchant Banking	0.00%	0.02%	0.90%	0.48%
Total	**0.13%**	**0.13%**	**0.70%**	**0.46%**

*boosted by the allocation of generic provisions

Annex 6:
Loan-to-Deposit ratio per countries

Loan-to-Deposit ratio	As of 31 Dec 2008
Belgium	79%
Czech Republic	72%
Slovakia	80%
Hungary	104%
Poland	129%
Russia	414%
KBC Group consolidated	**92%**

Definition of Loan-to-Deposit ratio had been fine-tuned in 4Q 08