KBC GROUP

EXTENDED QUARTERLY REPORT

4Q 2011

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

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Glossary of ratios used

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

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

(Core) Tier-1 capital ratio
[consolidated tier-1 capital] / [total weighted risks]. The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian and Flemish governments).

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

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

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

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

Earnings per share, basic
[result after tax, attributable to the equity holders of the parent)] / [average number of ordinary shares, less treasury shares]. If a coupon and/or penalty fee is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (*pro rata*).

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

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

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

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

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

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

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

Contents

Report on 4Q and FY2011

KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 9 February 2012, 7 a.m. CET.

Summary: 4Q profit at 437 million euros.
Divestment and de-risking continues in a challenging market.

KBC ended the last three months of 2011 with a net profit of 437 million euros, compared with a net loss of 1 579 million euros in the previous quarter and a net profit of 724 million euros in the corresponding quarter of 2010. As a result, net profit came to 13 million euros for full-year 2011, compared to 1 860 million euros a year earlier.

The 'underlying' net result for the quarter under review (after excluding one-off and exceptional items) came to 161 million euros, well up on the net loss of 248 million euros in 3Q 2011 and almost on a par with the 168 million euros in 4Q 2010.

Jan Vanhevel, Group CEO:

'In the last quarter of 2011, we recorded a high 437 million euros in profit, took a sizeable step forward in the implementation of our divestment plan and continued to de-risk our company. In January 2012, we concluded a sale agreement for Warta, our Polish insurance company, at an attractive price.

We have also further reduced our exposure to Southern European government bonds, as well as to CDOs and ABS, which has allowed us to continue reducing risk and volatility in profit at KBC.

Notwithstanding the particularly challenging market circumstances, the execution of our strategic plan has gained further momentum.

Our underlying result has been driven by the good results generated by our strategic banking and insurance business model on our home markets in Belgian and Central and Eastern Europe. The insurance business, in particular, had an excellent quarter. However, the result was also affected by additional loan loss provisioning in Ireland and Hungary, as well as by the impairment recorded on our Greek government bond position.

The two most noteworthy exceptional items were the positive value adjustments in our CDO portfolio and the marked-to-market valuation of our own issued debt.

KBC Bank notes the announcements made by the European Banking Authority and National Bank of Belgium in December 2011, which demonstrate that KBC Bank (at a consolidated level) already meets the 9% core tier-1 threshold.

On 2 January 2012, KBC repaid a first tranche of 500 million euros in respect of the YES (Yield Enhanced Securities) to the Belgian Federal Government under the conversion mechanism, which meant that the 15% – and not the 50% – penalty was applied. We are continuing our efforts to ensure that the 4.7 billion euros in state aid is reimbursed (before a penalty is incurred) by the end of 2013, as set out in the European plan.

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

Despite the particularly challenging market circumstances, implementation of the strategic plan gained further momentum, as illustrated by the agreement that was signed for the sale of Warta. The transaction is expected to release almost 0.7 billion euros in capital, resulting in an increase in KBC's tier-1 ratio of slightly less than 0.7%. When closed, the transaction will have a positive impact of approximately 0.3 billion euros on KBC's profit and loss account.

As has been the case in previous quarters, KBC has acted to reduce volatility in its results.

- **CDO and ABS exposure**
  We reduced our CDO and ABS exposure by 0.2 billion euros in the fourth quarter of 2011 and by a further 1.7 billion euros in January 2012. This was achieved by early terminations and sales at limited cost.
- **Southern European government bond exposure**
  We continued to cut back our exposure to Southern European government bonds in the fourth quarter, reducing it by a substantial 1.9 billion euros, or almost 30% quarter-on-quarter.

The main exceptional factors having an impact on the reported IFRS result for 4Q2011 were:

- **Impact of the credit spread on CDO exposure**
  During the fourth quarter, corporate and ABS credit spreads tightened, unlike the third quarter when they widened very severely. This led to a valuation mark-up of some 0.2 billion euros on the CDO exposure.
- **Impact of the marked-to-market valuation of issued debt**
  The substantial widening of the credit spread on KBC debt between the end of September and year-end 2011 resulted in a positive marked-to-market adjustment of 0.2 billion euros.

- **Divestment of Warta**
  The positive impact will be reflected in the results when the transaction is closed.

The main one-off items having an impact on the underlying result for 4Q2011 were:

- **Greece: one-off impact**

  As a result of the deteriorating credit position of Greece in the financial markets, we recorded an additional impairment of 62 million euros after tax (85 million, pre-tax) on our Greek government bond portfolio in this quarter (which meant that an impairment of 71% of the nominal amount of Greek government bonds was recognised in full at 31 December 2011).

  We also recorded a provision of 47 million euros after tax (71 million, pre-tax) on the intention to repurchase on a voluntary basis the bonds (KBC IFIMA 5/5/5 and KBC Group 5-5-5) sold to retail customers, conditional on the occurrence of a credit event. These structured bonds were launched in the spring of 2008, have a term to maturity of five years, a gross coupon of 5% (which so far have all been paid) and are linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All holders of these bonds had been informed in March 2011 of this intention. At the time this press release was published, no credit event had occurred. At year-end 2011, however, the financial markets estimated that the probability of a credit event occurring was higher than 50% (a deterioration since the end of September 2011) and, therefore, we decided to set aside an additional provision through profit or loss in the fourth quarter based on the market value of these instruments. If no ISDA-defined credit event occurs, this provision will be reversed at last when the products mature in the second quarter of 2013.

- **Hungary: one-off impact**

  During September, new legislation designed to help households with foreign-currency-based mortgages was introduced in Hungary. This legislation allows households during a limited period to pay off foreign-currency debts in one lump sum at a fixed, discounted exchange rate. The shortfall between the fixed and market rates is to be covered by the banks. The Hungarian Banking Association has taken the matter to the Constitutional Court in Budapest. Nevertheless, KBC recorded an additional impairment of 82 million euros (pre-tax) (in addition to 92 million euros (pre-tax)) on its FX retail mortgage portfolio in the fourth quarter, reflecting that 30% of all debtors are participating in this scheme. Please note that a portion of the impairment taken in respect of this new legislation has been deducted from the bank tax.

The main special items having an impact on the underlying result for 4Q2011 was:

- **Ireland**

  The domestic economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer sentiment, business sentiment and spending were all hit by the poorer global backdrop and ongoing severe austerity measures taken in Ireland itself. As a consequence, a loan loss provision of 164 million euros after tax (228 million euros, pre-tax) was recorded in 4Q2011.

These factors aside, underlying income in the fourth quarter was characterised by a sustained level of net interest income and commission income, good cost control, an excellent combined ratio, buoyant life insurance results, good dealing room results and comfortable liquidity and solvency positions. The credit cost ratio in our core markets remains low (barring the specific situation in Hungary and Bulgaria).

With a *pro forma* total tier-1 ratio of 13.8% and a core tier-1 ratio of 12.0% (including the impact of the sale of Warta, KBL EPB and Fidea), solvency remains not only solid, but also exceeds the threshold set under the recent EBA stress test.

Jan Vanhevel concludes: 'Over the whole of 2011, KBC generated net profit of 13 million euros, a figure that was primarily affected by divestments and impairment charges. The underlying result amounts to a substantially higher 1 098 million euros. Without taking into account the penalty paid and the coupon to be paid on the core-capital securities sold to the Belgian State and the Flemish Region, our earnings per share are slightly positive. When these payments are taken into account, earnings per share amount to -1.93 euros. We will propose to the Annual General Meeting of Shareholders that a technical dividend of 0.01 euros be paid. '

Overview (consolidated)	4Q2010	3Q2011	4Q2011	Cumul. FY2010	Cumul. FY2011
Net result, IFRS (in millions of EUR)	724	-1 579	437	1 860	13
Earnings per share, basic, IFRS (in EUR)[1]	1.69	-5.08	0.63	3.72	-1.93
Underlying net result (in millions of EUR)	168	-248	161	1 710	1 098
Underlying earnings per share, basic (in EUR)[1]	0.06	-1.17	-0.19	3.28	1.26
Breakdown of underlying net result per business unit (in millions of EUR)[2]					
Belgium	255	32	251	1 051	802
Central & Eastern Europe	158	-40	98	570	327
Merchant Banking	-228	-196	-153	133	-110
Group Centre	-16	-44	-35	-44	79
Parent shareholders' equity per share (in EUR, end of period)	32.8	28.9	28.7	32.8	28.7

1 Note: the penalty paid and the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region are deducted from earnings (*pro rata*) in the EPS calculation.

2 The changes in the strategic plan announced in mid-2011 are reflected in the breakdown by business unit; all reference figures have been adjusted retroactively.

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

Financial highlights for 4Q2011 compared to 3Q2011:

- High reported result characterised by good underlying business and the trend in market spreads.
- Net interest income sustained by higher loan volume in Belgium.
- Margins only slightly impacted by reduced exposure to Southern European government bonds.
- Net fee and commission income somewhat higher on account of successful issuance of Belgian state notes.
- Combined ratio of 92% for full year 2011.
- Increased premium income driven by higher sales of life products.
- Good dealing room performance.
- Underlying cost/income ratio at 60% for full year 2011 (57% excluding the impact of the provision for 5-5-5 investment products).
- Credit cost ratio up to 0.82% for full year 2011 on account of Ireland and Hungary.
- Strong liquidity in core markets, outflow concentrated in non-core parts of Merchant Banking.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 13.8% (with a core tier-1 ratio of 12.0%).

Financial highlights 4Q2011 (underlying)

Jan Vanhevel, Group CEO, summarises the ***underlying*** business performance for 4Q2011 as follows:

Gross income benefits from strong technical insurance results, sustained levels of interest income and commission income and good dealing room results, but is affected by the provision set aside for the 5-5-5 investment products.

- Underlying net interest income stood at 1 298 million euros, down 11% year-on-year and 3% quarter-on-quarter. The year-on-year comparison is accounted for primarily by the deconsolidation of Centea, whereas the quarter-on-quarter change is due mainly to the sale of Southern European government bonds. As a consequence, the net interest margin came to 1.96% for the quarter under review, 2 basis points lower than in the previous quarter and 11 basis points lower on its exceptionally high level of a year earlier. In the Belgium Business Unit, both deposit and credit volumes were up year-on-year, quarter-on-quarter deposits fell, while credit volumes grew further (credit: +6% year-on-year and +2% quarter-on-quarter; deposits +5% year-on-year and -2% quarter-on-quarter, due to the successful sale of Belgian state notes). The loan book in the CEE Business Unit increased by 6% year-on-year (thanks to the Czech Republic and Slovakia), but contracted by 1% quarter-on-quarter (caused by Hungary), while deposits increased 4% year-on-year and contracted 1% quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit fell 1% year-on-year (stable in the last quarter), while the deposit base shrunk by 45% year-on-year (35% in the last quarter), caused mainly by reduced short-term deposits in our New York branch and at KBC Bank Ireland, primarily as a result of our short-term rating being downgraded by S&P and risk aversion towards European markets in general.
- Another very good performance was turned in on the technical insurance front during the quarter under review: net of technical charges and the ceded reinsurance result, technical insurance income came to 152 million euros, up 49% year-on-year and 10% quarter-on-quarter. The year-to-date combined ratio came to an excellent 92%. In the life insurance business, there was a slight quarter-on-quarter increase in the sale of life products (thanks to higher sales of interest-guaranteed products), but a slight decrease year-on-year, because of lower sales of interest-guaranteed products which were partly offset by increased sales of unit-linked products.
- The net result from financial instruments at fair value amounted to 138 million euros in 4Q2011, significantly up on its level both in the previous quarter and a year earlier, due to the good performance turned in by the dealing room in the quarter under review.
- Net fee and commission income amounted to 374 million euros, up 2% quarter-on-quarter, but down 10% year-on-year. Even thought the successful sale of Belgian state notes added to this revenue, continuing low investor appetite made it difficult to increase assets under management. At the end of 2011, these stood at 193 billion euros, down 8% on the year earlier figure, 5% of which was caused by negative net entries.
- The other income components came to an aggregate 112 million euros. We recorded a provision of 47 million euros after tax (71 million euros, pre-tax) on the intention to repurchase on a voluntary basis the bonds (KBC IFIMA 5/5/5 and KBC Group 5-5-5) sold to retail customers, conditional on the occurrence of a credit event.

Operating expenses lower on account of divestments.

- Operating expenses came to 1 133 million euros in the last quarter of 2011, down 3% on their level in the previous quarter and 14% on their year-earlier level. The quarter-on-quarter comparison was impacted by the deduction of a portion of the Hungarian banking tax, whereas the year-on-year comparison was accounted for by the sale of Centea, the lower expenses at KBL EPB and the deduction of the Hungarian banking tax. The year-to-date cost/income ratio came to 60% (57% excluding the impact of the 5-5-5 investment product), a clear indication that costs remain under control.

Significant loan loss provisions for Hungary and Ireland, and additional impairment on Greek government bonds.

- Loan loss impairment stood at 599 million euros in the fourth quarter, up on the 492 million euros recorded a year earlier, and up on the 475 million euros recorded in the previous quarter, due to significant additional provisions being set aside for Ireland, Hungary (following the new legislation on forex loans) and the corporate network in Belgium, given the unsustainable low level of impairment recorded in the third quarter of 2011. As a consequence, the annualised credit cost ratio stood at 0.82% for 2011; this breaks down into an excellent 0.10% for the Belgian retail book (down even further on the 0.15% recorded for FY2010), 1.59% in Central and Eastern Europe (up from 1.16% for FY2010) and 1.36% for Merchant Banking (down from 1.38% for FY2010). Excluding Ireland, the credit cost ratio for Merchant Banking remained at the relatively low level of 0.59% (down from 0.67% for FY2010).
- Other impairment charges came to 131 million euros in the quarter under review and related mainly to an additional impairment on Greek government bonds (85 million euros, over and above the 316 million euros booked in the previous quarters), bringing the fully recognised impairment to 71% of the nominal amount of these bonds.

Strong solvency capital position under Basel II.

- The group's tier-1 ratio (under Basel II) came to a strong 12.3% at 31 December 2011 (core tier-1 ratio of 10.6%). Including the effect of divestments for which a sale agreement has been signed to date (Warta, Fidea and KBL EPB), the *pro forma* tier-1 ratio even stands at approximately 13.8% (core tier-1 ratio of 12.0%).

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 251 million euros to profit in 4Q2011, which was 219 million euros more than in 3Q2011. The quarter was characterised by stable net interest income, good insurance results and a very low level of loan impairment. The quarter-on-quarter increase is entirely related to a provision on the contingent intention to reimburse retail customers who bought 5-5-5 investment products, and to significant impairment on shares and Greek government bonds in the investment portfolio. Additional provisions and impairment charges were taken in the last quarter of 2011, but to a much lesser extent that in the third quarter.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 98 million euros in 4Q2011, as opposed to a loss of 40 million euros in the previous quarter. Income remained at its third-quarter level. The results have been impacted by the impairment taken on the loan portfolios in Hungary (forex mortgages) and on Greek government bonds.
- The Merchant Banking Business Unit recorded a loss of 153 million euros in 4Q2011, compared to a 196-million-euro loss in 3Q2011. This was due to the good level of income generated by the dealing room. However, this performance was offset by the high level of impairment in both Ireland and the corporate network in Belgium, as well as by an additional provision on the contingent intention to reimburse retail customers who bought 5-5-5 investment products.
- It should be noted that all planned divestments in the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 4Q2011, the Group Centre's net result came to -35 million euros, compared to -44 million euros in the previous quarter. The result was accounted for mainly by the negative result at NLB.

Positive value adjustments dominate exceptional items.

- The quarter was also characterised by a number of exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 4Q2011 amounted to a positive 0.3 billion euros. Apart from some smaller items, the main non-operating items in 4Q2011 were:
  - a valuation mark-up of 0.2 billion euros on the CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads).
  - a positive 0.2 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

Full-year 2011: results per heading (IFRS)

Explanations per heading of the ***IFRS*** income statement for full-year 2011 (see summary table on the next page):

- The IFRS net result for 2011 amounted to 13 million euros, as opposed to 1 860 million euros in 2010.
- Net interest income amounted to 5 479 million euros compared to 6 245 million euros a year earlier. The decline was caused primarily by the deconsolidation of Centea, but also by the sale of Southern European government bonds. Credit volumes grew by 2%, mortgages even by 3%. Customer deposits grew by 5% in Belgium and by 4% in Central Europe, while the deposit base at Merchant Banking contracted by 45%. The net interest margin increased from 1.92% to 1.96% for 2011.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 534 million euros, up a good 54% on the year-earlier figure of 346 million euros. The year was characterised by a relatively low level of claims. The combined ratio for the group's non-life insurance companies came to a very good 92% for 2011 (90% in Belgium, 93% in CEE), a significant improvement on the 100% for FY2010.
- Net fee and commission income amounted to 1 164 million euros in 2011, down 5% on its 2010 level. In the period under review, sales of commission-based products remained subdued, and assets under management fell 8% year-on-year to 193 billion euros at the end of December 2011(149 billion euros when excluding KBL EPB), primarily on account of the negative investment performance but also a negative net entry effect.
- The net result from financial instruments at fair value (trading and fair value income) came to -178 million euros in 2011, compared to -77 million euros in 2010. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, results related to the activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 509 million euros in 2011, down 40% on its year-earlier figure.
- The remaining income components were as follows: dividend income from equity investments amounted to 85 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 169 million euros and other net income totalled 56 million euros. This last item has been impacted by a provision of 334 million euros (pre-tax) recorded in 3Q and 4Q of 2011 for the contingent intention to reimburse retail clients who bought 5-5-5 investment products.
- Operating expenses amounted to 4 344 million euros in 2011, 2% lower than in 2010, caused by the divestments in 2011, but mitigated somewhat by such factors as inflation, wage increases and the higher banking tax. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 60% at the end of 2011, up on the 56% recorded for FY2010 (increase also clearly attributable to the lower level of total income, cf. provisioning for the 5-5-5 investment product).
- Total impairment stood at 2 123 million euros in 2011. Impairment on loans and receivables amounted to 1 333 million euros, down on the 1 483 million euros recorded in 2010, notwithstanding the high level recorded in 2011 for Ireland, Hungary and Bulgaria. As a result, the annualised credit cost ratio for 2011 came to 0.82%, an improvement on the figure of 0.91% for FY2010. Other impairment charges totalled 790 million euros in 2011 (versus 173 million euros in 2010) and relate mainly to the impairment recorded on Greek government bonds in the second, third and fourth quarters (401 million euros, pre-tax), on shares in the investment portfolio (114 million euros) and on goodwill (120 million euros, related to CIBank in Bulgaria, among other things).
- Income tax amounted to 320 million euros for 2011.
- At the end of 2011, total equity came to 16.8 billion euros, a 1.9-billion-euro decrease compared to the start of the year, due mainly to the dividend and state coupon paid (-0.9 billion euros, combined), as well as the repayment of a first tranche of the government support for a total cost of 575 million euros. The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 12.3% at year-end 2011.

Table of results according to IFRS

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

Consolidated income statement according to IFRS, KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. FY2010	Cumul FY2011
Net interest income	1 519	1 567	1 562	1 598	1 395	1 406	1 341	1 337	6 245	5 479
Interest income	2 621	2 651	2 627	2 642	3 047	3 195	2 910	2 528	10 542	11 883
Interest expense	-1 103	-1 085	-1 065	-1 045	-1 651	-1 789	- 1569	-1 191	-4 297	-6 404
Earned premiums, insurance (before reinsurance)	1 248	1 144	1 074	1 150	1 141	974	972	1 033	4 616	4 119
Technical charges, insurance (before reinsurance)	-1 163	-1 123	-957	-1 018	-1 012	-840	-812	-877	-4 261	-3 541
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-1	-8	-44
Dividend income	15	40	21	21	12	41	17	15	97	85
Net result from financial instruments at fair value through profit or loss	-11	-721	227	429	472	-194	-892	436	-77	-178
Net realised result from available-for-sale assets	19	30	11	29	34	42	10	83	90	169
Net fee and commission income	322	336	259	307	300	297	281	287	1 224	1 164
Fee and commission income	549	578	480	549	518	530	480	514	2 156	2 043
Fee and commission expense	-227	-242	-221	-242	-218	-233	-200	-227	-932	-878
Other net income	98	182	65	107	92	110	-149	3	452	56
Total income	2 038	1 504	2 239	2 597	2 416	1 829	749	2 317	8 378	7 310
Operating expenses	-1 072	-1 044	-1 130	-1 190	-1 143	-1 081	-1 077	-1 043	-4 436	-4 344
Impairment	-383	-299	-420	-555	-105	-332	-940	-746	-1 656	-2 123
on loans and receivables	-355	-278	-357	-492	-97	-164	-473	-599	-1 483	-1 333
on available-for-sale assets	-1	-16	-5	-9	-6	-118	-223	-71	-31	-417
on goodwill	-27	-1	-13	-47	0	-17	-62	-41	-88	-120
on other	0	-3	-45	-6	-2	-33	-183	-35	-54	-253
Share in results of associated companies	-2	-9	-5	-46	1	0	-23	-35	-63	-58
Result before tax	581	153	683	806	1 170	416	-1 292	492	2 224	786
Income tax expense	-164	304	-124	-97	-334	-76	165	-75	-82	-320
Net post-tax result from discontinued operations	31	-302	-7	24	0	0	-445	26	-254	-419
Result after tax	448	155	553	733	835	340	-1 571	443	1 888	47
attributable to minority interests	6	6	8	8	14	6	8	6	28	34
attributable to equity holders of the parent	**442**	**149**	**545**	**724**	**821**	**333**	**-1 579**	**437**	**1 860**	**13**
Belgium	283	131	321	453	385	158	-348	226	1 187	421
Central & Eastern Europe*	146	173	113	178	141	145	-91	94	609	289
Merchant Banking	64	73	173	-138	203	69	-255	-225	172	-208
Group Centre*	-50	-228	-61	231	92	-39	-885	342	-107	-489
Earnings per share, basic (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-5.08	0.63	3.72	-1.93
Earnings per share, diluted (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-5.08	0.63	3.72	-1.93

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

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total assets	340 128	350 232	328 590	320 823	322 493	312 899	305 109	285 382
Loans and advances to customers*	153 640	157 024	149 982	150 666	147 625	143 182	143 451	138 284
Securities (equity and debt instruments)*	101 984	95 910	96 876	89 395	88 839	85 144	74 062	65 036
Deposits from customers and debt certificates*	203 367	205 108	198 825	197 870	192 412	188 116	184 453	165 226
Technical provisions, before insurance*	23 222	22 384	22 843	23 255	23 870	24 084	21 064	19 914
Liabilities under investment contracts, insurance*	7 908	6 496	6 488	6 693	6 568	6 638	6 787	7 014
Parent shareholders' equity	10 677	10 259	11 245	11 147	11 011	11 500	9 834	9 756
Non-voting core-capital securities	7 000	7 000	7 000	7 000	7 000	7 000	7 000	6 500
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				11%				5%
Cost/income ratio, banking				56%				60%
Combined ratio, non-life insurance				100%				92%
KBC Group solvency								
Tier-1 ratio				12.6%				12.3%
Core tier-1 ratio				10.9%				10.6%

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

Table of underlying results

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

Consolidated income statement, KBC Group, underlying (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. FY2010	Cumul FY2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	1 342	1 298	5 603	5 404
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	972	1 033	4 621	4 122
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-817	-880	-4 281	-3 556
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-1	-9	-44
Dividend income	8	36	12	18	8	37	14	15	73	74
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	10	138	855	509
Net realised result from available-for-sale assets	24	41	6	28	53	42	11	85	98	191
Net fee and commission income	429	454	367	417	399	394	367	374	1 666	1 535
Other net income	85	68	62	-96	73	72	-210	12	118	-52
Total income	2 282	2 205	2 206	2 051	2 274	2 161	1 673	2 075	8 744	8 182
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-1 172	-1 133	-4 832	-4 686
Impairment	-356	-298	-361	-510	- 105	-333	-740	-730	-1 525	-1 909
on loans and receivables	-355	-278	-356	-492	-97	-164	-475	-599	-1 481	-1 335
on available-for-sale assets	-1	-17	-5	-10	-6	-135	-228	-85	-34	-453
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	0	-3	0	-7	-2	-35	-38	-46	-10	-121
Share in results of associated companies	-1	-9	-5	-46	1	0	-23	-35	-61	-57
Result before tax	767	749	626	184	943	673	-262	177	2 326	1 530
Income tax expense	-218	-189	-173	-7	- 271	-138	22	-9	-587	-397
Result after tax	549	559	453	177	671	534	-240	167	1 739	1 133
attributable to minority interests	6	6	8	9	14	6	8	7	29	35
attributable to equity holders of the parent	**543**	**554**	**445**	**168**	**658**	**528**	**-248**	**161**	**1 710**	**1 098**
Belgium	279	298	220	255	280	238	32	251	1 051	802
Central & Eastern Europe*	156	171	84	158	123	146	-40	98	570	327
Merchant Banking	85	121	156	-228	177	63	-196	-153	133	-110
Group Centre*	24	-36	-15	-16	77	81	-44	-35	-44	79
Earnings per share, basic (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-1.17	-0.19	3.28	1.26
Earnings per share, diluted (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-1.17	-0.19	3.28	1.26

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

Reconciliation between underlying result and result according to IFRS KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. FY2010	Cumul FY2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	543	554	445	168	658	528	-248	161	1 710	1 098
+ MTM of derivatives for ALM hedging	-57	-179	16	41	96	-77	-245	-46	-179	-273
+ gains/losses on CDOs	176	326	221	304	124	-86	-618	164	1 027	-416
+ MTM of CDO guarantee and commitment fee	-33	-18	-23	6	-10	-22	-10	-10	-68	-52
+ impairment on goodwill (and associated companies)	-27	-1	-43	-47	0	-17	-57	-41	-118	-115
+ result on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	5	-12	-372	50
+ MTM of own debt issued	-2	33	-34	41	-16	-25	185	215	39	359
+ Results on divestments	0	-338	-44	206	-45	-12	-591	8	-176	-640
+ other	-32	-18	2	46	0	0	0	0	-4	0
Result after tax, attributable to equity holders of the parent: IFRS	442	149	545	724	821	333	-1 579	437	1 860	13

Other information

Strategy highlights and main events

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

- In 4Q2011, we successfully continued to implement our strategic refocusing plan:
  - On 19 January 2012, KBC reached an agreement with Talanx International AG for the sale of all the shares in KBC's Polish insurance subsidiary TUiR Warta S.A. for a total consideration of 770 million euros, adjusted for changes in net asset value between 30 June 2011 and the date of closure. Closure of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. The deal is expected to release almost 0.7 billion euros in capital for KBC, resulting in an increase in the tier-1 ratio of slightly less than 0.7%. When closed, the transaction will have a positive impact of approximately 0.3 billion euros on KBC's profit and loss account.
  - On 17 January 2012, KBC Asset Management reached an agreement with both Kredyt Trade Sp z.o.o. (a 100% subsidiary of Kredyt Bank) and WARTA to buy those companies' stakes in Polish asset management company KBC TFI. As a result of the two transactions, KBC Asset Management NV will become a 100% shareholder of KBC TFI.
  - On 17 October 2011, KBC reached an agreement with J.C. Flowers & Co. for the sale of its subsidiary Fidea. Closure of the transaction is subject to the customary regulatory approval, which is expected in the first half of 2012.
  - On 10 October 2011, KBC reached an agreement with Precision Capital for the sale of its private banking subsidiary KBL European Private Bankers ('KBL EPB'). Closure of the transaction is subject to the customary regulatory approval, which is expected in the first half of 2012.
  - A number of companies are still scheduled for divestment. The divestment processes for Kredyt Bank and KBC Bank Deutschland are in progress, while the preparations for Antwerp Diamond Bank are well under way.

  - On 2 January 2012, KBC repaid 500 million euros in state aid (with a 15% penalty) to the Belgian Federal Government.
  - KBC's main objective in this respect is and remains to implement the plan within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC also intends to maintain a regulatory tier-1 capital ratio of 11%, according to Basel II banking capital adequacy rules.

- Other main events in 4Q2011:
  - The continued deteriorating credit position of Greece in the financial markets led to an additional impairment of 62 million euros (after tax) being recorded on our Greek government bond portfolio (71% of the nominal amount impaired), while a provision of 47 million euros (after tax) was set aside for the contingent intention to reimburse retail clients who bought 5-5-5 investment products.
  - During September, the bill on FX debt rescheduling became law in Hungary. Although the matter has been taken to the Constitutional Court in Budapest, KBC recorded an additional impairment of 82 million euros (pre-tax) on this portfolio in the fourth quarter, reflecting an anticipated 30% participation rate in the scheme.
  - In Ireland, the domestic economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer sentiment, business sentiment and spending were all hit by the poorer global backdrop and ongoing severe austerity measures taken in Ireland itself. As a consequence, a loan loss provision of 164 million euros after tax (228 million euros, pre-tax) was recorded in 4Q2011.
  - The tightening of corporate ABS credit spreads between end-September and end-December resulted in a valuation mark-up of 0.2 billion euros (after tax) on the CDO and ABS exposure.
  - The widening of KBC's credit spread in the last quarter of 2011 resulted in a positive 0.2 billion euros (after tax) marked-to-market adjustment in relation to KBC's own credit risk.
  - The capital exercise proposed by the EBA and agreed by the Council on 26 October 2011 requires banks to strengthen their capital positions by building up a temporary capital buffer against sovereign debt exposures to reflect current market prices. In this regard, KBC Bank already meets the 9% core tier-1 threshold and will continue to ensure that appropriate capital levels are maintained.
  - We reduced our CDO and ABS exposure by 0.2 billion euros in the fourth quarter of 2011 and by a further 1.7 billion euros in January 2012. This was achieved by early terminations and sales at limited cost.
  - We continued to cut back our exposure to Southern European government bonds in the fourth quarter, reducing it by a substantial 1.9 billion euros, or almost 30% quarter-on-quarter.

Statement of risk

- The implementation of CRD3 led to an additional 6.1 billion euros of risk-weighted assets.
- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
- For 2012, the main risk for economic growth is the potential for further contagion of the financial crisis to the real economy. In particular, a credible and sustainable solution for the EMU sovereign debt problem is necessary to restore general confidence and stabilise the financial sector.

Additional information

- 'Our auditor has confirmed that his audit procedures of the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted in the European Union, are 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 this earnings statement.'
- In 2011, most relevant items in the change of the scope of consolidation relate to Centea, which contributed 34 million euros to profit (reported, after-tax) and Secura, which contributed 25 million euros to profit (reported, after-tax).

Financial calendar for 2012

2011 Annual Report available as of	3 April 2012
2011 Risk Report available as of	3 April 2012
Annual General Meeting	3 May 2012
Ex-dividend date	9 May 2012
Payment date	14 May 2012
KBC Group – Publication of 1Q 2012 results	10 May 2012
KBC Group – Publication of 2Q 2012 results	7 August 2012
KBC Group – Publication of 3Q 2012 results	8 November 2012
KBC Group – Publication of 4Q 2012 results	14 February 2013

An extended version of the financial calendar, including analyst and investor meetings, is available at www.kbc.com/ir/calendar.

Analysis of underlying earnings components

KBC Group, 4Q2011

Unless otherwise specified, all amounts are given in euros

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	1 342	1 298
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	972	1 033
Non-life	489	480	495	451	451	468	477	466
Life	760	666	580	699	691	507	496	567
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-817	-880
Non-life	-330	-378	-307	-234	-234	-245	-259	-258
Life	-838	-751	-655	-788	-782	-599	-557	-622
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-18	-1
Dividend income	8	36	12	18	8	37	14	15
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	10	138
Net realised result from available-for-sale assets	24	41	6	28	53	42	11	85
Net fee and commission income	429	454	367	417	399	394	367	374
Banking	542	547	470	510	497	488	468	475
Insurance	-113	-93	-104	-93	-98	-93	-101	-102
Other net income	85	68	62	-96	73	72	-210	12
Total income	2 282	2 205	2 206	2 051	2 274	2 161	1 673	2 075
Belgium	818	864	768	868	845	864	692	860
Central & Eastern Europe	538	541	540	557	556	537	538	544
Merchant Banking	482	361	495	202	469	340	105	323
Group Centre	444	439	403	425	404	420	338	348

Net interest income in the quarter under review amounted to 1 298 million.
Net interest income was down 3% on its quarter-earlier level and some 11% on its year-earlier level, partly due to the deconsolidation of Centea in 3Q11 and technical items in 4Q10. The overall net interest margin was slightly down (by 2 basis points to 1.96%) in the quarter under review, leading to a year-to-date figure of 1.96%, up 4 basis points on the level recorded in FY2010. On a comparable basis, the group's total loan portfolio was slightly up (+2%) on its year-earlier level. Total deposit volumes fell by 15% year-on-year, due mainly to a loss of some volatile short-term corporate and institutional deposits, mainly outside our core markets, which resulted from the downgrade of our short-term rating by S&P and risk aversion towards the European market in general. The situation was very different at business unit level: whereas the loan books of the Merchant Banking Business Unit and the Group Centre are being run down intentionally (both resulting in a 1% year-on-year decrease), the loan book of the Belgium and CEE Business Units expanded (both by 6% year-on-year). Roughly the same situation applies for the year-on-year change in customer deposits, with significant declines in the Merchant Banking Business Unit, and an increase in the Belgium (+5%) and CEE Business Units (+4%).

Earned insurance premiums amounted to 1 033 million in 4Q2011, which breaks down into 567 million for life insurance and 466 million for non-life insurance.
Compared to 4Q2010, non-life premium income was up 3%. Thanks chiefly to a relatively low claims level, the non-life combined ratio for the full year 2011 stood at a very good 92%, a significant improvement on the 100% recorded for FY2010. The FY2011 combined ratio breaks down into an excellent 90% for Belgium and a good 93% for CEE (significantly better than the 103% for FY2010, which had been impacted by the storms and floods in the region). Compared to 3Q2011, non-life premium income was down 2% (typical fourth quarter effect)
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (simplified, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to almost 1.1 billion in the quarter under review. This figure was down 3% on its level in 4Q2010, but up 4% quarter-on-quarter. This increase was driven by higher sales of interest-guaranteed products, slightly offset by lower sales of unit-linked products. The increased sale of interest-guaranteed products was mostly attributable to the Belgian Business Unit, as the fourth quarter is traditionally positively impacted by the extra contribution regarding pension savings. As a result, sales of interest-guaranteed products for the group as a whole accounted for 51% of life insurance sales in FY2011, while unit-linked insurance products increased their share to 49%.

Net fee and commission income stood at 374 million in 4Q2011.
Net fee and commission income slightly increased quarter-on-quarter (+2%), but fell by 10% year-on-year. The quarter-on-quarter increase can partly be explained by the fee income stemming from the issuance of Belgian state notes. A relatively low level of fee income was generated by the asset management business in the quarter under review (lower management fees and lower entry fees for mutual funds), which is clearly related to investors losing their appetite for risk. At the end of 2011, total assets under management of the group stood at 193 billion (149 billion excluding KBL EPB), more or less flat compared to the previous three-month period (positive price trend offsetting net outflows) and 8% less than a year earlier, due to a combination of net outflows and a negative price effect.

The other income components were as follows. Dividend income amounted to 15 million. Trading and fair value income ('Net result from financial instruments at fair value') amounted to 138 million (due to a good performance in the dealing room and a positive quarter-on-quarter change of the Counterparty Value Adjustment), while the realised result on available-for-sale assets stood at 85 million (up on the average of 34 million for the four preceding quarters). Other net income amounted to 12 million and was negatively impacted by an additional 71 million provision related to the 5-5-5 investment product (on top of the 263 million provision booked in 3Q2011).

As usual, the underlying figures exclude a number of non-operating items, such as the fair value changes in ALM hedging instruments (a negative amount in 4Q2011), the CDO-related impact (a significant positive amount), fair value changes in own debt instruments (again a significant positive amount), and results related to divestments, etc. A full overview of these items is provided in the table 'Reconciliation between underlying result and result according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following section of the report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Staff expenses	-691	-674	-697	-745	-694	-701	-719	-693
General administrative expenses	-371	-382	-422	-468	-444	-366	-367	-354
Depreciation and amortisation of fixed assets	-96	-94	-95	-97	-89	-87	-86	-85
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-1 172	-1133
Belgium	-407	-394	-414	-488	-429	-446	-462	-453
Central & Eastern Europe	-264	-270	-339	-310	-350	-302	-297	-243
Merchant Banking	-140	-137	-142	-157	-152	-142	-143	-132
Group Centre	-346	-349	-320	-355	-296	-265	-269	-305

Operating expenses amounted to 1 133 million in the quarter under review and remain under control.
At first sight, costs fell sharply (-14%) on their 4Q2010 level, due mainly to the impact of deconsolidated entities (e.g., Centea) and the deduction from the Hungarian banking tax related to the FX mortgage impairment charges. Excluding these items, operating expenses fell by 1% year-on-year.
Compared to the previous quarter, costs decreased by 3%, thanks mainly to (i) lower staff expenses in the Belgium Business Unit, (ii) the deduction from the Hungarian banking tax related to the FX mortgage impairment charges and (iii) the FX impact in CEE. Excluding one-off items, operating expenses rose by 3% quarter-on-quarter. Broken down by business unit, quarter-on-quarter costs decreased by 2% in the Belgium Business Unit (stable, excluding several small one-off items), decreased by 13% on an organic basis in the CEE Business Unit (+2% excluding the deduction from the Hungarian banking tax related to the FX mortgage impairment charges and other technical items) and fell by 8% in the Merchant Banking Business Unit.
As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at 60% for FY2011, up on its FY2010 level (56%) though this was partly caused by the drop in total income (the denominator in the formula). Excluding the impact of provisioning for 5-5-5 products, the cost/income ratio would have amounted to 57% in FY 2011. The FY 2011 cost/income ratio breaks down per business unit as follows: 63% for Belgium, 54% for CEE and 46% for Merchant Banking.

Impairment, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Impairment on loans and receivables	-355	-278	-356	-492	-97	-164	-475	-599
Impairment on available-for-sale assets	-1	-17	-5	-10	-6	-135	-228	-85
Impairment on goodwill	0	0	0	0	0	0	0	0
Impairment on other	0	-3	0	-7	-2	-35	-38	-46
Impairment	-356	-298	-361	-510	-105	-333	-740	-730
Belgium	-3	-39	-27	-35	-15	-74	-165	-58
Central & Eastern Europe	-89	-82	-113	-66	-52	-96	-280	-191
Merchant Banking	-219	-91	-130	-355	-57	-112	-215	-384
Group Centre	-44	-86	-91	-55	19	-51	-81	-97

In 4Q2011, total impairment charges stood at 730 million.
Impairment *on loans and receivables* (loan loss provisions) stood at 599 million. This is a significant increase on both the 492 million recorded in the year-earlier quarter and the 475 million recorded in 3Q2011, as the quarter under review included an additional impairment charge for Hungary (some 82 million related to the impact of the new legislation for forex mortgage loans; calculation based on a 30% participation rate in the scheme), the Belgian corporate network (given the unsustainable low level in 3Q11) and Ireland (228 million).
Overall, this led to a credit cost ratio of 82 basis points for FY2011, still below the 91 basis points recorded for FY2010. The credit cost ratio for FY2011 breaks down as follows: a (continued) excellent low level of 10 basis points for the Belgium Business Unit, 159 basis points for CEE, 136 basis points for Merchant Banking and 36 basis points for the Group Centre (including all companies to be divested). At the end of December 2011, non-performing loans accounted for some 4.9% of the total loan book, somewhat up on the 4.6% registered three months earlier.
Other impairment in the quarter under review totalled 131 million and related mainly to impairment on shares in portfolio (16 million, because of the falling stock markets) and to additional impairment on Greek government bonds (a further marking

down of these bonds to market value at 31 December 2011 resulted in an additional 85 million impairment being recorded in 4Q2011, over and above the 176 million and 139 million that had been booked for Greece in 3Q2011 and 2Q2011, respectively). It should be noted that impairment on *goodwill* booked on group companies is always excluded from the underlying results, and hence it is always zero in the table above.

Analysis of other earnings components (underlying figures)

Other components of the result, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Share in result of associated companies	-1	-9	-5	-46	1	0	-23	-35
Income tax expense	-218	-189	-173	-7	-271	-138	22	-9
Minority interests in profit after tax	6	6	8	9	14	6	8	7

The share in the results of associated companies was -35 million in the quarter under review (this item traditionally includes the result of KBC's minority participation in NLB in Slovenia). Underlying group tax amounted to a negative 9 million in 4Q2011 (cf. the negative pre-tax result) and minority interests in the result amounted to 7 million, in line with the reference quarters.

Underlying results per business unit

KBC Group, 4Q2011

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Unless otherwise specified, all amounts are given in euros.

In order to create more transparency and to avoid substantial quarter-on-quarter distortion in the results of the business units upon each divestment, all the results of the companies that are earmarked for divestment have been grouped together in the Group Centre. The results of the other business units (Belgium, Central & Eastern Europe (CEE) and Merchant Banking) therefore exclude these companies.

Belgium Business Unit (underlying trend)

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

Income statement, Belgium Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	550	562	553	577	567	581	581	591
Earned premiums, insurance (before reinsurance)	839	721	631	694	615	512	473	534
Technical charges, insurance (before reinsurance)	-823	-721	-608	-699	-593	-507	-436	-488
Ceded reinsurance result	-4	10	-12	-5	-8	-1	-11	-5
Dividend income	5	25	8	13	6	26	9	11
Net result from financial instruments at fair value through profit or loss	21	25	9	6	10	12	10	13
Net realised result from available-for-sale assets	2	13	-5	42	22	24	7	45
Net fee and commission income	193	207	170	201	186	178	169	166
Other net income	35	23	24	38	41	37	-110	-8
Total income	818	864	768	868	845	864	692	860
Operating expenses	-407	-394	-414	-488	-429	-446	-462	-453
Impairment	-3	-39	-27	-35	-15	-74	-165	-58
on loans and receivables	-2	-25	-21	-33	-11	-16	-10	-23
on available-for-sale assets	-1	-13	-7	-2	-4	-53	-142	-31
on goodwill	0	0	0	0	0	0	0	0
on other	0	0	0	0	0	-5	-13	-5
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	408	432	327	346	402	344	65	348
Income tax expense	-127	-133	-106	-91	-121	-105	-32	-97
Result after tax	280	299	222	255	281	238	33	251
attributable to minority interests	2	1	1	0	1	0	1	0
attributable to equity holders of the parent	**279**	**298**	**220**	**255**	**280**	**238**	**32**	**251**
Banking	197	221	156	151	175	147	64	148
Insurance	81	77	64	103	106	91	-32	103
Risk-weighted assets, group (end of period, Basel II)	29 038	28 609	28 358	28 744	29 104	29 158	29 161	28 929
of which banking	18 293	17 699	17 288	17 669	18 086	18 013	17 988	18 038
Allocated equity (end of period, Basel II)	2 771	2 741	2 726	2 751	2 775	2 786	2 787	2 746
Return on allocated equity (ROAC, Basel II)	39%	42%	30%	35%	39%	32%	3%	34%
Cost/income ratio, banking	53%	48%	57%	62%	57%	60%	77%	60%
Combined ratio, non-life insurance	90%	96%	96%	103%	74%	89%	95%	106%

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

Reconciliation between underlying result and result according to IFRS Belgium Business Unit (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	279	298	220	255	280	238	32	251
+ MTM of derivatives for ALM hedging	-31	-124	1	11	57	-56	-213	-38
+ gains/losses on CDOs	40	-51	103	113	49	-20	-165	18
+ MTM of CDO guarantee and commitment fee	-5	-3	-4	1	-1	-4	-2	-2
+ impairment on goodwill	0	0	0	-6	0	0	0	-4
+ result on divestments	0	0	0	79	0	0	0	0
+ other	0	11	0	0	0	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	283	131	321	453	385	158	-348	226

In the quarter under review, the Belgium Business Unit generated an underlying profit of 251 million, significantly above the average of 201 million for the four preceding quarters, despite the fact that the fourth quarter had been additionally impacted by the booking of a provision for the 5-5-5 investment product (35 million, pre-tax) and an additional impairment on Greek government bonds (32 million, pre-tax) and on shares (3 million, pre-tax).

Net interest income performing well; credit and deposit volumes up year-on-year

Net interest income stood at 591 million in the quarter under review, an increase of 2% both year-on-year and quarter-on-quarter. The year-on-year increase was due primarily to higher interest income from loans and deposits. At 1.40%, the net interest margin of the bank in Belgium narrowed by 3 basis points quarter-on-quarter, chiefly the result of the reduced government bond portfolio. In line with the group's refocus on its home markets, the Belgian retail loan book increased by 6% year-on-year (2% in the last three months of 2011), with mortgage loans remaining an important driver of this volume growth (+9% year-on-year). Customers' deposits increased by 5% year-on-year, but fell by 2% in the last three months of the year, which was accounted for mainly by the successful issuance of Belgian state notes.

Excellent combined ratio for the non-life business; increased sales of unit-linked life insurance products in FY2011

Earned insurance premiums in the quarter under review amounted to 534 million and break down into 312 million for life insurance and 222 million for non-life insurance.

Non-life premium income stabilised compared to the previous quarter and went up by 4% on the year-earlier quarter. The overall claims level for FY2011 remained favourable, which resulted in an excellent combined ratio of 90% for full year 2011, a further improvement on the already good 95% for FY2010.

Life sales, including unit-linked products (which – in simplified terms – are not included in the premium figures under IFRS), amounted to 0.7 billion in 4Q2011, slightly up on their level in 3Q2011 and 4Q2010. The 5% quarter-on-quarter increase was driven by higher sales of interest-guaranteed products (as the fourth quarter is traditionally positively impacted by the extra contribution regarding pension savings), partly offset by lower sales of unit-linked products. As a result, interest-guaranteed products and unit-linked products accounted for 48% and 52%, respectively, of life insurance sales in FY2011. At the end of 2011, the life reserves of this business unit amounted to 22.3 billion. VNB rose by 71% y-o-y to 118m EUR thanks to more profitable business such as unit-linked and term insurance contracts.

Rather weak asset management related fee and commission income

Total net fee and commission income amounted to 166 million in the quarter under review, down 2% on the previous quarter and 17% on the year-earlier quarter. Net fee and commission income from banking activities (207 million) increased by 1% quarter-on-quarter thanks to the fee income stemming from the issuance of Belgian state notes. Net fee and commission income from banking activities decreased by 13% year-on-year. Risk appetite remained low, leading to lower entry fees for mutual funds. Management fees generated by mutual funds were impacted by the lower level of assets under management. Commission related to insurance activities (-41 million, mainly commission paid to insurance agents) was higher than the previous quarter (up 11%). At 31 December 2011, assets under management of this business unit stood at 138 billion, unchanged quarter-on-quarter (as the net outflows were offset by the positive price trend) and down 6% year-on-year (due to a combination of a negative net entry and price effect).

Other income components: provision for 5-5-5 product impacts 'Other net income'

Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 13 million in the quarter under review, slightly higher than the average of 10 million for the four preceding quarters. Dividend income stood at 11 million. The realised result on available-for-sale assets amounted to 45 million (including the result from the sale of some government bonds), up on the average of 26 million for the four preceding quarters. Other net income came to -8 million in 4Q2011, and was adversely impacted by the booking of an additional provision for the 5-5-5 investment product, 35 million of which was assigned to the Belgium Business Unit.

Costs down somewhat thanks to lower variable remuneration

The operating expenses of the Belgium Business Unit stood at 453 million in the quarter under review, 2% lower than the level recorded in the previous quarter, owing mainly to lower staff expenses related to lower variable remuneration (stable excluding several small one-off items). Costs were 7% down on their level in the year-earlier quarter, more than half of which was accounted for by a reduced contribution to the Belgian Deposit Guarantee Scheme and lower staff expenses. The cost/income ratio for full year 2011 stood at 63% (excluding the provisions for the 5-5-5 product from the denominator, the cost-income ratio was 59%), as opposed to 55% for FY2010.

Very low loan loss provisions, but an additional impairment on Greek government bonds

As was the case in previous quarters, loan loss impairment on the Belgian retail loan book remained at a low level (23 million in the quarter under review). This resulted in a very favourable annualised credit cost ratio of 10 basis points for full year 2011, down on the 15 basis points recorded for FY2010. At the end of 2011, around 1.5% of the Belgian retail loan book was non-performing, in line with the figure recorded three months earlier (1.6%).

The other impairment charges amounted to 36 million in the quarter under review and mainly related to Greek government bonds (additional impairment of 32 million, on top of the impairment of 79 million booked in the third quarter and 45 million recorded in the second quarter).

CEE Business Unit (underlying trend)

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

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	366	376	385	400	385	381	388	370
Earned premiums, insurance (before reinsurance)	156	184	148	169	241	163	182	159
Technical charges, insurance (before reinsurance)	-115	-156	-109	-123	-189	-115	-135	-108
Ceded reinsurance result	-5	0	-3	-3	-5	-4	-6	-6
Dividend income	0	1	0	0	0	1	1	0
Net result from financial instruments at fair value through profit or loss	38	29	38	49	33	14	5	22
Net realised result from available-for-sale assets	7	11	5	-11	6	3	6	17
Net fee and commission income	81	78	72	76	76	86	84	83
Other net income	9	17	3	1	9	9	13	7
Total income	538	541	540	557	556	537	538	544
Operating expenses	-264	-270	-339	-310	-350	-302	-297	-243
Impairment	-89	-82	-113	-66	-52	-96	-280	-191
on loans and receivables	-89	-80	-112	-59	-51	-42	-234	-151
on available-for-sale assets	0	0	0	0	0	-52	-45	-30
on goodwill	0	0	0	0	0	0	0	0
on other	0	-2	0	-7	-1	-2	0	-11
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	186	188	88	181	154	139	-39	111
Income tax expense	-29	-17	-4	-23	-31	8	-1	-14
Result after tax	156	171	84	158	123	147	-40	97
attributable to minority interests	0	0	0	0	0	0	0	-1
attributable to equity holders of the parent	**156**	**171**	**84**	**158**	**123**	**146**	**-40**	**98**
Banking	145	167	83	145	113	136	-43	85
Insurance	11	4	2	13	10	11	3	12
Risk-weighted assets, group (end of period, Basel II)	26 154	25 097	24 927	24 771	25 607	25 810	26 062	26 128
of which banking	24 778	23 719	23 528	23 376	24 140	24 300	24 541	24 563
Allocated equity (end of period, Basel II)	2 175	2 090	2 078	2 065	2 137	2 155	2 176	2 184
Return on allocated equity (ROAC, Basel II)	24%	28%	12%	26%	19%	22%	-11%	14%
Cost/income ratio, banking	48%	48%	61%	55%	63%	55%	53%	43%
Combined ratio, non-life insurance	97%	110%	110%	96%	88%	89%	101%	93%

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

Reconciliation between underlying result and result according to IFRS CEE Business Unit (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	156	171	84	158	123	146	-40	98
+ MTM of derivatives for ALM hedging	-17	-24	31	21	22	-1	2	21
+ gains/losses on CDOs	6	26	-2	-1	2	0	0	-3
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	0
+ impairment on goodwill	0	0	0	0	0	-1	-53	-21
+ result on divestments	0	0	0	0	-5	1	0	0
+ other	0	0	0	0	0	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	146	173	113	178	141	145	-91	94

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

CEE average exchange rate changes +: appreciation against the euro -: depreciation against the euro	CZK Czech Rep.	EUR Slovakia	HUF Hungary	BGN Bulgaria
4Q2011 / 3Q2011	-3%	-	-10%	0%
4Q2011 / 4Q2010	-1%	-	-9%	0%

In the quarter under review, the CEE Business Unit generated an underlying net result of 98 million, in line with the average figure of 97 million for the four preceding quarters, despite additional loan loss impairment in Hungary (82 million, pre-tax, related to forex loans) and an additional impairment on Greek Government bonds (30 million, pre-tax). It should be remembered that Poland is no longer included in the CEE Business Unit (shifted to Group Centre, with retroactive impact)
The CEE Business Unit's net result for 4Q2011 breaks down as follows: 100 million for the Czech Republic, 23 million for Slovakia, 7 million for Hungary (despite additional loan loss provisions for forex loans – see below), -5 million for Bulgaria and -28 million included under 'Other results'.

Net interest income roughly stable, excluding the FX impact
Net interest income generated in this business unit amounted to 370 million in the quarter under review. On an organic basis, this represents a 1% increase on the previous quarter and a 4% decline on the year-earlier quarter. The net interest margin narrowed by 6 basis points to 3.27%, due to the FX effect and the decrease at ČSOB in the Czech Republic (due to a slightly lower interest result and of interest bearing assets going up on average). As regards volumes, the combined loan book for the business unit was up 6% year-on-year and customer deposits increased by 4%. Movements were more marked at country level, with significant year-on-year increases in the Czech and Slovak loan books being partially offset by decreases in Hungary (where the trend was impacted by the FX mortgage relief programme) and Bulgaria.

Combined ratio in the non-life business remained favourable in 2011
Earned insurance premiums in the quarter under review amounted to 159 million, which breaks down into 75 million for life insurance and 84 million for non-life insurance.
On an organic basis, non-life premium income was up 1% quarter-on-quarter (thanks mainly to the Czech Republic) and 5% year-on-year (thanks primarily to Hungary and the Czech Republic). The combined ratio for full year 2011 stood at a favourable 93%, well below the high 103% recorded for FY2010, which had been impacted by storms and floods in the region.
Life sales, including insurance products not booked under earned premiums under IFRS, amounted to 84 million in the quarter under review and 449 million in FY2011 (+23% year-on-year thanks mainly to increased sales of unit-linked products in the Czech Republic). In 2011, interest-guaranteed life products accounted for some one-third of life insurance sales, with unit-linked products accounting for the remaining two-thirds. At the end of 2011, the outstanding life reserves in this business unit stood at 1.6 billion.

Net fee and commission income more or less in line with reference quarters
Net fee and commission income amounted to 83 million in the quarter under review, which – on an organic basis – represents an increase of 4% quarter-on-quarter and as much as 13% year-on-year. Total assets under management of this business unit amounted to 11 billion at year-end 2011, down 6% on their quarter-on-quarter level owing to the negative price trend and net outflows (both down 3% quarter-on-quarter).

Other income components: low trading and fair value income
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 22 million, slightly below the average of 25 million for the four preceding quarters. The net realised result from available-for-sale assets amounted to 17 million, while other net income totalled 7 million.

Costs significantly lower than reference quarters
The operating expenses of this business unit came to 243 million. In organic terms, this was 14% less than costs in the previous quarter. At first sight, costs fell 19% on their 4Q2010 level, caused mainly by the 55 million deduction from the Hungarian banking tax related to the FX mortgage impairment charges. Excluding the Hungarian bank tax and other technical items, operating expenses decreased by 5% year-on-year. The cost/income ratio of the CEE banking activities stood at 54% for full year 2011 (53% excluding the Hungarian bank tax), compared to 53% for FY2010.

Loan loss provisions decreased sharply quarter-on-quarter; additional impairment on Greek government bonds
In the quarter under review, impairment on loans and receivables (loan losses) stood at 151 million, considerably lower than in 3Q2011 (234 million).The decrease related mainly to slightly lower quarter-on-quarter FX mortgage impairment charges in Hungary (the calculation takes into account a 30% participation rate relating to the repayment option instead of 20% in 3Q2011) and one-off impairment for Bulgaria in 3Q2011. The annualised credit cost ratio of this business unit amounted to 159 basis points for full year 2011, compared to 116 basis points for FY2010. At the end of 2011, non-performing loans accounted for some 5.6% of the CEE loan book, in line with the 5.7% recorded three months earlier.
Impairment on assets other than loans and receivables amounted to 40 million and related chiefly to additional impairment on Greek Government bonds (30 million in 4Q2011, on top of the 45 million and 53 million recorded in 3Q2011 and 2Q2011, respectively).

Breakdown per country

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

Income statement, Czech Republic, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	240	250	257	276	259	261	268	257
Earned premiums, insurance (before reinsurance)	91	121	88	102	178	96	119	99
Technical charges, insurance (before reinsurance)	-67	-96	-67	-74	-151	-71	-92	-68
Ceded reinsurance result	-4	-4	-1	-3	-2	-2	-3	-5
Dividend income	0	1	0	0	0	1	1	0
Net result from financial instruments at fair value through profit or loss	21	6	8	19	26	12	-1	16
Net realised result from available-for-sale assets	3	7	5	-11	5	3	6	15
Net fee and commission income	46	47	42	42	42	49	50	49
Other net income	7	7	-1	0	4	2	9	5
Total income	337	341	331	350	361	351	357	368
Operating expenses	-134	-145	-154	-170	-158	-165	-169	-182
Impairment	-31	-38	-46	-31	-18	-65	-52	-70
Of which on loans and receivables	-31	-36	-46	-25	-18	-13	-9	-33
Of which on available-for-sale assets	0	0	0	0	0	-52	-43	-29
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	171	158	131	148	185	121	136	116
Income tax expense	-26	-16	-11	-22	-28	-13	-19	-16
Result after tax	146	142	120	127	157	108	116	100
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**146**	**142**	**120**	**127**	**157**	**108**	**116**	**100**
banking	135	132	114	119	148	101	112	91
insurance	11	10	5	8	8	7	5	9
Risk-weighted assets, group (end of period, Basel II)	14 833	14 001	13 582	13 496	13 854	13 937	14 342	14 869
of which banking	14 060	13 229	12 790	12 707	13 015	13 080	13 477	14 013
Allocated equity (end of period, Basel II)	1 233	1 166	1 134	1 127	1 159	1 166	1 199	1 241
Return on allocated equity (ROAC, Basel II)	40%	40%	34%	37%	46%	30%	32%	27%
Cost/income ratio, banking	40%	42%	46%	48%	43%	46%	46%	49%
Combined ratio, non-life insurance	92%	98%	103%	92%	87%	91%	97%	84%

Income statement, Slovakia, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	51	52	54	53	48	46	48	51
Earned premiums, insurance (before reinsurance)	21	19	18	20	19	20	16	15
Technical charges, insurance (before reinsurance)	-15	-21	-9	-14	-13	-14	-9	-6
Ceded reinsurance result	0	6	-4	0	-1	0	-1	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	7	2	5	2	3	1	-3	-7
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	8	8	7	9	11	10	9	10
Other net income	1	0	2	-1	2	4	1	1
Total income	71	66	74	68	70	67	60	64
Operating expenses	-39	-41	-39	-40	-40	-42	-39	-36
Impairment	-16	-13	-12	-11	-1	-8	-5	0
Of which on loans and receivables	-17	-13	-12	-11	-1	-7	-3	1
Of which on available-for-sale assets	0	0	0	0	0	0	-2	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	16	11	23	17	29	17	16	27
Income tax expense	-3	-4	-5	-4	-5	0	-4	-4
Result after tax	13	7	18	13	24	18	13	23
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**13**	**7**	**18**	**13**	**24**	**18**	**13**	**23**
banking	11	6	17	11	19	15	13	20
insurance	2	1	2	2	6	3	0	4
Risk-weighted assets, group (end of period, Basel II)	4 056	4 133	4 139	4 142	4 208	4 382	4 435	4 261
of which banking	3 913	3 983	3 986	3 976	4 038	4 205	4 258	4 084
Allocated equity (end of period, Basel II)	333	340	340	341	347	361	365	352
Return on allocated equity (ROAC, Basel II)	11%	4%	17%	10%	23%	16%	9%	24%
Cost/income ratio, banking	55%	62%	52%	58%	61%	63%	65%	58%
Combined ratio, non-life insurance	84%	131%	110%	104%	85%	88%	89%	67%

Income statement, Hungary, underlying(in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	94	96	98	95	103	100	95	83
Earned premiums, insurance (before reinsurance)	17	17	17	18	22	23	23	20
Technical charges, insurance (before reinsurance)	-11	-19	-10	-15	-11	-17	-18	-16
Ceded reinsurance result	-1	-1	0	-1	-1	-1	-1	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	10	24	22	4	12	12	13
Net realised result from available-for-sale assets	4	4	-1	0	0	0	0	2
Net fee and commission income	29	27	24	26	24	25	25	24
Other net income	1	8	0	0	1	2	1	0
Total income	143	141	152	145	143	143	138	125
Operating expenses	-70	-66	-127	-75	-130	-71	-68	0
Impairment	-35	-28	-50	-19	-29	-19	-126	-117
Of which on loans and receivables	-35	-28	-50	-19	-28	-18	-126	-116
Of which 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
Result before tax	37	47	-25	51	-15	54	-56	8
Income tax expense	-11	-11	1	-10	-1	-13	6	-1
Result after tax	26	35	-24	41	-16	40	-50	7
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**26**	**35**	**-24**	**41**	**-16**	**40**	**-50**	**7**
banking	23	38	-26	40	-19	38	-50	5
insurance	3	-2	1	1	3	2	0	2
Risk-weighted assets, group (end of period, Basel II)	6 275	6 005	6 270	6 219	6 666	6 587	6 505	6 123
of which banking	6 056	5 788	6 051	6 010	6 424	6 335	6 253	5 834
Allocated equity (end of period, Basel II)	515	493	515	510	548	542	536	507
Return on allocated equity (ROAC, Basel II)	14%	21%	-24%	27%	-18%	24%	-41%	-1%
Cost/income ratio, banking	49%	44%	83%	50%	93%	49%	48%	2%
Combined ratio, non-life insurance	87%	133%	116%	112%	74%	92%	109%	109%

Income statement, Bulgaria, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	11	10	11	11	12	10	8	9
Earned premiums, insurance (before reinsurance)	27	28	26	30	23	25	24	25
Technical charges, insurance (before reinsurance)	-22	-20	-23	-19	-15	-14	-16	-19
Ceded reinsurance result	0	-2	1	1	-2	-1	-1	1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	1	0	0	0	0	0	0
Net realised result from available-for-sale assets	0	0	1	0	0	0	0	0
Net fee and commission income	-1	-1	0	-1	1	0	1	0
Other net income	0	1	0	1	0	0	0	0
Total income	17	17	17	23	19	21	17	17
Operating expenses	-13	-13	-13	-14	-14	-14	-14	-15
Impairment	-4	-3	-4	-4	-4	-3	-2	-8
Of which on loans and receivables	-4	-3	-4	-4	-4	-3	-2	-6
Of which 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
Result before tax	0	1	-1	4	2	4	1	-6
Income tax expense	0	0	0	-1	0	0	0	0
Result after tax	0	1	-1	4	2	5	1	-6
attributable to minority interests	0	0	0	0	0	0	0	-1
attributable to equity holders of the parent	**0**	**1**	**0**	**3**	**2**	**4**	**1**	**-5**
banking	0	0	0	0	0	0	1	-5
insurance	0	0	-1	3	1	4	1	0
Risk-weighted assets, group (end of period, Basel II)	955	926	902	877	846	867	750	848
of which banking	715	688	668	645	628	643	523	604
Allocated equity (end of period, Basel II)	91	88	86	84	81	83	74	82
Return on allocated equity (ROAC, Basel II)	-23%	-21%	-28%	-7%	-17%	-15%	-13%	-49%
Cost/income ratio, banking	70%	72%	65%	69%	66%	74%	82%	83%
Combined ratio, non-life insurance	115%	112%	119%	91%	107%	83%	104%	107%

Income statement, CEE – funding cost and other results, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	-30	-33	-35	-36	-36	-36	-31	-31
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-1	-1	-1
Technical charges, insurance (before reinsurance)	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 result from financial instruments at fair value through profit or loss	0	10	0	6	0	-11	-3	0
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	0	-2	0	0	-2	2	-1	0
Other net income	1	1	1	1	2	1	2	2
Total income	-29	-24	-34	-29	-38	-45	-34	-30
Operating expenses	-8	-5	-6	-10	-9	-11	-8	-9
Impairment	-3	0	0	0	0	-1	-95	4
Of which on loans and receivables	-3	0	0	0	0	0	-96	4
Of which 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
Result before tax	-40	-28	-40	-39	-47	-57	-136	-35
Income tax expense	12	14	12	13	3	34	17	7
Result after tax	-28	-14	-29	-26	-43	-23	-120	-28
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-28**	**-14**	**-29**	**-26**	**-43**	**-23**	**-120**	**-28**
banking	-23	-9	-22	-26	-36	-19	-118	-25
insurance	-5	-5	-6	-1	-7	-5	-2	-3

Merchant Banking Business Unit (underlying trend)

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

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	189	202	213	232	180	167	168	147
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	0
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	0	2	2	1	0	4	2	0
Net result from financial instruments at fair value through profit or loss	210	67	196	67	213	87	9	97
Net realised result from available-for-sale assets	1	1	2	0	2	11	0	22
Net fee and commission income	54	63	56	52	51	53	43	55
Other net income	28	27	26	-150	22	17	-117	2
Total income	482	361	495	202	469	340	105	323
Operating expenses	-140	-137	-142	-157	-152	-142	-143	-132
Impairment	-219	-91	-130	-355	-57	-112	-215	-384
on loans and receivables	-219	-89	-132	-350	-57	-95	-205	-368
on available-for-sale assets	0	-2	2	-7	0	-1	-2	-3
on goodwill	0	0	0	0	0	0	0	0
on other	0	0	0	1	0	-16	-7	-13
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	122	133	223	-311	259	86	-253	-193
Income tax expense	-35	-8	-63	88	-78	-21	61	44
Result after tax	88	125	160	-223	182	65	-192	-149
attributable to minority interests	3	4	5	5	5	2	4	4
attributable to equity holders of the parent	**85**	**121**	**156**	**-228**	**177**	**63**	**-196**	**-153**
Banking	83	119	155	-230	176	62	-197	-154
Insurance	2	2	1	1	1	1	1	1
Risk-weighted assets, group (end of period, Basel II)	51 703	51 880	47 447	47 317	45 945	42 446	39 736	42 126
of which banking	51 703	51 880	47 447	47 317	45 945	42 446	39 736	42 126
Allocated equity (end of period, Basel II)	4 136	4 150	3 796	3 785	3 676	3 396	3 179	3 370
Return on allocated equity (ROAC, Basel II)	8%	11%	15%	-24%	19%	6%	-25%	-19%
Cost/income ratio, banking	29%	38%	28%	79%	32%	42%	138%	41%

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

Reconciliation between underlying result and result according to IFRS Merchant Banking Business Unit (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	85	121	156	-228	177	63	-196	-153
+ MTM of derivatives for ALM hedging	0	-18	-4	-1	9	-7	-31	-28
+ gains/losses on CDOs	12	4	34	63	18	18	-13	-30
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	0
+ impairment on goodwill	0	-2	-13	-12	0	-5	-4	-8
+ result on divestments	0	-3	-2	-4	-1	0	-10	-6
+ other	-32	-29	2	46	0	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	64	73	173	-138	203	69	-255	-225

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of -153 million, well below the -46 million average for the four preceding quarters, as 4Q2011 was characterised by higher loan loss impairment charges for the Belgian corporate network (given the unsustainable low level in 3Q11) and Ireland (228 million, pre-tax) and a provision for the 5-5-5 investment product (35 million, pre-tax), despite the good performance turned in by the dealing room. The underlying result for 4Q2011 breaks down as follows: -179 million for commercial banking activities and +26 million for market activities.

Total income up significantly, thanks to good dealing room income and a lower additional provision for the 5-5-5 product

Total income for this business unit amounted to 323 million in the quarter under review. Trading and fair value income (Net result from financial instruments at fair value through profit or loss, traditionally a big contributor to income in this business unit) stood at a good 97 million in the quarter under review, roughly in line with the average of 94 million for the four preceding quarters, but significantly above the 9 million registered in 3Q2011. This difference was accounted for mainly by the performance of the dealing rooms (good in the quarter under review, weak in the previous quarter).

Net interest income stood at 147 million, down 12% quarter-on-quarter and resulting from a sizeable drop in volumes (mainly at foreign branches), as well as a lower reinvestment yield (following the sale of PIIGS government bonds). As a result, the Merchant Banking's loan portfolio contracted some 1% in one year's time.

The other income components came to 79 million in the quarter under review and comprised net fee and commission income of 55 million (up on the 50 million average for the four preceding quarters), a net realised result from available-for-sale assets of 22 million (as opposed to a 4 million average in the four preceding quarters), and other net income of 2 million. The latter figure was negatively impacted by the booking in 4Q2011 of an additional provision for the 5-5-5 investment product, 35 million of which was assigned to the Merchant Banking Business Unit (compared to 132 million in 3Q2011).

Costs continue to decrease

Operating expenses in the quarter under review amounted to 132 million, down 8% quarter-on-quarter and 16% year-on-year. Excluding several small one-off items, operating expenses fell by 5% quarter-on-quarter and 1% year-on-year. The underlying cost/income ratio stood at 46% for full year 2011 (excluding the provisions for the 5-5-5 product from the denominator, the cost-income ratio was 41%), as opposed to 37% for FY2010.

Loan losses up, due to an increase in Ireland

Impairment *on loans and receivables* amounted to a high 368 million in the quarter under review. The quarter-on-quarter increase can mainly be accounted for by the Belgian corporate network (given the unsustainable low level in 3Q11) and KBC Bank Ireland (loan loss provisions of 228 million in 4Q2011 compared with 187 million in 3Q2011). As a result, the credit cost ratio for full year 2011 stood at 136 basis points, which is roughly in line with the 138 basis points recorded in FY2010. At the end of FY2011, approximately 7.8% of the Merchant Banking Business Unit's loan book was non-performing (3.3% excluding KBC Bank Ireland), up on the 7.1% recorded three months earlier. Specifically for KBC Bank Ireland, the annualised credit cost ratio stood at 301 basis points in 2011, compared to 298 basis points for FY2010, while the non-performing ratio rose to 17.7% at the end of 4Q2011, up from 15.2% three months earlier.

Other impairment charges for this business unit stood at 16 million in 4Q2011, including an additional impairment on Greek government bonds of 5 million (on top of the 9 million and the 5 million recorded in 3Q2011 and 2Q2011, respectively). The fourth quarter also included a 10 million impairment related to investment property.

Breakdown into commercial banking activities and market activities

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

Income statement, Commercial Banking, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	189	202	213	232	180	167	168	148
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	0
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	0	2	2	1	0	4	2	0
Net result from financial instruments at fair value through profit or loss	14	0	18	0	10	-25	-48	0
Net realised result from available-for-sale assets	1	1	2	0	2	11	0	22
Net fee and commission income	35	33	35	28	26	29	26	36
Other net income	28	27	26	-150	22	24	21	37
Total income	267	265	296	110	242	210	169	242
Operating expenses	-92	-87	-89	-99	-87	-88	-90	-86
Impairment	-162	-85	-127	-354	-72	-100	-208	-385
Of which on loans and receivables	-162	-83	-128	-354	-72	-83	-200	-368
Of which on available-for-sale assets	0	-2	2	-1	0	-1	-1	-3
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	13	92	81	-342	83	23	-130	-229
Income tax expense	-16	-11	-23	74	-28	-6	19	53
Result after tax	-3	81	58	-269	55	17	-111	-176
attributable to minority interests	3	4	5	4	4	3	4	3
attributable to equity holders of the parent	**-5**	**77**	**53**	**-273**	**51**	**14**	**-115**	**-179**
Banking	-8	75	52	-274	50	13	-116	-180
Insurance	2	2	1	1	1	1	1	1
Risk-weighted assets, group (end of period, Basel II)	38 295	36 689	33 812	32 993	32 176	30 934	30 733	31 065
of which banking	38 295	36 689	33 812	32 993	32 176	30 934	30 733	31 065
Allocated equity (end of period, Basel II)	3 064	2 935	2 705	2 639	2 574	2 475	2 459	2 485
Return on allocated equity (ROAC, Basel II)	-1%	9%	6%	-41%	7%	2%	-19%	-30%
Cost/income ratio, banking	34%	33%	30%	91%	36%	42%	54%	36%

Income statement, Market Activities, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	0	0	0	0	0	0	0	0
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	0
Technical charges, insurance (before reinsurance)	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 result from financial instruments at fair value through profit or loss	196	67	178	67	203	112	57	96
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	19	30	20	24	25	25	17	19
Other net income	0	0	0	0	0	-8	-138	-35
Total income	215	97	199	91	227	129	-64	80
Operating expenses	-48	-50	-53	-59	-65	-53	-53	-46
Impairment	-57	-6	-4	-1	15	-12	-6	1
Of which on loans and receivables	-57	-6	-4	4	15	-12	-5	0
Of which on available-for-sale assets	0	0	0	-6	0	0	-1	1
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	109	41	142	32	177	63	-123	36
Income tax expense	-19	3	-40	14	-50	-15	42	-9
Result after tax	90	44	102	46	127	48	-81	27
attributable to minority interests	0	0	0	1	1	-1	0	1
attributable to equity holders of the parent	**90**	**44**	**103**	**45**	**126**	**48**	**-81**	**26**
banking	90	44	103	45	126	48	-81	26
insurance	0	0	0	0	0	0	0	0
Risk-weighted assets, group (end of period, Basel II)	13 408	15 191	13 635	14 324	13 769	11 512	9 003	11 061
of which banking	13 408	15 191	13 635	14 324	13 769	11 512	9 003	11 061
Allocated equity (end of period, Basel II)	1 073	1 215	1 091	1 146	1 102	921	720	885
Return on allocated equity (ROAC, Basel II)	35%	16%	36%	17%	46%	18%	-41%	14%
Cost/income ratio, banking	23%	51%	27%	64%	29%	41%	-	57%

Group Centre (underlying trend)

The Group Centre comprises, *inter alia*, the results of the holding company KBC Group NV, KBC Global Services, some results that are not attributable to the other business units and the elimination of the results of intersegment transactions. It also comprises the results of the companies that have been designated as non-core in the group's strategy and are therefore earmarked for divestment. The main ones are Centea (Belgium – sold early July 2011), Fidea (Belgium, sale agreement signed), Absolut Bank (Russia), KBC Banka (Serbia), NLB and NLB Vita (Slovenia), Żagiel (Poland), Kredyt Bank (Poland) and Warta (sale agreement signed), KBC Financial Products (various countries – various activities already sold), KBC Peel Hunt (UK – sold), KBC Finance Ireland (Ireland), Antwerp Diamond Bank (Belgium), KBC Bank Deutschland (Germany) and the KBL EPB group including VITIS Life (various countries – sale agreement signed).

Income statement, Group Centre, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	239	254	254	250	242	261	205	190
Earned premiums, insurance (before reinsurance)	254	240	296	287	284	299	317	341
Technical charges, insurance (before reinsurance)	-230	-252	-245	-200	-234	-221	-245	-283
Ceded reinsurance result	-1	40	-8	-18	-4	-3	-2	9
Dividend income	3	8	1	4	2	6	2	3
Net result from financial instruments at fair value through profit or loss	52	27	21	2	4	-11	-14	6
Net realised result from available-for-sale assets	13	16	5	-3	22	3	-2	2
Net fee and commission income	101	106	69	88	86	77	72	70
Other net income	14	1	10	15	2	9	4	11
Total income	444	439	403	425	404	420	338	348
Operating expenses	-346	-349	-320	-355	-296	-265	-269	-305
Impairment	-44	-86	-91	-55	19	-51	-81	-97
on loans and receivables	-44	-83	-91	-51	21	-11	-26	-58
on available-for-sale assets	0	-2	0	-2	-2	-29	-38	-21
on goodwill	0	0	0	0	0	0	0	0
on other	0	0	0	-2	-1	-12	-17	-18
Share in results of associated companies	-2	-9	-5	-46	1	0	-23	-35
Result before tax	51	-4	-12	-32	127	104	-35	-89
Income tax expense	-26	-31	-1	19	-42	-19	-6	58
Result after tax	25	-35	-13	-13	85	85	-41	-32
attributable to minority interests	1	0	2	3	8	3	3	3
attributable to equity holders of the parent	**24**	**-36**	**-15**	**-16**	**77**	**81**	**-44**	**-35**
Banking	40	-27	-21	-36	86	57	-19	-29
Insurance	-3	0	8	22	20	26	-10	3
holding company	-14	-8	-2	-1	-29	-2	-16	-9
Risk-weighted assets, group (end of period, Basel II)	36 654	33 502	32 386	31 202	30 933	29 959	25 693	29 149
of which banking	33 397	30 260	29 255	27 997	27 732	26 637	22 347	25 814
Allocated equity (end of period, Basel II)	3 087	2 833	2 742	2 650	2 628	2 556	2 216	2 491

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

Reconciliation between underlying result and result according to IFRS, Group Centre (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	24	-36	-15	-16	77	81	-44	-35
+ MTM of derivatives for ALM hedging	-9	-13	-12	10	8	-13	-2	0
+ gains/losses on CDOs	118	347	87	129	55	-84	-439	178
+ MTM of CDO guarantee and commitment fee	-28	-15	-20	5	-8	-18	-8	-9
+ impairment on goodwill (incl. associated companies)	-27	0	-31	-29	0	-11	0	-8
+ MTM of own debt issued	-2	33	-34	41	-16	-25	185	215
+ legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	5	-12
+ Results on divestments	0	-335	-42	132	-38	-12	-581	14
+ other	0	0	0	0	0	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	-50	-228	-61	231	92	-39	-885	342

The Group Centre's net result amounted to -35 million in 4Q2011. As mentioned before, this mainly includes the results of the companies that are earmarked for divestment, whose combined net result came to -24 million in 3Q2011, compared to -27 million in 3Q2011. The 4Q2011 result was impacted by the -19 million (pre-tax) impairment on Greek bonds (on top of the -43 million and -36 million booked in the third and second quarters, respectively) and the divestment of Centea, among other factors.

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

- Formerly recognised under the Belgium Business Unit: +8 million, compared with -15 million in the previous quarter. Please note that Centea has been sold and is no longer included in 2H2011. Fidea is still included, as the sale agreement has not yet been finalised; its 4Q2011 results were less negatively affected by the impairment recorded for shares and Greek government bonds, among other things.
- Formerly recognised under the CEER Business Unit: -23 million, compared with +22 million in the previous quarter, with the decrease due primarily to a lower contribution made by NLB (Slovenia) to the results. The Polish subsidiaries (Kredyt Bank and Warta) together account for 14 million (26 million in the previous quarter).
- Formerly recognised under the Merchant Banking Business Unit: -4 million, compared with -8 million in the previous quarter, thanks mainly to lower impairment charges in a number of companies, among other things.
- Formerly recognised under the European Private Banking Business Unit: +18 million, compared with -13 million in the previous quarter. Please note that an agreement to sell KBL EPB has been signed.
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): -23 million, compared with -12 million in the previous quarter.

Consolidated financial statements according to IFRS

KBC Group, 4Q2011 and FY2011

Unaudited

Consolidated income statement

In millions of EUR	Note	4Q 2010	3Q 2011	4Q 2011	2010	2011
Net interest income	3	1 598	1 341	1 337	6 245	5 479
Interest income		2 642	2 910	2 732	10 542	11 883
Interest expense		- 1 045	- 1 569	- 1 395	- 4 297	- 6 404
Earned premiums, insurance (before reinsurance)	9	1 150	972	1 033	4 616	4 119
Non-life		451	477	466	1 916	1 861
Life		699	495	567	2 700	2 258
Technical charges, insurance (before reinsurance)	9	- 1 018	- 812	- 877	- 4 261	- 3 541
Non-life		- 234	- 259	- 258	- 1 249	- 996
Life		- 784	- 553	- 618	- 3 012	- 2 545
Ceded reinsurance result	9	- 26	- 18	- 1	- 8	- 44
Dividend income		21	17	15	97	85
Net result from financial instruments at fair value through profit or loss		429	- 892	436	- 77	- 178
Net realised result from available-for-sale assets	6	29	10	83	90	169
Net fee and commission income	7	307	281	287	1 224	1 164
Fee and commission income		549	480	514	2 156	2 043
Fee and commission expense		- 242	- 200	- 227	- 932	- 878
Other net income	8	107	- 149	3	452	56
TOTAL INCOME		2 597	749	2 317	8 378	7 310
Operating expenses	12	- 1 190	- 1 077	- 1 043	- 4 436	- 4 344
Staff expenses		- 653	- 653	- 631	- 2 529	- 2 569
General administrative expenses		- 445	- 345	- 332	- 1 546	- 1 449
Depreciation and amortisation of fixed assets		- 92	- 79	- 80	- 361	- 326
Impairment	14	- 555	- 940	- 746	- 1 656	- 2 123
on loans and receivables		- 492	- 473	- 599	- 1 483	- 1 333
on available-for-sale assets		- 9	- 223	- 71	- 31	- 417
on goodwill		- 47	- 62	- 41	- 88	- 120
on other		- 6	- 183	- 35	- 54	- 253
Share in results of associated companies		- 46	- 23	- 35	- 63	- 58
RESULT BEFORE TAX		806	- 1 292	492	2 224	786
Income tax expense		- 97	165	- 75	- 82	- 320
Net post-tax result from discontinued operations	46	24	- 445	26	- 254	- 419
RESULT AFTER TAX		733	- 1 571	443	1 888	47
Attributable to minority interest		8	8	6	28	34
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**724**	**- 1 579**	**437**	**1 860**	**13**
of which relating to discontinued operations		*24*	*- 445*	*26*	*- 254*	*- 419*
Earnings per share (in EUR)						
Basic		1,69	-2,52	0,63	3,72	-1,93
Diluted		1,69	-2,52	0,63	3,72	-1,93

A sale agreement was signed regarding KBL EPB (which includes the activities of the former European Private Banking Unit including Vitis Life). As a consequence, in line with IFRS 5, the results of KBL EPB were moved from various P/L-lines towards one single line ‘Net post-tax result from discontinued operations’ and all reference figures were adjusted accordingly. More information on the sale of KBL EPB and all data required by IFRS 5 can be found in a separate note (note 46).

Dividend: the board of directors will propose to the general meeting of shareholders that a gross dividend of 0.01 euros be paid out per share entitled to dividend. The total dividend to be paid amounts to 3.4 million euros. The payment of a coupon on the non-voting core capital securities sold to the Belgian and Flemish government is related to the payment of a dividend on the ordinary shares: if a dividend is paid to the ordinary shares, also a payment is due on the non-voting core capital securities. Related to 2011, consequently 595 million euros (8,5% on 7 billion euro’s) will be paid to these governments (the accounting treatment in IFRS is identical to ordinary dividends).

Condensed consolidated statement of comprehensive income

In millions of EUR	4Q2010	3Q 2011	4Q2011	2010	2011
RESULT AFTER TAX	733	- 1 571	443	1 888	47
attributable to minority interest	8	8	6	28	34
attributable to equity holders of the parent	724	- 1 579	437	1 860	13
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	43	- 193	66	49	- 162
Net change in revaluation reserve (AFS assets) - Bonds	- 1 141	427	- 391	- 427	- 32
Net change in revaluation reserve (AFS assets) - Other	0	0	0	1	- 1
Net change in hedging reserve (cash flow hedge)	282	- 222	- 72	- 68	- 150
Net change in translation differences	0	- 117	- 50	63	- 154
Other movements	2	4	0	- 1	1
TOTAL COMPREHENSIVE INCOME	**- 82**	**- 1 672**	**- 5**	**1 505**	**- 451**
attributable to minority interest	6	- 6	5	35	21
attributable to equity holders of the parent	- 88	- 1 666	- 9	1 470	- 471

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2010	31-12-2011
Cash and cash balances with central banks		15 292	6 218
Financial assets	18	281 240	249 439
Held for trading		30 287	26 936
Designated at fair value through profit or loss		25 545	13 940
Available for sale		54 143	39 491
Loans and receivables		157 024	153 894
Held to maturity		13 955	14 396
Hedging derivatives		286	782
Reinsurers' share in technical provisions		280	150
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		218	197
Tax assets		2 534	2 646
Current tax assets		167	201
Deferred tax assets		2 367	2 445
Non-current assets held for sale and assets associated with disposal groups	46	12 938	19 123
Investments in associated companies		496	431
Investment property		704	758
Property and equipment		2 693	2 651
Goodwill and other intangible assets		2 256	1 898
Other assets		2 172	1 871
TOTAL ASSETS		320 823	285 382

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2010	31-12-2011
Financial liabilities	18	260 582	225 804
Held for trading		24 136	27 355
Designated at fair value through profit or loss		34 615	28 678
Measured at amortised cost		200 707	167 842
Hedging derivatives		1 124	1 929
Technical provisions, before reinsurance		23 255	19 914
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	4
Tax liabilities		468	545
Current tax liabilities		345	255
Deferred tax liabilies		123	290
Liabilities associated with disposal groups	46	13 341	18 132
Provisions for risks and charges		600	889
Other liabilities		3 902	3 322
TOTAL LIABILITIES		302 149	268 611
Total equity		18 674	16 772
Parent shareholders' equity	39	11 147	9 756
Non-voting core-capital securities	39	7 000	6 500
Minority interests		527	516
TOTAL LIABILITIES AND EQUITY		320 823	285 382

In line with IFRS 5, the assets and liabilities of some divestments were moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. Note that reference figures were not adjusted (not required by IFRS 5). More information on divestments and all data required by IFRS 5 can be found in a separate note (note 46).

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

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
31-12-2010											
Balance at the beginning of the period	1 245	4 339	- 1 560	457	- 374	5 894	- 339	9 662	7 000	515	17 177
Net result for the period	0	0	0	0	0	1 860	0	1 860	0	28	1 888
Other comprehensive income for the period	0	0	0	- 379	- 69	- 1	58	- 390	0	7	- 383
Total comprehensive income	**0**	**0**	**0**	**- 379**	**- 69**	**1 860**	**58**	**1 470**	**0**	**35**	**1 505**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	1	0	0	0	0	0	1	0	0	1
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	1	0	1	0	0	1
Results on (derivatives on) treasury shares	0	0	31	0	0	0	0	31	0	0	31
Impact business combinations	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	- 23	- 23
Change in scope	0	0	0	- 12	0	0	0	- 12	0	- 1	- 13
Total change	**0**	**1**	**31**	**- 391**	**- 69**	**1 855**	**58**	**1 485**	**0**	**12**	**1 497**
Balance at the end of the period	**1 245**	**4 340**	**- 1 529**	**66**	**- 443**	**7 749**	**- 281**	**11 147**	**7 000**	**527**	**18 674**
of which revaluation reserve for shares				435							
of which revaluation reserve for bonds				- 370							
of which revaluation reserve for other assets than bonds and shares				1							
of which relating to non-current assets held for sale and disposal groups				3			10	12			12
31-12-2011											
Balance at the beginning of the period	1 245	4 340	- 1 529	66	- 443	7 749	- 281	11 147	7 000	527	18 674
Net result for the period	0	0	0	0	0	13	0	13	0	34	47
Other comprehensive income for the period	0	0	0	- 194	- 151	1	- 141	- 484	0	- 13	- 498
Total comprehensive income	**0**	**0**	**0**	**- 194**	**- 151**	**14**	**- 141**	**- 471**	**0**	**21**	**- 451**
Dividends	0	0	0	0	0	- 851	0	- 851	0	0	- 851
Capital increase	0	0	0	0	0	0	0	1	0	0	1
Repayment of non-voting core-capital securities	0	0	0	0	0	- 75	0	- 75	- 500	0	- 575
Impact business combinations	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	- 32	- 32
Change in scope	0	0	0	11	0	0	0	11	0	0	11
Total change	**0**	**0**	**0**	**- 183**	**- 151**	**- 917**	**- 141**	**- 1 391**	**- 500**	**- 11**	**- 1 902**
Balance at the end of the period	**1 245**	**4 341**	**- 1 529**	**- 117**	**- 594**	**6 831**	**- 422**	**9 756**	**6 500**	**516**	**16 772**
of which revaluation reserve for shares				274							
of which revaluation reserve for bonds				- 391							
of which revaluation reserve for other assets than bonds and shares				0							
of which relating to non-current assets held for sale and disposal groups				0			7	7			7

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

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

Consolidated cash flow statement

Table available in the annual report only.

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

- receipt of the sale price : close to 1 billion euros, 0.2 billion euros and 0.8 billion euros for KBL EPB, Fidea and Warta respectively
- reduction of cash and cash equivalents which are part of the disposal group: 4.5 billion euros, 32 million euros and 10 million euros for KBL EPB, Fidea and Warta respectively (amounts of 31 December 2011).

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS'). The consolidated financial statements of KBC present one year of comparative information. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010. Note that, the Group's annual financial statements as at 31 December 2011 will be available from 3 April 2012.

To improve transparency, as of 2011 interest on ALM hedging derivatives (i.e. those that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk) appears as 'net interest income', whereas in previous periods this was presented under 'Net result from financial instruments at fair value'. Since the interest earned on the related assets appears under 'Net interest income', as of 2011 (not retroactively) the interest on the ALM hedging derivatives is also included in this heading. The net interest income on ALM hedging derivatives included in 'net interest income' totals -437 million euros during 2011.

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

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

A summary of the main accounting policies is provided in the annual report. In 2011, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2010)

KBC is structured and managed according to a number of segments (called 'business units'). This breakdown is based on a combination of geographic criteria (Belgium and Central and Eastern Europe, being the two core geographic areas the group operates in) and activity criteria (retail bancassurance versus merchant banking). The Shared Services and Operations business unit, which includes a number of divisions that provide support to and serve as a product factory for the other divisions (ICT, leasing, payments, asset management etc.) is not shown as a separate segment, as all costs and income of this business unit are allocated to the other business units and are hence included in their results.
The segment reporting (see below) is based on this breakdown, but, as of 2010, also brings together all companies that are up for divestment (according to the new strategic plan) under the Group Centre.

For reporting purposes, the business units hence are:

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

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

The basic principle of the segment reporting is that an individual subsidiary is allocated fully to one segment (see note 44 in annual report 2010). Exceptions are made for costs that cannot be allocated reliably to a certain segment (grouped together in a separate Group Centre) and KBC Bank NV (allocated to the different segments and to the Group Centre by means of different allocation keys).

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

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

The figures of the segment reporting have been prepared in accordance with the general KBC accounting policies (see Note 1) and are thus in compliance with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS). Some exceptions to these accounting policies have been made to better reflect the underlying performance (the resulting figures are called 'underlying results'):

- In order to arrive at the underlying group profit, factors that are not related to the normal course of business are eliminated. These factors also include exceptional losses (and gains), such as those incurred on structured credit investments and on trading positions that were unwound due to the discontinuation of activities of KBC Financial Products. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully. The realised gain or impairment from divestments is considered as non-recurring.

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

- Moreover, fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net result from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.
- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'net result from financial instruments at fair value', without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.
- In the IFRS accounts, discontinued operations (in KBC's new strategic plan, this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax result from discontinued operations', as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P&L lines relating to the divestment or discontinued operation are moved to Group Centre).

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

Reconciliation between underlying result and result according to IFRS [1] KBC Group, in millions of EUR	4Q 2010	3Q 2011	4Q 2011	31-12-2010	31-12-2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	168	-248	161	1 710	1 098
+ MTM of derivatives for ALM hedging	41	-245	-46	-179	-273
+ gains/losses on CDOs	304	-618	164	1 027	-416
+ MTM of CDO guarantee and commitment fee	6	-10	-10	-68	-52
+ impairment on goodwill (and associated companies)	-47	-57	-41	-118	-115
+ result on legacy structured derivative business (KBC FP)	-42	5	-12	-372	50
+ MTM of own debt issued	41	185	215	39	359
+ Results on divestments	206	-591	8	-176	-640
+ other	46	0	0	-4	0
Result after tax, attributable to equity holders of the parent: IFRS	724	-1 579	437	1 860	13

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

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

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

Gains and losses on CDO's
In the fourth quarter of 2011, the market price for corporate credit decreased, as reflected in credit default swap spreads, generating a value mark-up of KBC's CDO exposure (including the impact of the government guarantee but excluding the related fee and including the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2010, namely 70%).

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding interseg-ment eliminations	Inter-segment eliminations	KBC Group
UNDERLYING INCOME STATEMENT 2010						
Net interest income	2 243	1 527	836	997	0	5 603
Earned premiums, insurance (before reinsurance)	2 886	657	0	1 170	- 93	4 621
Non-life	1 001	319	0	641	- 45	1 916
Life	1 885	338	0	529	- 48	2 705
Technical charges, insurance (before reinsurance)	- 2 851	- 504	0	- 994	68	- 4 281
Non-life	- 612	- 198	0	- 452	13	- 1 249
Life	- 2 239	- 306	0	- 542	56	- 3 031
Ceded reinsurance result	- 11	- 11	0	- 8	21	- 9
Dividend income	50	2	6	15	0	73
Net result from financial instruments at fair value through profit or loss	60	154	539	101	0	855
Net realised result from available-for-sale assets	51	12	3	32	0	98
Net fee and commission income	770	308	225	363	0	1 666
Other net income	119	30	- 70	51	- 12	118
TOTAL INCOME	**3 318**	**2 175**	**1 540**	**1 726**	**- 16**	**8 744**
Operating expenses[a]	- 1 702	- 1 184	- 576	- 1 386	16	- 4 832
Impairment	- 104	- 350	- 796	- 276	0	- 1 525
on loans and receivables	- 82	- 340	- 789	- 270	0	- 1 481
on available-for-sale assets	- 23	0	- 7	- 4	0	- 34
on goodwill	0	0	0	0	0	0
on other	0	- 9	1	- 2	0	- 10
Share in results of associated companies	0	1	0	- 62	0	- 61
RESULT BEFORE TAX	**1 513**	**643**	**168**	**2**	**0**	**2 326**
Income tax expense	- 457	- 73	- 19	- 38	0	- 587
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**1 056**	**570**	**149**	**- 36**	**0**	**1 739**
attributable to minority interests	5	0	16	7	0	29
attributable to equity holders of the parent	**1 051**	**570**	**133**	**- 44**	**0**	**1 710**
UNDERLYING INCOME STATEMENT 2011						
Net interest income	2 320	1 524	663	897	0	5 404
Earned premiums, insurance (before reinsurance)	2 135	745	0	1 301	- 60	4 122
Non-life	872	334	0	687	- 32	1 861
Life	1 263	411	0	614	- 28	2 261
Technical charges, insurance (before reinsurance)	- 2 025	- 548	0	- 1 028	44	- 3 556
Non-life	- 433	- 172	0	- 408	16	- 996
Life	- 1 592	- 376	0	- 620	28	- 2 560
Ceded reinsurance result	- 24	- 21	0	- 11	12	- 44
Dividend income	52	2	7	13	0	74
Net result from financial instruments at fair value through profit or loss	45	74	405	- 15	0	509
Net realised result from available-for-sale assets	98	32	35	26	0	191
Net fee and commission income	700	329	202	304	0	1 535
Other net income	- 39	38	- 76	33	- 8	- 52
TOTAL INCOME	**3 260**	**2 175**	**1 236**	**1 521**	**- 11**	**8 182**
Operating expenses[a]	- 1 790	- 1 192	- 569	- 1 146	11	- 4 686
Impairment	- 312	- 619	- 768	- 210	0	- 1 909
on loans and receivables	- 59	- 477	- 725	- 73	0	- 1 335
on available-for-sale assets	- 230	- 127	- 6	- 90	0	- 453
on goodwill	0	0	0	0	0	0
on other	- 22	- 14	- 37	- 47	0	- 121
Share in results of associated companies	0	1	0	- 58	0	- 57
RESULT BEFORE TAX	**1 159**	**365**	**- 101**	**106**	**0**	**1 530**
Income tax expense	- 355	- 38	6	- 10	0	- 397
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**804**	**327**	**- 95**	**97**	**0**	**1 133**
attributable to minority interests	2	0	15	18	0	35
attributable to equity holders of the parent	**802**	**327**	**- 110**	**79**	**0**	**1 098**

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31-12-2010					
Total loans to customers	51 961	28 960	48 202	21 543	150 666
Of which mortgage loans	26 952	10 503	12 809	11 313	61 577
Of which reverse repos	0	4 035	5 450	1	9 486
Customer deposits	67 663	38 192	73 538	18 477	197 870
Of which repos	0	3 219	12 179	0	15 398
Balance sheet information 31-12-2011					
Total loans to customers	55 254	25 648	43 832	13 550	138 284
Of which mortgage loans	29 417	10 533	12 288	5 194	57 431
Of which reverse repos	0	16	1 413		1 429
Customer deposits	71 156	38 216	46 168	9 687	165 226
Of which repos	0	3 209	12 633	0	15 841

Note: The customer deposits excluding repos have been restated for 31-12-2010. This was caused by a different allocation of the deposits of KBC Bank towards BU Belgium and BU Merchant Banking.

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

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

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
2010				
Total income from external customers (underlying)	3 889	3 000	1 855	8 744
31-12-2010				
Total assets (period-end)	209 103	61 269	50 452	320 823
Total liabilities (period-end)	194 672	55 030	52 447	302 149
2011				
Total income from external customers (underlying)	3 576	3 091	1 515	8 182
31-12-2011				
Total assets (period-end)	181 036	60 898	43 448	285 382
Total liabilities (period-end)	171 262	55 189	42 159	268 611

Other notes

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
Total	**1 598**	**1 341**	**1 337**	**6 245**	**5 479**
Interest income	**2 642**	**2 910**	**2 732**	**10 542**	**11 883**
Available-for-sale assets	511	438	406	1 949	1 791
Loans and receivables	1 693	1 645	1 656	6 706	6 600
Held-to-maturity investments	156	169	165	567	633
Other assets not at fair value	6	9	9	28	34
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 366*	*2 261*	*2 235*	*9 251*	*9 059*
Financial assets held for trading	74	385	228	351	1 779 (*)
Hedging derivatives	87	155	131	338	528
Other financial assets at fair value through profit or loss	115	109	138	603	517
Interest expense	- 1 045	- 1 569	- 1 395	- 4 297	- 6 404
Financial liabilities measured at amortised cost	- 789	- 829	- 805	- 3 173	- 3 235
Other	- 4	- 6	- 6	- 3	- 12
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	- 793	- 835	- 811	- 3 175	- 3 247
Financial liabilities held for trading	- 20	- 443	- 299	- 85	- 2 026 (*)
Hedging derivatives	- 184	- 191	- 185	- 794	- 788
Other financial liabilities at fair value through profit or loss	- 47	- 100	- 100	- 243	- 344

(*) including interest on ALM derivatives as of FY2011: +1 506 million euro interest income and -1 943 million euro interest expense

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
Total	29	10	83	90	169
Breakdown by portfolio					
Fixed-income securities	- 10	2	47	26	59
Shares	39	8	35	64	110

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
Total	307	281	287	1 224	1 164
Fee and commission income	549	480	514	2 156	2 043
Securities and asset management	280	201	217	1 118	898
Margin on deposit accounting (life insurance investment contracts w ithout DPF)	11	17	15	28	50
Commitment credit	64	73	86	252	302
Payments	137	144	161	522	577
Other	57	47	34	236	215
Fee and commission expense	- 242	- 200	- 227	- 932	- 878
Commission paid to intermediaries	- 117	- 114	- 114	- 489	- 470
Other	- 125	- 86	- 113	- 443	- 408

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
Total	107	- 149	3	452	56
Of which net realised result following					
The sale of loans and receivables	0	- 9	- 7	4	- 29
The sale of held-to-maturity investments	0	- 14	- 1	1	- 14
The sale of financial liabilities measured at amortised cost	0	0	- 2	0	- 3
Other: of which:	107	- 126	13	447	102
Irregularities in KBC Lease UK	- 175	0	13	- 175	15
Income concerning leasing at the KBC Lease-group	20	22	30	76	96
Income from consolidated private equity participations	14	11	10	54	48
Income from Group VAB	16	19	15	65	65
Realised gain on sale of building Louvain	0	0	0	0	15
Provisions re 5/5/5 loans	0	- 263	- 71	0	- 334
Realised gains or losses on divestments	191	53	0	191	68

Provision regarding 5/5/5 bonds:
In April and May 2008 KBC Bank and its Belgian subsidiaries sold structured 5/5/5 bonds ‘First to default’ with maturity in April and May 2013 to retail and institutional customers for a total amount of 670 million euros.
The 5/5/5 bonds are linked to the creditworthiness of Belgium, France, Spain, Italy and Greece. A credit event (as defined by the ISDA) in one of these countries would adversely affect the capital invested and no further coupons would be paid.
As a result of the Greek financial crisis, KBC Bank decided to offer comfort to retail holders of the 5/5/5 notes, by proactively clarifying KBC’s contingent intention to purchase the notes, at a price equal to the invested capital less any coupons paid by the issuer (all amounts before costs and taxes), whereby such intention is conditional on the occurrence of a credit event. Until the date of this disclosure no credit event occured, but since the probability of a credit event before May 2013 on one of these countries is estimated by the financial markets to be higher than 50% from 30 September 2011 onward, KBC had decided to book a provision of 263 million euros in the third quarter of 2011 (impact after tax of -174 million euros) and to increase this provision further by 71 million EUR (47 million EUR after tax) in the fourth quarter of 2011.

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

In millions of EUR

	Life	Non-life	Non-technical account	TOTAL
2010				
Technical result	- 424	345	35	- 43
Earned premiums, insurance (before reinsurance)	2 705	1 937	0	4 642
Technical charges, insurance (before reinsurance)	- 3 012	- 1 250	0	- 4 262
Net fee and commission income	- 115	- 339	39	- 415
Ceded reinsurance result	- 2	- 2	- 4	- 8
Financial result	885	176	228	1 288
Net interest income			1 002	1 002
Dividend income			47	47
Net result from financial instruments at fair value			195	195
Net realised result from AFS assets			44	44
Allocation to the technical accounts	885	176	- 1 060	0
Operating expenses	- 136	- 364	- 9	- 509
Internal costs claim paid	- 8	- 75	0	- 83
Administration costs related to acquisitions	- 38	- 89	0	- 127
Administration costs	- 90	- 201	0	- 291
Management costs investments	0	0	- 9	- 9
Other net income			95	95
Impairments			- 19	- 19
Share in results of associated companies			0	0
RESULT BEFORE TAX	325	157	329	811
Income tax expense				- 142
Net post-tax result from discontinued operations				11
RESULT AFTER TAX				679
attributable to minority interest				4
attributable to equity holders of the parent				**675**
2011				
Technical result	- 401	499	42	140
Earned premiums, insurance (before reinsurance)	2 262	1 880	0	4 142
Technical charges, insurance (before reinsurance)	- 2 548	- 1 007	0	- 3 555
Net fee and commission income	- 112	- 333	42	- 403
Ceded reinsurance result	- 2	- 42	0	- 44
Financial result	690	137	152	979
Net interest income			1 019	1 019
Dividend income			55	55
Net result from financial instruments at fair value			- 178	- 178
Net realised result from AFS assets			83	83
Allocation to the technical accounts	690	137	- 827	0
Operating expenses	- 150	- 376	- 1	- 527
Internal costs claim paid	- 10	- 81	0	- 92
Administration costs related to acquisitions	- 53	- 108	0	- 161
Administration costs	- 87	- 187	0	- 274
Management costs investments	0	0	- 1	- 1
Other net income			10	10
Impairments			- 473	- 473
Share in results of associated companies			0	0
RESULT BEFORE TAX	139	260	- 270	129
Income tax expense				- 85
Net post-tax result from discontinued operations				- 17
RESULT AFTER TAX				27
attributable to minority interest				2
attributable to equity holders of the parent				**25**

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2010 annual report).

Operating expenses (note 12 in the annual accounts 2010)

In 2010 the Hungarian government has decided to impose a new extraordinary bank tax on the financial institutions. The bank tax was introduced for 2010, 2011 and 2012 and is due by both K&H Bank and K&H Insurance. The operating expenses for the first quarter of 2011 include the expenses related to the special tax imposed on financial institutions in Hungary payable for 2011 (62 million euros cost in 2011 fully booked in the first quarter of 2011, deductible expense).
During 4Q 2011, The Government of Hungary and the representatives of the Hungarian Banking Association, agreed on additional measures regarding FX debt relief, impacting also the amount of banking tax. The losses incurred by the banks on the FX-loans can for 30% be recovered from the banking tax paid. As a result of this, the full year amount of banking tax reduces to a cost of only 6 million euros. The agreement also states that the banking tax will not increase in 2012, be halved in 2013 and as from 2014 will be set at the level of the European bank tax. See also note 14 for more information on the additional measures regarding FX debt relief.

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
Total	- 555	- 940	- 746	- 1 656	- 2 123
Impairment on loans and receivables	- 492	- 473	- 599	- 1 483	- 1 333
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 539	- 402	- 613	- 1 452	- 1 316
Provisions for off-balance-sheet credit commitments	11	6	3	- 19	17
Portfolio-based impairments	36	- 77	10	- 12	- 33
Breakdown by business unit					
Belgium	- 33	- 10	- 23	- 82	- 59
Central and Eastern Europe	- 59	- 234	- 151	- 340	- 477
Merchant Banking	- 350	- 205	- 368	- 789	- 725
Group Centre	- 51	- 24	- 58	- 272	- 71
Impairment on available-for-sale assets	- 9	- 223	- 71	- 31	- 417
Breakdown by type					
Shares	- 9	- 87	- 8	- 32	- 114
Other	0	- 136	- 63	0	- 303
Impairment on goodwill	- 47	- 62	- 41	- 88	- 120
Impairment on other	- 6	- 183	- 35	- 54	- 253
Intangible assets, other than goodwill	0	0	- 7	0	- 7
Property and equipment and investment property	- 2	1	- 18	- 4	- 30
Held-to-maturity assets	0	- 34	- 16	0	- 66
Associated companies (goodwill)	0	0	0	- 31	0
Other	- 4	- 150	7	- 18	- 150

The impairment on loans and receivables for Merchant Banking business unit includes an impairment on loans & receivables in Ireland of 510 million euros for in 2011 including an impairment of 228 million euros in 4Q2011.
In 3Q11, in Hungary 92 million euros additional impairments were booked as a consequence of a new act of the Hungarian government. The Hungarian government act concerning FX mortgage lending gives an option to the clients to fully repay their FX-mortgages at a forex rate predetermined by law. This act came into force on 29 September, 2011. The 92 million impairment booked in the 3Q11 results takes into account an anticipated 20% participation rate of the client side in the program and considering the exchange rates of 30 September 2011 compared to the fixed rates. The Hungarian Banking Association has taken the matter to the Constitutional Court in Budapest and the relevant institutions of the European Union. During 4Q 2011, The Government of Hungary and the representatives of the Hungarian Banking Association, agreed on additional measures regarding FX debt relief, impacting also the amount of banking tax (see also note 12). The measures resulted in 82 million euros additional impairments, including the increase of the participation rate of the client side in the FX mortgage repayment from the anticipated 20% to the actual 30%. For Bulgaria, KBC performed in 3Q11 an in depth evaluation of its Bulgarian assets for which the Group booked an additional impairment in the third quarter of 2011 of 96 million euros (no material amounts in 4Q11).
The impairment charge on AFS bonds (303 million euros for 2011 including 63 million euros for 4Q11) and HTM bonds (66 million euros for 2011 including 16 million euros in 4Q11) is almost entirely related to impairment charges on Greek bonds. More information on this impairment charge can be found in note 47.
The impairment charge on goodwill includes in 3Q11 -53 million euros on the Bulgarian banking activities reflecting both the worsening macroeconomic situation in Bulgaria and the reduced expected cash flows from CIBANK discounted at a higher discount rate. The impairment charge on goodwill in 4Q11 includes relatively limited amount related to several subsidiaries
The impairment on other of 3Q11 includes 148 million euros regarding the sale of Fidea based on the sale price below book value, while the 4Q11 results include a reversal of 10 million euros. Regarding Fidea's available for sale portfolio, an unrealized gain of 41 million euros (after tax) is included in parent shareholders' equity on 31 December 2011. At the latest at the time of closing (expected in first half of 2012), these unrealized gains will be reclassified from equity to profit or loss.

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding Centea, Fidea & Warta (IFRS 5)
FINANCIAL ASSETS, 31-12-2010									
Loans and advances to credit institutions and investment firms [a]	696	1 808	0	12 998	-	-	-	15 502	15 487
Loans and advances to customers [b]	4 109	6 471	0	140 087	-	-	-	150 666	143 183
Excluding reverse repos								*141 179*	*133 696*
Discount and acceptance credit	0	0	0	119	-	-	-	119	114
Consumer credit	0	0	0	4 274	-	-	-	4 274	4 024
Mortgage loans	0	380	0	61 198	-	-	-	61 577	55 517
Term loans	4 109	6 025	0	61 548	-	-	-	71 681	70 750
Finance leasing	0	0	0	4 909	-	-	-	4 909	4 909
Current account advances	0	0	0	4 456	-	-	-	4 456	4 376
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	66	0	3 583	-	-	-	3 649	3 494
Equity instruments	1 717	19	2 098	-	-	-	-	3 833	3 576
Investment contracts (insurance)		7 329	-	-	-	-	-	7 329	7 036
Debt instruments issued by	7 709	9 727	51 020	3 477	13 629	-	-	85 562	79 681
Public bodies	5 806	8 852	40 612	132	12 712	-	-	68 114	63 284
Credit institutions and investment firms	731	266	5 075	224	584	-	-	6 879	6 508
Corporates	1 172	610	5 333	3 122	333	-	-	10 569	9 890
Derivatives	15 758	-	-	-	-	213	-	15 970	15 968
Total carrying value excluding accrued intrest income	29 988	25 353	53 117	156 562	13 629	213	0	278 862	264 932
Accrued interest income	299	192	1 025	463	325	73	0	2 378	2 246
Total carrying value including accrued interest income	30 287	25 545	54 143	157 024	13 955	286	0	281 240	267 178
[a] *Of which reverse repos*								*2 284*	*2 284*
[b] *Of which reverse repos*								*9 486*	*9 486*
FINANCIAL ASSETS, 31-12-2011									
Loans and advances to credit institutions and investment firms [a]	4 600	305	0	14 253	-	-	-	19 158	
Loans and advances to customers [b]	203	1 879	0	136 201	-	-	-	138 284	
Excluding reverse repos								*136 855*	
Discount and acceptance credit	0	0	0	137	-	-	-	137	
Consumer credit	0	0	0	3 910	-	-	-	3 910	
Mortgage loans	0	178	0	57 253	-	-	-	57 431	
Term loans	203	1 531	0	61 880	-	-	-	63 614	
Finance leasing	0	11	0	4 647	-	-	-	4 658	
Current account advances	0	0	0	4 876	-	-	-	4 876	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	159	0	3 499	-	-	-	3 659	
Equity instruments	1 028	28	1 446	-	-	-	-	2 501	
Investment contracts (insurance)		7 652	-	-	-	-	-	7 652	
Debt instruments issued by	4 286	3 997	37 299	2 890	14 063	-	-	62 535	
Public bodies	3 101	3 594	29 183	224	13 365	-	-	49 467	
Credit institutions and investment firms	647	204	3 862	211	491	-	-	5 415	
Corporates	538	199	4 255	2 455	207	-	-	7 653	
Derivatives	16 750	-	-	-	-	624	-	17 375	
Total carrying value excluding accrued interest income	26 867	13 861	38 745	153 345	14 063	624	0	247 505	
Accrued interest income	69	79	746	549	334	158	0	1 934	
Total carrying value including accrued interest income	26 936	13 940	39 491	153 894	14 396	782	0	249 439	
[a] *Of which reverse repos*								*5 982*	
[b] *Of which reverse repos*								*1 429*	

Reclassification of Available for sale (AFS) government bonds to Held to Maturity (HTM):
During 2011, KBC shifted 1.9 billion euros high-rated government bonds from the AFS to the HTM portfolio.

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding Centea, Fidea & Warta (IFRS 5)
FINANCIAL LIABILITIES, 31-12-2010									
Deposits from credit institutions and investment firms [a]	21	6 911	-	-	-	-	20 924	27 856	27 802
Deposits from customers and debt certificates [b]	648	20 971	-	-	-	-	176 252	197 870	189 518
Deposits from customers	0	17 069	-	-	-	-	135 851	152 920	145 865
Demand deposits	0	57	-	-	-	-	48 189	48 246	47 571
Time deposits	0	17 012	-	-	-	-	42 131	59 142	58 957
Savings deposits	0	0	-	-	-	-	40 245	40 245	34 056
Special deposits	0	0	-	-	-	-	4 005	4 005	4 005
Other deposits	0	0	-	-	-	-	1 281	1 281	1 276
Debt certificates	648	3 902	-	-	-	-	40 400	44 950	43 654
Certificates of deposit	0	22	-	-	-	-	14 965	14 987	14 987
Customer savings certificates	0	0	-	-	-	-	2 155	2 155	858
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	648	3 600	-	-	-	-	14 427	18 674	18 674
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	280	-	-	-	-	8 854	9 134	9 134
Liabilities under investment contracts	-	6 514	-	-	-	-	179	6 693	6 463
Derivatives	22 317	0	-	-	-	849	-	23 166	23 165
Short positions	1 119	0	-	-	-	-	-	1 119	1 119
in equity instruments	10	0	-	-	-	-	-	10	10
in debt instruments	1 110	0	-	-	-	-	-	1 110	1 110
Other	0	145	-	-	-	-	2 564	2 709	2 644
Total carrying value excluding accrued interest expense	24 105	34 541	-	-	-	849	199 919	259 414	250 712
Accrued interest expense	31	74	-	-	-	276	789	1 169	1 125
Total carrying value including accrued interest expense	24 136	34 615	-	-	-	1 124	200 707	260 582	251 837
[a] *Of which repos*								*8 265*	*8 212*
[b] *Of which repos*								*15 398*	*15 398*
FINANCIAL LIABILITIES, 31-12-2011									
Deposits from credit institutions and investment firms [a]	843	3 831	-	-	-	-	21 259	25 934	
Deposits from customers and debt certificates [b]	4 288	17 565	-	-	-	-	143 373	165 226	
Deposits from customers	3 774	13 277	-	-	-	-	117 410	134 461	
Demand deposits	0	0	-	-	-	-	37 472	37 472	
Time deposits	3 774	13 277	-	-	-	-	42 010	59 061	
Savings deposits	0	0	-	-	-	-	32 624	32 624	
Special deposits	0	0	-	-	-	-	3 887	3 887	
Other deposits	0	0	-	-	-	-	1 417	1 417	
Debt certificates	514	4 288	-	-	-	-	25 963	30 766	
Certificates of deposit	0	20	-	-	-	-	4 597	4 617	
Customer savings certificates	0	0	-	-	-	-	710	710	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	514	4 167	-	-	-	-	12 694	17 375	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	101	-	-	-	-	7 961	8 063	
Liabilities under investment contracts	-	7 014	-	-	-	-	0	7 014	
Derivatives	21 699	0	-	-	-	1 601	-	23 300	
Short positions	497	0	-	-	-	-	-	497	
in equity instruments	4	0	-	-	-	-	-	4	
in debt instruments	493	0	-	-	-	-	-	493	
Other	0	173	-	-	-	-	2 408	2 581	
Total carrying value excluding accrued interest expense	27 327	28 584	-	-	-	1 601	167 041	224 553	
Accrued interest expense	27	94	-	-	-	328	801	1 251	
Total carrying value including accrued interest expense	27 355	28 678	-	-	-	1 929	167 842	225 804	
[a] *Of which repos*								*6 574*	
[b] *Of which repos*								*15 841*	

Additional information on quarterly time series

Total customer loans excluding reverse repo

In millions of EUR	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total	141 179	134 214	135 674	136 281	136 855
Breakdown per business unit					
Belgium	51 961	52 413	53 364	54 190	55 254
Central and Eastern Europe	24 924	25 279	25 950	25 826	25 632
Merchant Banking	42 752	42 561	42 389	42 542	42 419
Group Centre (*)	21 542	13 962	13 972	13 723	13 550

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

Total mortgage loans

In millions of EUR	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total	61 577	55 795	56 731	57 081	57 431
Breakdown per business unit					
Belgium	26 952	27 337	27 833	28 457	29 417
Central and Eastern Europe	10 503	10 677	11 045	11 019	10 533
Merchant Banking	12 809	12 633	12 550	12 460	12 288
Group Centre (*)	11 313	5 149	5 303	5 145	5 194

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

Total customer deposits excluding repos

In millions of EUR	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total	182 473	173 492	171 388	167 683	149 385
Breakdown per business unit					
Belgium	67 663	68 554	70 802	72 687	71 156
Central and Eastern Europe	34 973	35 543	35 692	35 193	35 007
Merchant Banking	61 360	60 175	56 010	51 474	33 535
Group Centre (*)	18 477	9 221	8 884	8 329	9 687

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

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-12-2010		31-03-2011		30-06-2011		30-09-2011		31-12-2011	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 770	7 330	18 704	7 267	18 885	7 356	18 860	7 579	18 891	7 936
Breakdown per business unit										
Belgium	15 343	6 294	15 260	6 148	15 374	6 217	15 363	6 466	15 414	6 859
Central and Eastern Europe	841	691	868	783	879	803	865	779	836	742
Group Centre	2 586	345	2 576	336	2 633	335	2 632	334	2 641	335

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

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

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

Parent shareholders' equity and non-voting core-capital securities (note 39 in the annual accounts 2010)

in number of shares	31-12-2010	31-12-2011
Ordinary shares	357 938 193	357 980 313
of which ordinary shares that entitle the holder to a dividend payment	*344 557 548*	*344 619 736*
of which treasury shares	*18 171 795*	*18 169 054*
Non-voting core-capital securities	237 288 134	220 338 982
Other information		
Par value per ordinary share (in euros)	3,48	3,48
Number of shares issued but not fully paid up	0	0

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

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. As at 31 December 2011, this number includes, *inter alia*:

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

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

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

In the course of 2011, there was no significant change in related parties compared to the end of 2010.
In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the 4Q2011 results is the related cost of -16 million euros (-79 million euro for 2011), which is recognized in 'Net result from financial instruments at fair value through profit or loss'.
Note that during the second quarter of 2011, KBC paid a coupon on the non-voting core capital securities subscribed by the Belgian Federal and Flemish Regional governments for a total amount of 595 million euro.
On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability)

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

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
		2010	2011	
Additions				
None				
Exclusions				
Centea	Full	100,00%	------	Sold in 3Q2011
Name Changes				
Assurisk became KBC Group Re SA				
Changes in ownership percentage and internal mergers				
Nova Ljubljanska banka	Equity	30,57%	25,00%	Decrease with 5,57% (1Q11)
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)
KBC Consumer Finance NV	Full	60,01%	100,00%	Increase with 39,99% (2Q11)
DZI Insurance	Full	90,35%	99,95%	Increase with 9,61% (4Q11)

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

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

Situation as at 31 December 2011

On 31 December 2011, following planned divestments fulfill the criteria of IFRS 5:

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

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

The other participations which are up for divestment in the future do not fulfill one or more of the criteria mentioned above on 31 December 2011:

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

Summary of facts and circumstances regarding divestments

KBL EPB:

Activity:	Private banking
Segment:	Group Centre
Other information:	On 10 October 2011, the KBC group has reached an agreement with Precision Capital for the sale of its dedicated private banking subsidiary KBL European Private Bankers ('KBL EPB') for a total consideration of approximately 1 billion euros, 50 million euros of which depend a.o. on the results of KBL EPB ('conditional earn out') The transaction will release a total of approximately 0.7 billion euros in capital for KBC, resulting in a 0.6 % increase in KBC's tier-1 ratio (impact calculated on 30 June 2011 and subject to pricing adjustments on closing accounts). The transaction had a negative impact of approximately 0.4 billion euros on KBC's third-quarter P&L**.**

Fidea:

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

Warta:

Activity:	Insurance
Segment:	Group Centre
Other information:	On 20 January 2012, KBC Group has reached an agreement with Talanx. for the sale of its subsidiary Warta for a total consideration of 770 million euros, adjusted by changes in net asset value between 30 June 2011 and the closing date. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. On the basis of figures as at 30 September 2011, the transaction is expected to release almost EUR 0.7 billion in capital for KBC, resulting in an increase in KBC's tier-1 ratio of slightly below 0.7%. The transaction will have a positive impact of approximately EUR 0.3 billion on KBC's profit and loss, at the time of closing of the transaction.

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

In millions of EUR	4Q 2010	3Q 2011	4Q 2011	2010	2011
A: DISCONTINUED OPERATIONS					
Income statement					
Income statement KBL EPB (including Vitis Life)					
Net interest income	39	38	39	159	151
Net fee and commission income	93	84	77	381	349
Other income	3	- 12	50	62	63
Total income	135	110	166	602	563
Operating expenses	- 149	- 115	- 117	- 495	- 437
Impairment	- 43	- 9	- 79	- 42	- 107
Share in results of associated companies	0	0	0	2	1
Result before tax	- 57	- 15	- 29	66	19
Income tax expense	22	2	19	- 19	6
Result after tax	**- 35**	**- 13**	**- 10**	**47**	**25**
Result of sale of KBL EPB (including Vitis Life)					
Impairment loss recognised on the remeasurement to fair value less costs to sell	59	- 432	36	- 301	- 444
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0
Result of sale after tax	59	- 432	36	- 301	- 444
Net post-tax result from discontinued operations	**24**	**- 445**	**26**	**- 254**	**- 419**

The partial reversal in 4Q11 of the impairment loss recognised on the remeasurement to fair value less costs to sell of 36 million euros includes the conditional earn-out of 50 million euros of which the payment meanwhile has become probable. Regarding KBL's available for sale portfolio and translation differences, an unrealized reserve of -46 million euros (after tax) is included in parent shareholders' equity on 31 December 2011. At the latest at the time of closing (expected in first half of 2012), these unrealized losses will be reclassified from equity to profit or loss.

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

Balance sheet	31-12-2010	*of which: Discon-tinued operations*	31-12-2011	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	437	*437*	1 076	*1 076*
Financial assets	11 359	*11 299*	16 797	*12 523*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	7	*7*	12	*12*
Tax assets	83	*83*	110	*95*
Investments in associated companies	14	*14*	13	*13*
Investment property and property and equipment	240	*234*	278	*224*
Goodwill and other intangible assets	690	*690*	352	*196*
Other assets	109	*101*	485	*103*
Total assets	12 938	*12 863*	*19 123*	*14 242*
Liabilities				
Financial liabilities	12 489	*12 489*	12 901	*12 710*
Technical provisions insurance, before reinsurance	466	*466*	4 533	*424*
Tax liabilities	11	*11*	38	*6*
Provisions for risks and charges	28	*28*	30	*22*
Other liabilities	349	*348*	631	*304*
Total liabilities	13 341	*13 341*	*18 132*	*13 466*
Other comprehensive income				
Available-for-sale reserve	9	*8*	- 81	*- 72*
Deferred tax on available-for-sale reserve	- 6	*- 6*	29	*20*
Translation differences	10	*10*	7	*7*
Total other comprehensive income	12	*12*	*- 45*	*- 46*

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

Sovereign bonds on selected European countries, in billions of EUR, 31-12-2012, carrying amounts

	Banking and Insurance book			Trading book	Total	Banking and insurance book maturity breakdown		
	AFS	HTM	FIV*			Maturity date in 2012	Maturity date in 2013	Maturity date in & after 2014
Greece	0,1	0,0	0,0	0,0	0,2	0,1	0,0	0,1
Portugal	0,1	0,1	0,0	0,0	0,1	0,0	0,0	0,1
Spain	1,7	0,2	0,0	0,0	1,9	0,5	0,4	1,0
Italy	1,6	0,4	0,0	0,0	2,1	0,2	0,3	1,5
Ireland	0,1	0,3	0,0	0,0	0,4	0,0	0,0	0,4
Total	3,6	1,0	0,1	0,0	4,8	0,8	0,8	3,2

* Designated at fair value through profit and loss.

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

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

Market turbulences for sovereign bonds have not had any relevant impact on KBC's liquidity position and strategy. All sovereign bonds remain eligible for being pledged against the ECB.

From the second quarter 2011, KBC considered Greek government bonds with maturities up to and including 2020 to be impaired due to the current state of the Greek economy, current discussions on restructuring the debt, downgrades of the debt, strongly decreased fair values, very high credit spreads and the expectation that financial institutions will participate in the restructuring plan put forth on 21 July 2011 which includes significant private sector support.

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

In the fourth quarter, as was the case in the third one, the activity in the market for Greek government bonds continued to decline. Carrying amount of Greek government bonds on 31 December 2011 forms on average 29% of the nominal amount of these bonds in available-for-sale and held-to-maturity portfolios.

Following impairments were recorded on the Greek bonds – including on those with maturities extending 2020 - in 4Q 2011 (partially included in the net post-tax results of discontinued operations):

For the AFS portfolio:

The impairment is calculated as the difference between the amortized cost amount and the fair value as of 31 December 2011. This results in an additional impairment loss in the income statement of EUR 68 Million before taxes (YTD EUR 330 Million).

For the HTM portfolio:

The impairment is calculated at the difference between amortized cost and fair value as of 31 December 2011, resulting in an additional impairment loss of EUR 18 Million before taxes recognized in the income statement (YTD EUR 71 Million).

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

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

At 31 December 2011, the carrying amounts of the available-for-sale government bonds contained a negative revaluation. This effect is included in the revaluation reserve for available-for-sale financial assets for a total amount after tax of -193 million euros (Italy: -95 million, Portugal: -23 million, Spain: -53 million, Ireland: -22 million).

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

Significant events between the balance sheet date (31 December 2011) and the publication of this report (9 February 2012)

- Warta (on 20 January 2012), see note 46 (Summary of facts and circumstances regarding divestments).
- Announcement of the sale of Dynaco by KBC Private Equity (on 23 January 2012). The deal will not have any material impact on the P/L and capital of KBC. The transaction is expected to close during the first half of 2012 after relevant regulatory approvals.
- Two CDOs have been de-risked, resulting in a decrease of the outstanding CDO notional with 1,7 billion euros. There will be a negative impact on P/L of 60 to 70 million euros and no material relieve of regulatory capital.

Risk and capital management

KBC Group, 4Q 2011 and FY2011

Not reviewed by the auditors

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

Credit Risk

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under ' Note 47 (in the annual accounts 2010)'.

Credit risk: loan portfolio overview (KBC Banking activities excl. KBL-EPB)	31-12-2010[1]	31-12-2011[2]
Total loan portfolio (in billions of EUR)		
Amount granted	192	186
Amount outstanding[3]	161	156
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	31%	34%
CEE	18%	19%
Merchant Banking	36%	37%
Group Centre	15%	10%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 950	11 234
Specific loan impairments	4 696	4 870
Portfolio-based loan impairments	353	371
Credit cost ratio, per business unit		
Belgium	0.15%	0.10%
CEE	1.16%	1.59%
Czech Republic	0.75%	0.37%
Slovakia	0.96%	0.25%
Hungary	1.98%	4.38%
Bulgaria	2.00%	14.73%
Merchant Banking	1.38%	1.36%
Group Centre	1.17%	0.36%[4]
Total	0.91%	0.83%[4]
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	6 551	7 580
Specific loan impairments for NP loans	3 283	3 875
Non-performing ratio, per business unit		
Belgium	1.5%	1.5%
CEE	5.3%	5.6%
Merchant Banking	5.2%	7.8%
Group Centre	5.8%	5.5%
Total	4.1%	4.9%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	51%
Idem, excluding mortgage loans	60%	62%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	77%	69%
Idem, excluding mortgage loans	96%	89%

1. 31-12-2010 figures have been restated to represent the shift of Kredyt Bank from Business Unit CEE to Business Unit Group Centre.
2. From 30-09-2011 onward Centea is no longer included.
3. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
4. CCR Group Centre including KBL EPB: 0.32% and CCR Total including KBL EPB: 0.82%.

Further information on the provisions made for K&H Bank in Hungary and KBC Bank Ireland in Ireland can be found under 'Impairment – income statement (note 14)

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

Legend:

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

Loan portfolio Business Unit Belgium
31-12-2011, in millions of EUR

	Belgium		
Total outstanding amount	56.906		
Counterparty break down		*% outst.*	
SME / corporate	1.691	*3,0%*	
retail	55.215	*97,0%*	
o/w private	30.657	*53,9%*	
o/w companies	24.558	*43,2%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	29.383	*51,6%*	51%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	5.121	*9,0%*	-
o/w LTV > 100%	993	*1,7%*	-
Probability of default (PD)		*% outst.*	
low risk (PD 1-4; 0.00%-0.80%)	45.711	*80,3%*	
medium risk (PD 5-7; 0.80%-6.40%)	7.987	*14,0%*	
high risk (PD 8-10; 6.40%-100.00%)	2.255	*4,0%*	
non-performing loans (PD 11 - 12)	861	*1,5%*	
unrated	91	*0,2%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	861	*1,5%*	
provisions for NPL	450		
all provisions (specific + portfolio based)	555		
cover NPL by all provisions (specific + portfolio)	64%		
2010 Credit cost ratio (CCR)	0,15%		
YTD 2011 CCR	0,10%		

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

Loan portfolio Business Unit Central & Eastern Europe 31-12-2011, in millions of EUR	Czech republic			Slovakia			Hungary			Bulgaria			Total CEE	
Total outstanding amount	19.314			4.399			5.747 (3)			705			30.165	
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.
SME / corporate	6.323	*32,7%*		2.458	*55,9%*		2.849	*49,6%*		299	*42,4%*		11.929	*39,5%*
retail	12.991	*67,3%*		1.940	*44,1%*		2.898	*50,4%*		406	*57,6%*		18.236	*60,5%*
o/w private	9.697	*50,2%*		1.639	*37,3%*		2.674	*46,5%*		240	*34,0%*		14.250	*47,2%*
o/w companies	3.293	*17,1%*		301	*6,8%*		225	*3,9%*		167	*23,7%*		3.986	*13,2%*
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.
total	6.214	*32,2%*	67%	1.375	*31,3%*	58%	2.186	*38,0%*	82%	113	*16,0%*	63%	9.888	*32,8%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	1.882	*32,8%*	87%	68	*9,6%*	60%	1.950	*6,5%*
o/w vintage 2007 and 2008	2.058	*10,7%*	-	320	*7,3%*	-	1.155	*20,1%*	-	55	*7,8%*	-	3.589	*11,9%*
o/w LTV > 100%	411	*2,1%*	-	0	*0,0%*	-	581	*10,1%*	-	12	*1,6%*	-	1.003	*3,3%*
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.
low risk (PD 1-4; 0.00%-0.80%)	12.234	*63,3%*		3.026	*68,8%*		3.019	*52,5%*		9	*1,3%*		18.289	*60,6%*
medium risk (PD 5-7; 0.80%-6.40%)	5.572	*28,8%*		901	*20,5%*		1.460	*25,4%*		227	*32,2%*		8.160	*27,1%*
high risk (PD 8-10; 6.40%-100.00%)	812	*4,2%*		164	*3,7%*		645	*11,2%*		134	*19,0%*		1.756	*5,8%*
non-performing loans (PD 11 - 12)	676	*3,5%*		167	*3,8%*		601	*10,5%*		235	*33,4%*		1.679	*5,6%*
unrated	20	*0,1%*		140	*3,2%*		21	*0,4%*		99	*14,1%*		281	*0,9%*
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.
outstanding non-performing loans (NPL)	676	*3,5%*		167	*3,8%*		601	*10,5%*		235	*33,4%*		1.679	*5,6%*
provisions for NPL	389			100			330			138			958	
all provisions (specific + portfolio based)	505			137			460			140			1.243	
cover NPL by all provisions (specific + portfolio)	75%			82%			77%			60%			74%	
2010 Credit cost ratio (CCR) (2)	0,75%			0,96%			1,98%			2,00%			1,16%	
YTD 2011 CCR (local currency) (2)	0,37%			0,25%			4,38%			14,73%			1,59%	

Remarks

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

(2) individual CCR's in local currencies

(3) Mortgage loans repaid before year-end as part of the FX Relief Program are de-recognised and thus no longer included in these amounts. The loans for which the promissory notes have already been received, but for which the effective repayment took place after year-end are still included . This risk is covered by the portfolio based provisions

Loan portfolio Business Unit Merchant Banking

31-12-2011, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	20.558			21.481			16.690			4.438			1.071			2.214			3.458			53.220	
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
SME / corporate	20.558	100,0%		8.688	40,4%		3.896	23,3%		4.438	100,0%		1.071	100,0%		2.214	100,0%		3.458	100,0%		40.426	76,0%
retail	0	0,0%		12.794	59,6%		12.794	76,7%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		12.794	24,0%
o/w private	0	0,0%		12.794	59,6%		12.794	76,7%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		12.794	24,0%
o/w companies	0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%
Mortgage loans (*)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.
total	0	0,0%	-	12.794	59,6%	112%	12.794	76,7%	112%	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	12.794	24,0%
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%
o/w vintage 2007 and 2008	0	0,0%	-	4.674	21,8%	-	4.674	28,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	4.674	8,8%
o/w LTV > 100%	0	0,0%	-	7.992	37,2%	-	7.992	47,9%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	7.992	15,0%
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
low risk (PD 1-4; 0.00%-0.80%)	13.418	65,3%		9.658	45,0%		7.291	43,7%		3.615	81,4%		657	61,3%		1.115			2.480	71,7%		30.943	58,1%
medium risk (PD 5-7; 0.80%-6.40%)	4.260	20,7%		4.610	21,5%		3.548	21,3%		530	11,9%		345	32,3%		777			823	23,8%		11.345	21,3%
high risk (PD 8-10; 6.40%-100.00%)	986	4,8%		3.817	17,8%		2.816	16,9%		213	4,8%		43	4,0%		251	11,3%		155	4,5%		5.466	10,3%
non-performing loans (PD 11 - 12)	748	3,6%		3.267	15,2%		2.955	17,7%		81	1,8%		26	2,4%		51	2,3%		0	0,0%		4.173	7,8%
unrated	1.146	5,6%		129	0,6%		79	0,5%		0	0,0%		0	0,0%		19			0	0,0%		1.294	2,4%
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
outstanding non-performing loans (NPL)	748	3,6%		3.267	15,2%		2.955	17,7%		81	1,8%		26	2,4%		51	2,3%		0	0,0%		4.173	7,8%
provisions for NPL	507			1.148			980			73			17			93			0			1.839	
all provisions (specific + portfolio based)	757			1.563			1.241			88			32			102			28			2.567	
cover NPL by all provisions (specific + portfolio)	101%			48%			42%			109%			122%			200%			-			62%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			2,98%			n.a.			n.a.			n.a.			n.a.			1,38%	
YTD 2011 CCR	n.a.			n.a.			3,01%			n.a.			n.a.			n.a.			n.a.			1,36%	

Remarks

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

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

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

USA = foreign branch in USA

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

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

Credit Investments = KBC Credit Investments

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

Loan portfolio Business Unit Group Centre (excl. EPB)

31-12-2011, in millions of EUR	Belgium			CEER			o/w Poland			o/w Russia			Western Europe			Global			Total Group Centre (excl. EPB)	
Total outstanding amount	1.431			9.836			7.530			2.045			2.490			1.889			15.645	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1.431	*100,0%*		3.683	*37,4%*		2.473	*32,8%*		1.042	*51,0%*		2.490	*100,0%*		1.889	*51,0%*		9.492	*60,7%*
retail	0	*0,0%*		6.153	*62,6%*		5.057	*67,2%*		1.003	*49,0%*		0	*0,0%*		0	*0,0%*		6.153	*39,3%*
o/w private	0	*0,0%*		5.912	*60,1%*		4.889	*64,9%*		930	*45,5%*		0	*0,0%*		0	*0,0%*		5.912	*37,8%*
o/w companies	0	*0,0%*		241	*2,5%*		168	*2,2%*		73	*3,6%*		0	*0,0%*		0	*0,0%*		241	*1,5%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	5.004	*50,9%*	-	4.150	*55,1%*	94%	780	*38,1%*	54%	0	*0,0%*	-	0	*0,0%*	-	5.004	*32,0%*
o/w FX mortgages	0	*0,0%*	-	3.100	*31,5%*	-	2.824	*37,5%*	109%	201	*9,8%*	55%	0	*0,0%*	-	0	*0,0%*	-	3.100	*19,8%*
o/w vintage 2007 and 2008	0	*0,0%*	-	2.998	*30,5%*	-	2.540	*33,7%*	-	416	*20,4%*	-	0	*0,0%*	-	0	*0,0%*	-	2.998	*19,2%*
o/w LTV > 100%	0	*0,0%*	-	1.702	*17,3%*		1.672	*22,2%*	-	20	*1,0%*	-	0	*0,0%*	-	0	*0,0%*	-	1.702	*10,9%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (PD 1-4; 0.00%-0.80%)	114	*8,0%*		4.980	*50,6%*		4.099	*54,4%*		870	*42,5%*		1.523	*61,2%*		478			7.096	*45,4%*
medium risk (PD 5-7; 0.80%-6.40%)	913	*63,8%*		2.892	*29,4%*		1.950	*25,9%*		846	*41,4%*		690	*27,7%*		1.238			5.733	*36,6%*
high risk (PD 8-10; 6.40%-100.00%)	220	*15,4%*		813	*8,3%*		187	*2,5%*		131	*6,4%*		187	*7,5%*		131	*6,9%*		1.350	*8,6%*
non-performing loans (PD 11 - 12)	166	*11,6%*		572	*5,8%*		315	*4,2%*		0	*0,0%*		89	*3,6%*		42	*2,2%*		867	*5,5%*
unrated	18	*1,3%*		581	*5,9%*		426	*5,7%*		51	*2,5%*		1	*0,0%*		0			600	*3,8%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	166	*11,6%*		572	*5,8%*		315	*4,2%*		230	*11,2%*		89	*3,6%*		42	*2,2%*		867	*5,5%*
provisions for NPL	152			387			228			148			73			16			628	
all provisions (specific + portfolio based)	169			513			325			175			98			46			876	
cover NPL by all provisions (specific + portfolio)	102%			90%			103%			76%			111%			112%			101%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			1,45%			0,90%			1,39%			0,78%			1,17%	
YTD 2011 CCR (local currency)	n.a.			n.a.			0,49%			-1,99%			1,31%			0,70%			0,36%	

Remarks

Belgium = Antwerpse Diamantbank (incl. ADB Asia Pacific)

CEER = Kredyt Bk, KBC Banka, Absolut Bk

Western Europe = KBC Bank Deutschland

Global = KBC Finance Ireland

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

Outstanding[1] structured credit exposure (banking – including KBL EPB - and insurance activities)

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

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('hedged CDO-linked exposure' in the table).

- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('unhedged CDO exposure' in the table) and in other ABS ('other ABS' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

In billions of EUR – 31-12-2011

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*20.4*
o/w hedged CDO exposure	*10.9*
o/w unhedged CDO exposure	*6.4*
o/w other ABS exposure	*3.1*
Cumulative value markdowns (mid 2007 to date)*	-5.5
o/w value markdowns	*-4.5*
for unhedged CDO exposure	*-4.1*
for other ABS exposure	*-0.4*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-1.0*

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

Over the fourth quarter of 2011, there was a total notional reduction of 0.2 billion EUR. The main component of this reduction was sales and pay-downs of ABSs held by KBC Group.

In the meantime, KBC is continuing its de-risking strategy related to the CDO and structured credit exposures, reflected in the collapse (i.e. de-risking) of two CDOs in January 2012, more details can be found under 'Post Balance sheet events (note 48).

Since the inception, the unhedged CDO positions held by KBC experienced net effective losses caused by claimed credit events until 9 January 2012 in the lower tranches of the CDO structure for a total amount of -2.1 billion euro's. Of these, -1.8 billion euro's worth of events have been settled. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.

Protection for CDO exposure

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

Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a nominal value of 13.9 billion EUR of which 10.9 billion EUR relates to the exposure insured by MBIA. The remaining 3 billion EUR of exposure covered by the contract with the Belgian State relates to the unhedged exposure. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

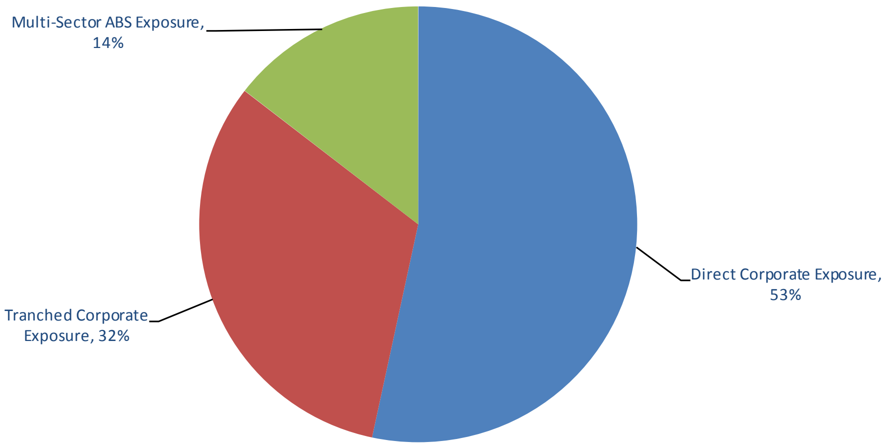
[1] Figures exclude all expired, unwound and terminated CDOs.

Details on the hedged CDO exposure (insurance for CDO-linked risks received from MBIA), 31-12-2011
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	10.9
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.4
- CVA for counterparty risk, MBIA	-1.0
(as a % of fair value of insurance coverage received)	70%

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

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

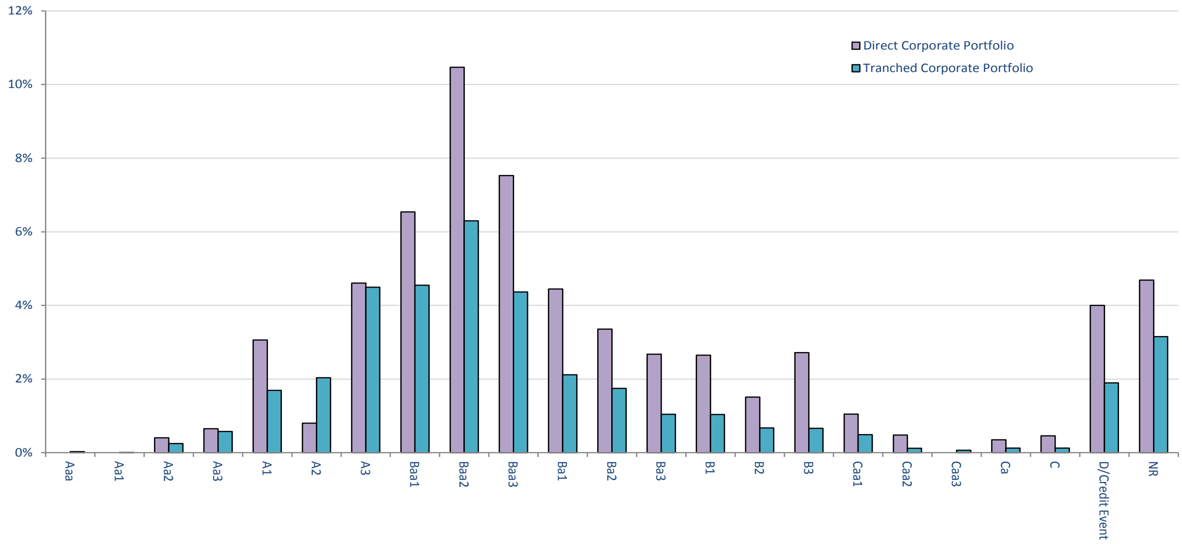


(Average % as of initial total deal notional exposure; figures as of 9 January 2012)

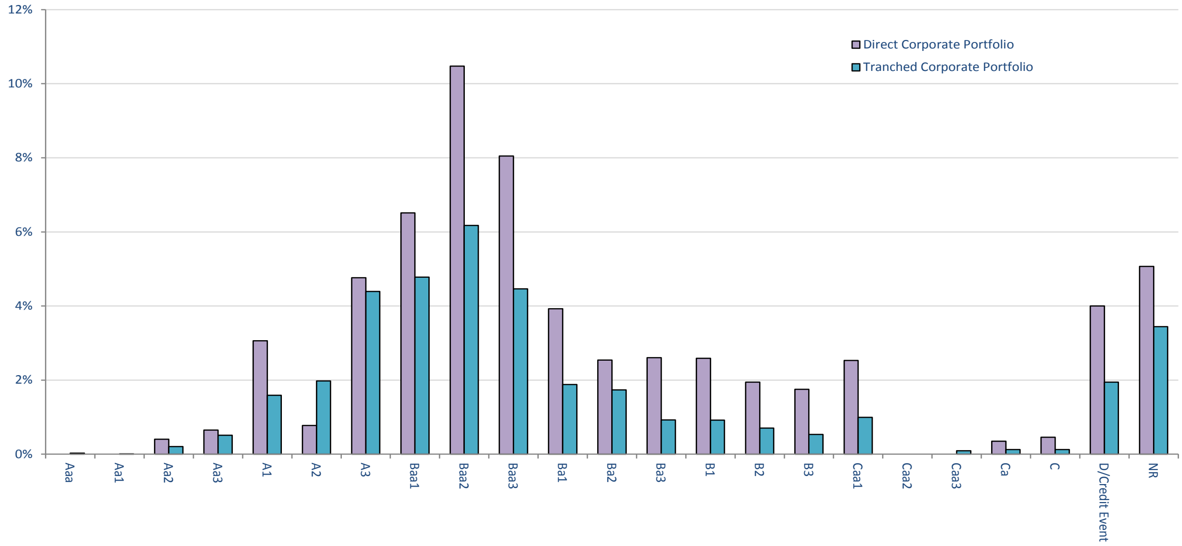
Breakdown towards tranched and direct corporate portion

Corporate Ratings Distribution
(Figures as of 7 October 2011 and 9 January 2012, based on Moody's Ratings Direct Corporate exposure as a % of the Direct Corporate Portfolio; Tranched Corporate exposure as a % of Tranched Corporate Portfolio)

October 2011

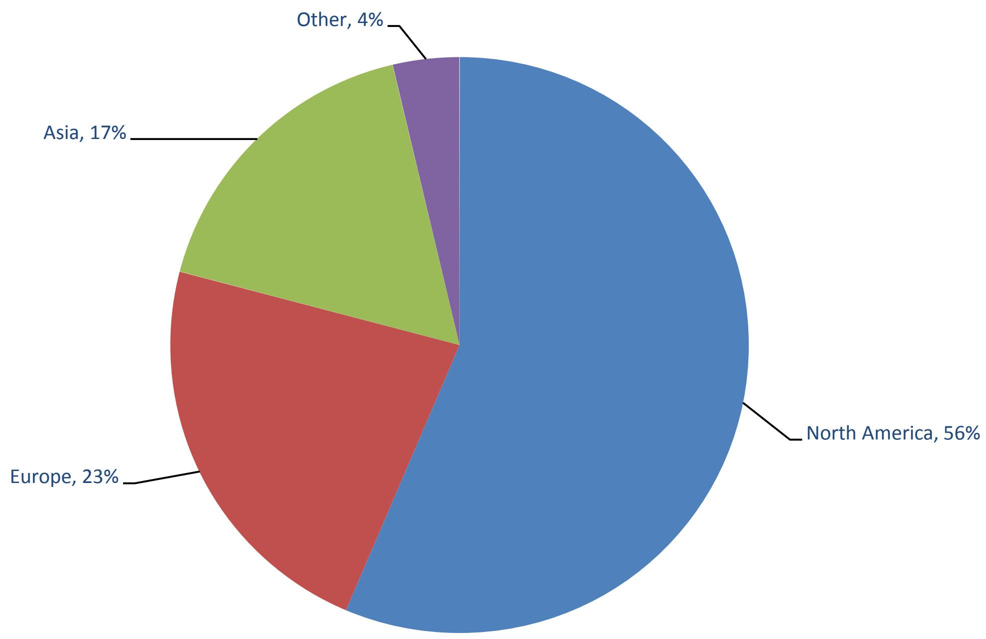


January 2012

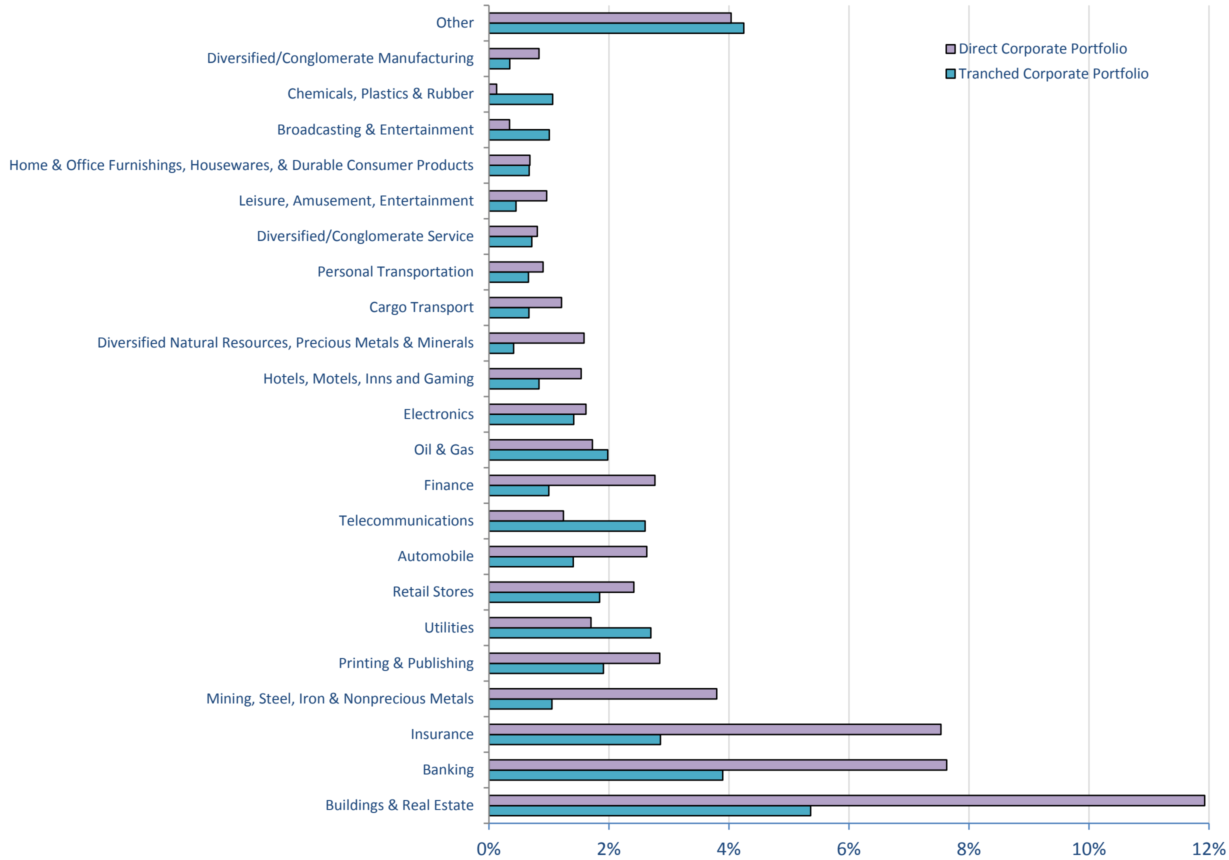


Corporate Geographical Distribution
Total Corporate Portfolio (Direct and Inner Tranches),

January 2012

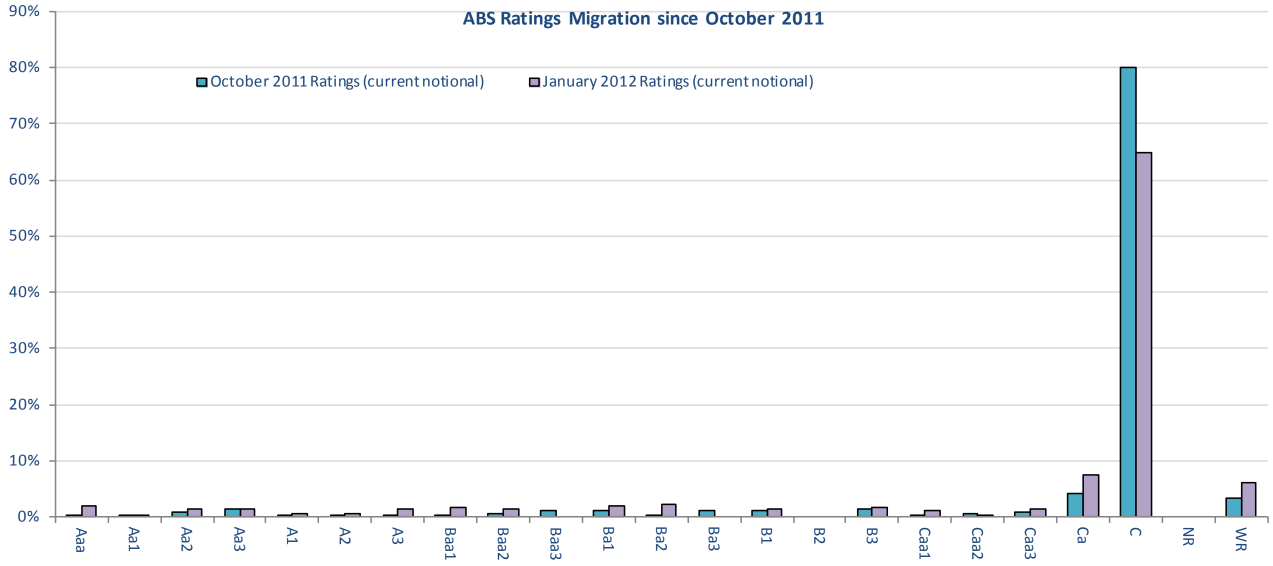


Corporate Industry Distribution
(*Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 January 2012)*

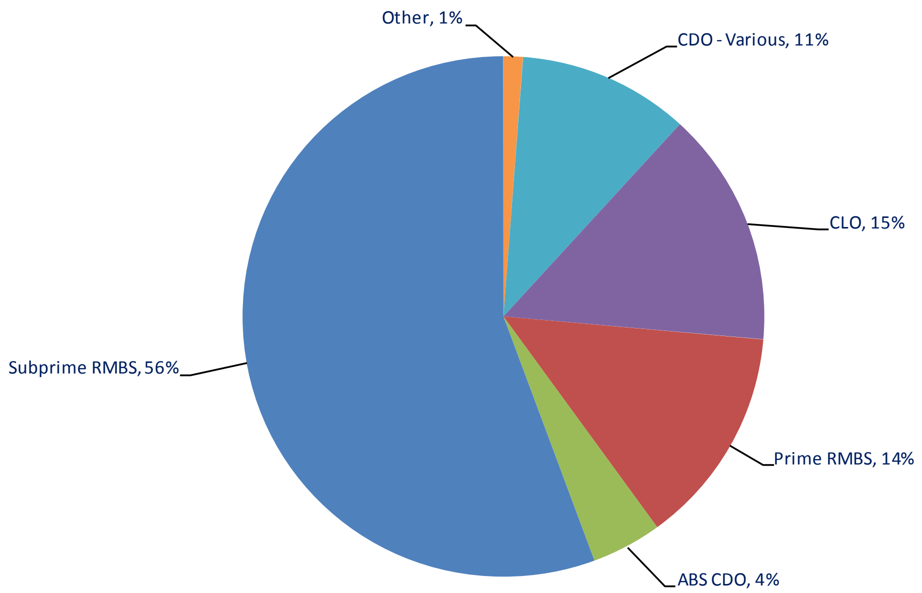


Breakdown towards multi-sector ABS portion

Ratings Distribution
Ratings as of 7 October 2011 and 9 January 2012, based on Moody's Ratings (NR mapped from S&P/Fitch)

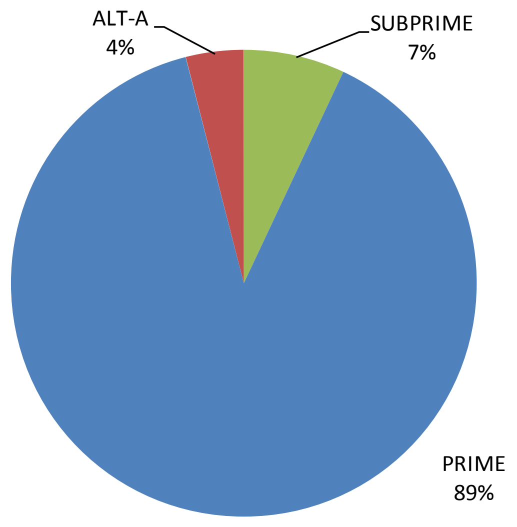


Other ABS, Distribution, 9 January 2012

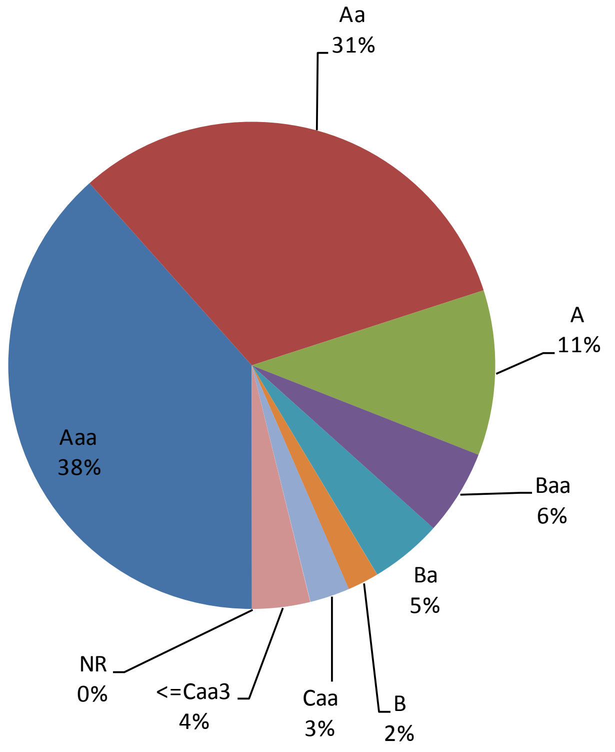


Details of the underlying assets of other ABS exposure

RMBS breakdown, 31 December 2011



Ratings Distribution, 31 December 2011, based on Basel II-mapped Ratings



Solvency

Solvency KBC Group

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the Belgian regulator. For group solvency, the so-called 'building block' method is used. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, KBL EPB and the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%. The target for the tier-1 capital ratio at group level has been set at 11%.

In millions of EUR	31-12-2010	31-12-2011
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	21 726	19 687
Tier-1 capital	**16 656**	**15 523**
Parent shareholders' equity	11 147	9 756
Non-voting core-capital securities [(2)]	7 000	6 500
Intangible fixed assets (-)	- 429	- 446
Goodwill on consolidation (-)	- 2 517	- 1 804
Innovative hybrid tier-1 instruments [(2)]	598	420
Non-innovative hybrid tier-1 instruments [(2)]	1 689	1 690
Minority interests	161	145
Equity guarantee (Belgian State)	446	564
Revaluation reserve available-for-sale assets (-)	- 66	117
Hedging reserve, cashflow hedges (-)	443	594
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 190	- 550
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	- 3
Equalization reserve (-)	- 128	- 139
Dividend payout (-) [(3)]	- 854	- 598
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 243	- 384
Items to be deducted [(1)] (-)	- 397	- 338
Tier-2 & 3 capital	**5 069**	**4 164**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	392	246
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	132	403
Subordinated liabilities	4 730	3 778
Tier-3 capital	182	45
IRB provision shortfall (50%) (-)	0	0
Items to be deducted [(1)] (-)	- 397	- 338
Capital requirement		
Total weighted risks	132 034	126 333
Banking	116 129	110 355
Insurance	15 676	15 791
Holding activities	264	286
Elimination of intercompany transactions between banking and holding activiti	- 34	- 100
Solvency ratios		
Tier-1 ratio	12,62%	12,29%
Core Tier-1 ratio	10,88%	10,62%
CAD ratio	16,45%	15,58%

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

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

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

The risk weighted assets show a significant increase of 5,7 billion euros compared to 30-09-2011. This increase is fully attributable to the higher RWA for market risks of the banking activity following the implementation of CRD III.

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

The pro forma Tier-1 ratio at 31 December 2011 including the impact of the sale of KBL Fidea and Warta amounts to approximately 13.8%.

The Belgian regulator has confirmed to us that the non-voting core capital securities will be fully grandfathered as common equity under the current CRD4 proposal.

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel II for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance can be found in their consolidated financial statements and in the KBC Risk Report.

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2010	31-12-2011
Total regulatory capital, after profit appropriation	**18 552**	**16 364**
Tier-1 capital	13 809	12 346
Tier-2 and tier-3 capital	4 743	4 019
Total weighted risks	**111 711**	**106 256**
Credit risk	97 683	85 786
Market risk	3 279	9 727
Operational risk	10 749	10 744
Solvency ratios		
Tier-1 ratio	12,4%	11,6%
of which core tier-1 ratio	10,5%	9,6%
CAD ratio	16,6%	15,4%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2010	31-12-2011
Available capital	2 712	2 533
Required solvency margin	1 254	1 263
Solvency ratio and surplus		
Solvency ratio (%)	216%	201%
Solvency surplus (in millions of EUR)	1 458	1 270

Presentation

KBC Group, 4Q 2011

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

Key Takeaways

- Decisive progress on divestments, with capital gains to come in 2012
- Further reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Underlying 4Q11 results were affected by one-off items (Greek government bonds, 5-5-5 bonds, Hungary) and situation in Ireland. Loan loss provisions in Ireland are estimated at roughly 200m EUR for the first quarter of 2012 and 500-600m EUR for the full year 2012
- Core profitability in home markets remains intact in difficult market
- Comfortable capital position bolstered by decision to propose only symbolic dividend of 0.01 EUR. Payment of coupon to Governments maintained
- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013
- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
- Strong liquidity position in core countries. Overall liquidity position remains robust despite deposit outflows in the Merchant Banking BU (mainly in non-core activities)

Content

Section 1

Refocused KBC Taking Shape

KBC

Overview of divestment programme

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

In preparation/work-in-progress for 2012/2013
Kredyt Bank
Absolut Bank
KBC Banka
NLB
Zagiel
Antwerp Diamond Bank
KBC Germany
KBC Real Estate Development

Strategic plan progress
Execution risk sharply reduced

Where are we mid-February 2012, in terms of execution?

Stream 1: We signed an agreement to sell Warta

Stream 2: We are making considerable progress on the divestment of Kredyt Bank

Stream 3: EC approval for the extension of the target date of certain divestments by KBC and the amendment of restructuring commitments

Stream 4: PIIGS exposure down by 28% q-o-q during 4Q11, further impairments on Greek government bonds resulted in a total haircut of 71% on the notional amount

Stream 5: CDO/ABS exposure further reduced by roughly 1.9bn EUR

Stream 6: RWA at 119bn EUR (pro forma) including B2.5/CRD3 impact, reduction better than initially planned. Nevertheless, core profitability remains intact in difficult years

Stream 1: Divestment of Warta

	FY11
Total assets	1.5bn EUR
RWA	1.3bn EUR
Market share	8%-9%
Book value...	0.46bn EUR
... of which goodwill	0.15bn EUR
Underlying net profit	41m EUR

- 20 January: agreement with Talanx announced
- Transaction price: 770m EUR ≈ 2.5x tangible BV
- Total capital relief of almost 0.7bn EUR
- Closing expected in 2H12

=> KBC's tier-1 ratio will rise by ±0.7% (at closing)

Stream 2: Divestment of Kredyt Bank

	FY11
Total assets	9.3bn EUR
RWA	6.8bn EUR
Market share	4%
Book value...	0.6bn EUR
... of which goodwill	0.1bn EUR
Underlying net profit	68m EUR

- We are making considerable progress on the divestment of Kredyt Bank

Stream 3: Extension of target date of certain divestments, additional commitments and specification of reimbursement

We agreed with the European Commission on:

1. **The extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany (i.e. KBC Bank Germany and KBC Lease Germany) by one year until 31 December 2012**

2. **The prolongation of the acquisition ban and price leadership ban until the earlier of 18 November 2014 and the date at which all outstanding payments to the Belgian authorities have been made**

3. **Specification for the repayment of State aid**
   KBC clarified with the European Commission the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013

Stream 4: PIIGS exposure down by 28%

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

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

During 4Q11, KBC reduced its PIIGS exposure (carrying amount) by roughly 28%:

- Italy: reduction of 1.7bn EUR
- Greece: reduction of 0.1bn EUR
- Spain: reduction of 0.2bn EUR
- **TOTAL** **reduction of 1.9bn EUR**

Stream 5: CDO/ABS exposure reduced

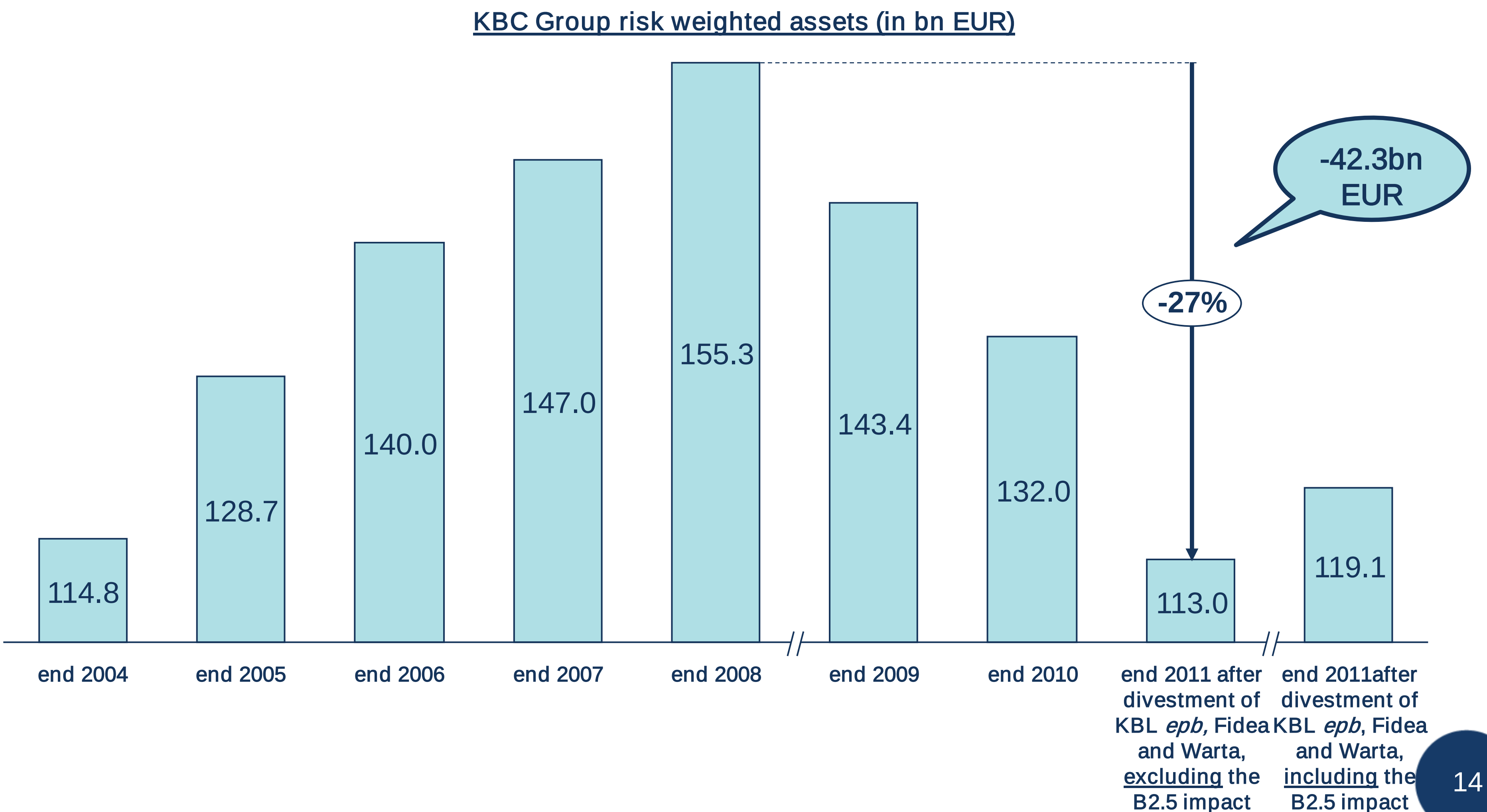
- As published with the 3Q11 results, the projected capital range of 0.3-0.4bn EUR from the sale of selected ABS assets and unwinding of CDO assets had already been exceeded, without any substantial impact on P&L **at the end of 3Q11**

- **During 4Q11,** we sold 0.2bn EUR in notional amount of US ABS assets to the market, without any material impact on P&L or on the capital position of KBC

- **In 1Q12**, two CDOs were de-risked, resulting in a reduction of the outstanding notional amount of CDOs by 1.7bn EUR. This will have a negative impact on P&L of 60-70m EUR, but no material impact on the capital position

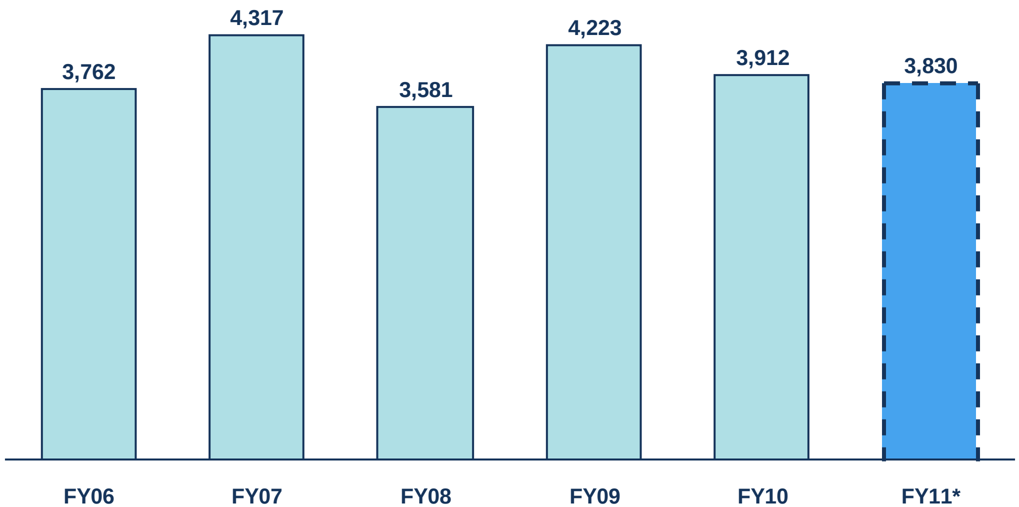
- We will continue to look at reducing our ABS and CDO exposure, which will lead to additional capital relief and lower P&L volatility

Stream 6: RWA reduction better than initially planned



Core earnings power intact

Underlying gross operating income (pre-impairments)



* FY11 with neutralisation of impact of 5-5-5 bonds

Core earnings power intact, with a significantly reduced risk profile (trading), despite drastic RWA reduction of 42bn EUR (excluding B2.5 impact) since the end of 2008

Amounts in m EUR for KBC Group

Section 2

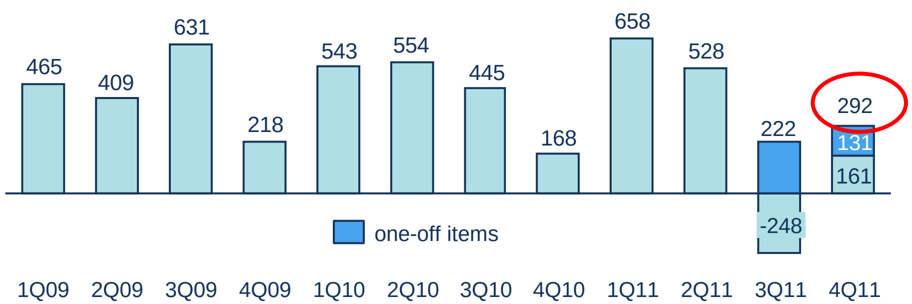
4Q 2011
Financial highlights

Financial highlights 4Q 2011

- High reported result defined by good underlying business in core markets as well as market spread trend
- Underlying net group profit in 4Q11 was affected by one-off items (Greek government bonds, 5-5-5 bonds, Hungary). Excluding these one-offs, underlying net group profit amounted to 292m in 4Q11
- Net interest income sustained by higher loan volume in Belgium. NIM only slightly impacted by reduced PIIGS exposure
- Slight increase in net fee and commission income, mainly driven by the successful issuance of Belgian state notes
- Excellent combined ratio of 92% in FY 2011 as a result of low claims. Total gross earned premium income rose by 6% q-o-q, driven by higher life insurance sales attributable entirely to higher sales of ‘guaranteed interest’ products
- Good dealing room performance
- Underlying cost/income ratio at 57% in FY 2011 (excluding the provision for the 5-5-5 bonds)
- Credit cost ratio at 0.82% in FY 2011 (compared to 0.91% in 2010 and 1.11% in 2009)
- Strong liquidity position in core markets, outflow concentrated in non-core parts of Merchant Banking
- Solvency: continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 13.8% (with core tier-1 at 12.0%)

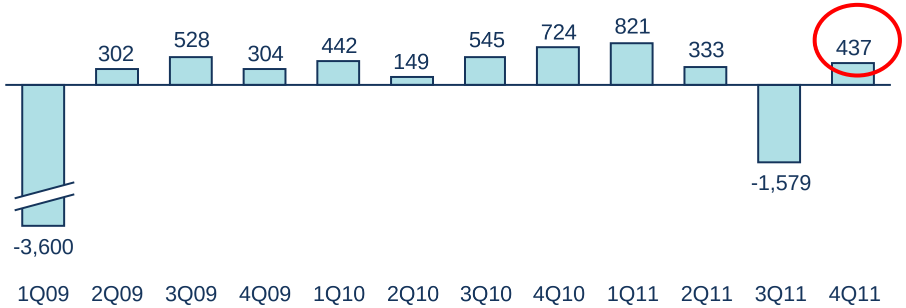
Earnings capacity

Underlying net profit

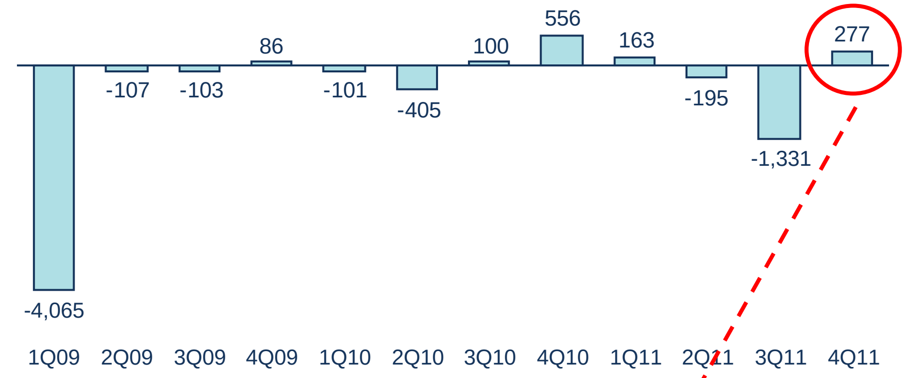


Including exceptional items

Reported net profit



Exceptional items



Main exceptional items (post-tax)

• M2M re own credit risk	+0.2bn
• Revaluation of structured credit portfolio	+0.2bn
• Other	-0.1bn
	+0.3bn

Amounts in m EUR

4Q results affected by a range of one-offs and market-driven items

4Q11 underlying profit level includes -131m EUR of one-offs (Greece and Hungary):

- Additional impairments on our **Greek government bonds**: 85m EUR pre-tax and 62m EUR post-tax (This resulted in a total haircut of 71% on the notional amount)
- **Additional impact of 5-5-5 bonds**: 71m EUR pre-tax and 47m EUR post-tax. If no credit event under ISDA definition occurs, the provision will be reversed
- New FX mortgage repayment law in **Hungary** led to additional impact of 27m EUR in 4Q11 (22m EUR post-tax), as 82m EUR additional loan loss provisions were largely offset by a 55m EUR cost deduction (deductibility of the bank tax)

In addition, 4Q11 underlying results were also impacted by market-driven items:

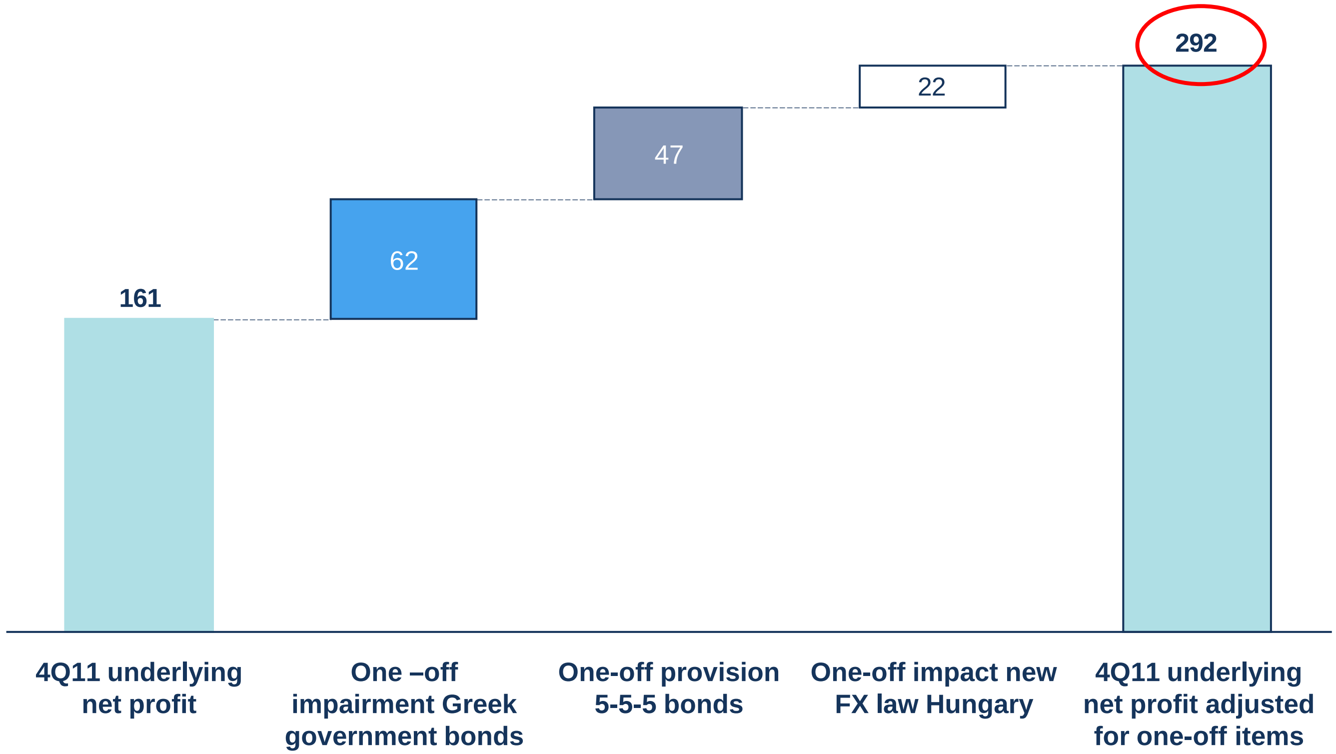
- Impairments on **AFS shares**: 16m EUR (pre-tax = post-tax)
- Loan loss provisions in **Ireland** amounted to 228m EUR pre-tax in 4Q11 (compared with 187m EUR in 3Q11) and 164m EUR post-tax, which is more or less in line with our guidance of roughly 200m EUR

At non-recurring profit level: total impact of +277m EUR (post-tax)

- Tightening corporate credit spread during 4Q11 resulted in unrealised gains of 0.2bn EUR on **CDOs/MBIA**. Since the end of 4Q11, the corporate credit spreads have continued to tighten
- **M2M losses of 46m EUR relating to ALM derivatives used for hedging purposes**, more than offset by 215m EUR **M2M of own credit risk**

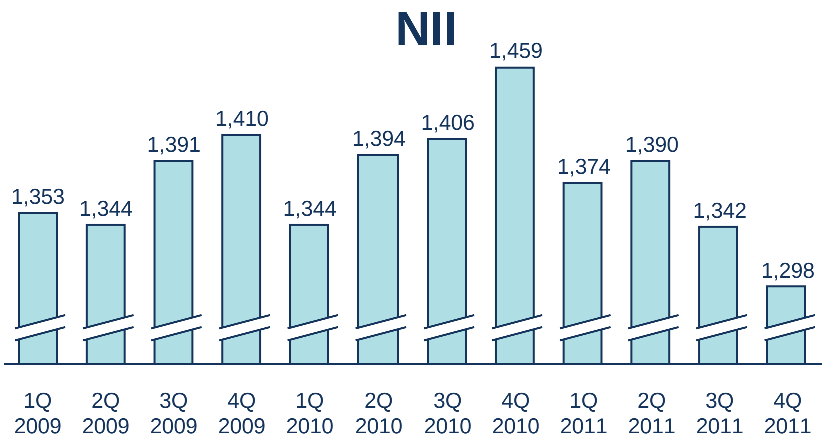
Underlying net profit adjusted for one-offs

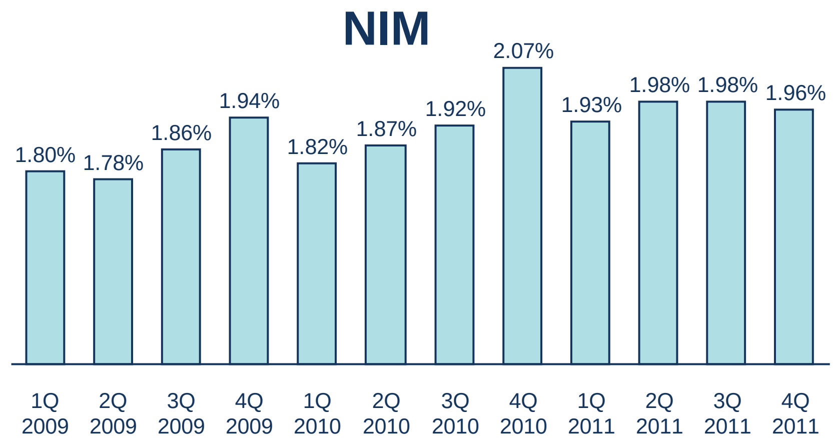
- **Adjusted for one-off items (Greek government bonds, 5-5-5 bonds and Hungary), underlying net group profit amounted to 292m EUR in 4Q11** (of which 296m EUR in BE BU, 144m EUR in CEE BU, -126m EUR in MEB BU and -22m EUR in GC BU)



Amounts in m EUR

Underlying revenue trend - Group





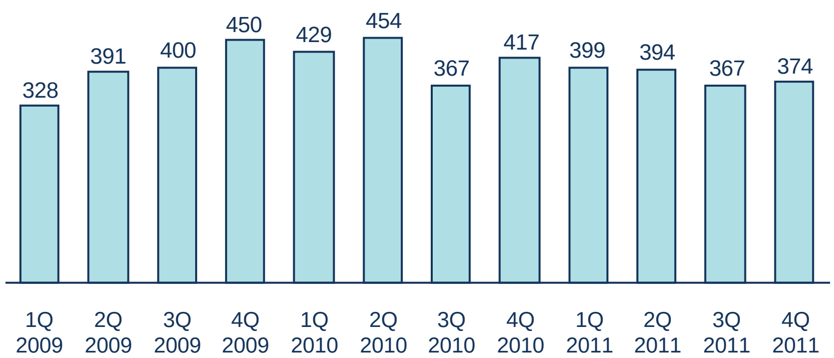
- Net interest income fell by 3% q-o-q due to the sale of PIIGS and Belgian government bonds and 11% y-o-y, partly due to the deconsolidation of Centea in 3Q11 and technical items in 4Q10
- Net interest margin (1.96%)
  - NIM in Belgium decreased by 3bps quarter-on-quarter to 1.40%, largely attributable to the reduced government bond portfolio
  - NIM in Central/Eastern Europe decreased by 6bps quarter-on-quarter to 3.27%, caused by the positive currency impact in 3Q11 and by the decrease at CSOB CZ (the result of a slightly lower interest result and an increased average of interest bearing assets)
- Loan volumes rose by 2% y-o-y. The growth of loan volumes in the Belgium and CEE BUs (both 6% y-o-y) was partly offset by a further reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus. Total deposit volumes fell by 14% y-o-y mainly due to a loss of some volatile short-term corporate and institutional deposits, mainly outside our core markets – as the result of the downgrade of our short-term rating by S&P and the risk aversion towards the European market in general. Deposit volumes in our core markets increased (+5% in BE BU and +4% y-o-y in CEE BU)

Amounts in m EUR

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

Underlying revenue trend - Group

F&C



AUM

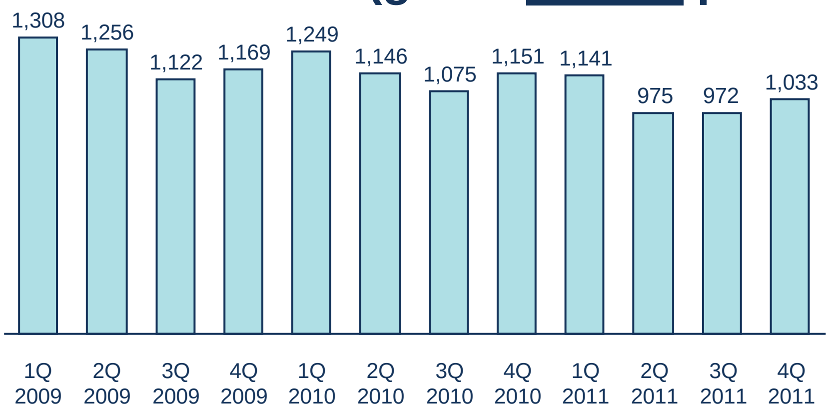
Amounts in bn EUR

- Net fee and commission income increased slightly quarter-on-quarter (+2%), but fell by 10% year-on-year
  - Net F&C income from the banking business rose by 5% q-o-q, partly thanks to the fee income regarding the issuance of Belgian state notes
- Assets under management dropped by 8% year-on-year, but stabilised quarter-on-quarter (positive price trend offsetting net outflows) to 193bn EUR at the end of 2011

Amounts in m EUR

Underlying revenue trend - Group

Premium income (gross earned premium)

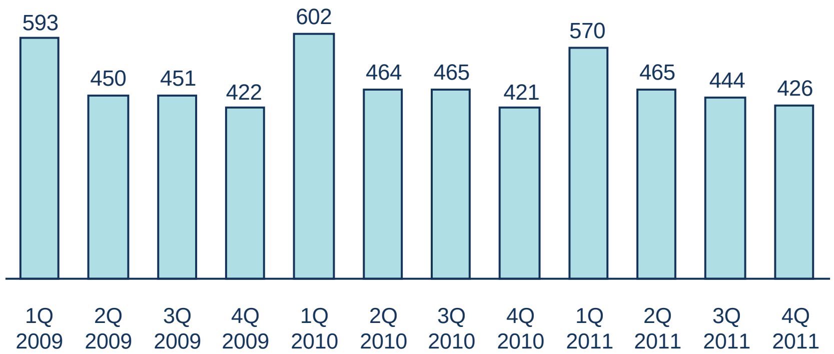


- Insurance premium income (gross earned premium) at 1,033m EUR
  - Non-life premium income (466m) down 2% q-o-q (typical fourth quarter effect) and up 3% y-o-y. Thanks chiefly to a relatively low claims level, the non-life combined ratio for the full year 2011 stood at a very good 92%, a significant improvement on the 100% recorded for FY2010
  - Life premium income (567m) up 14% q-o-q, mainly due to higher sales of guaranteed-interest products at the Belgium Business Unit. This was only slightly offset by lower sales of unit-linked products. Life premium income down 19% y-o-y, driven by a strong shift towards unit-linked products

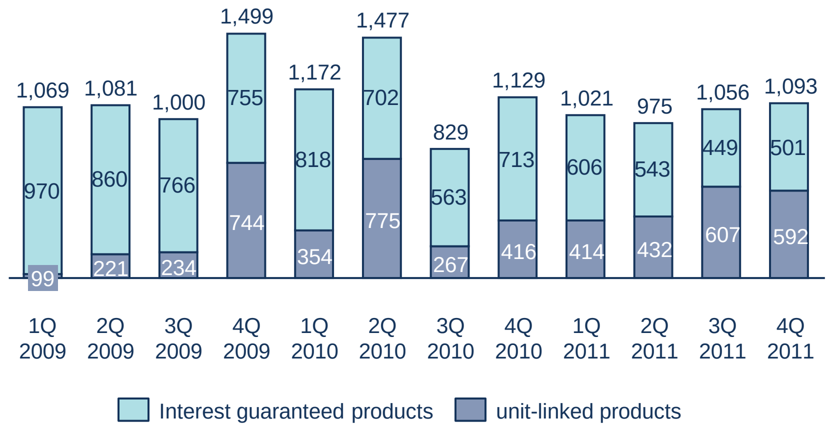
Amounts in m EUR

Underlying revenue trend - Group

Sales Non-Life (gross written premium)



Sales Life (gross written premium)

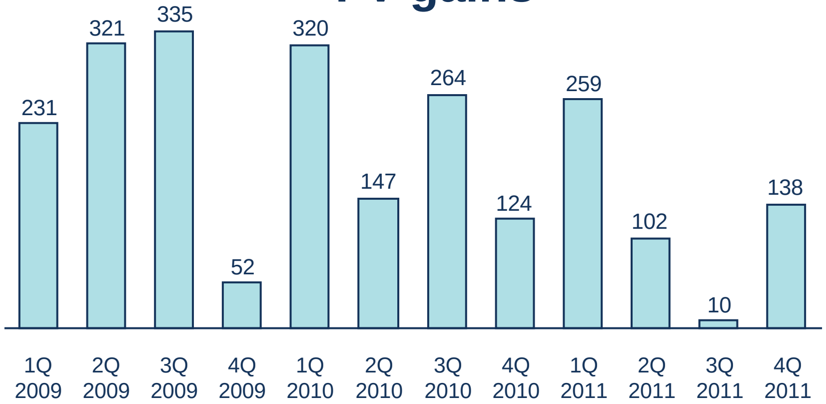


- The sale of Non-Life insurance products:
  - fell by 4% quarter-on-quarter (typical fourth quarter effect)
  - rose by roughly 1% year-on-year
- The sale of Life insurance products:
  - fell by 3% year-on-year, but rose by 4% quarter-on-quarter. This increase was driven by higher sales of interest guaranteed products, slightly offset by lower sales of unit-linked products.
  - The increased sale of interest guaranteed products is mostly attributable to the Belgium Business Unit, as 4Q is traditionally positively impacted by the extra contribution regarding pension savings

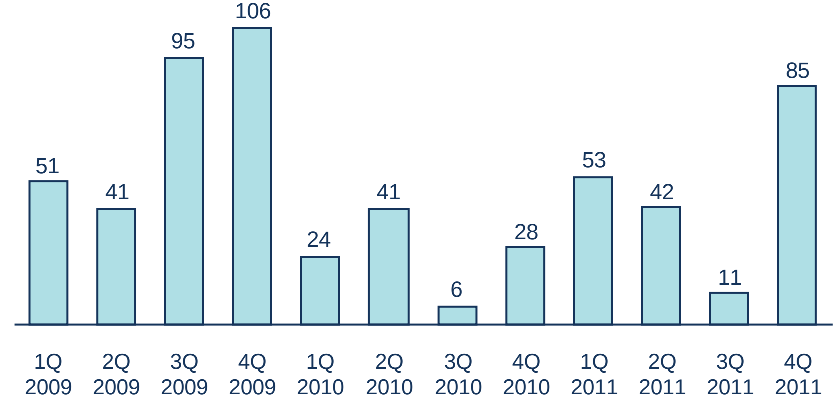
Amounts in m EUR

Underlying revenue trend - Group

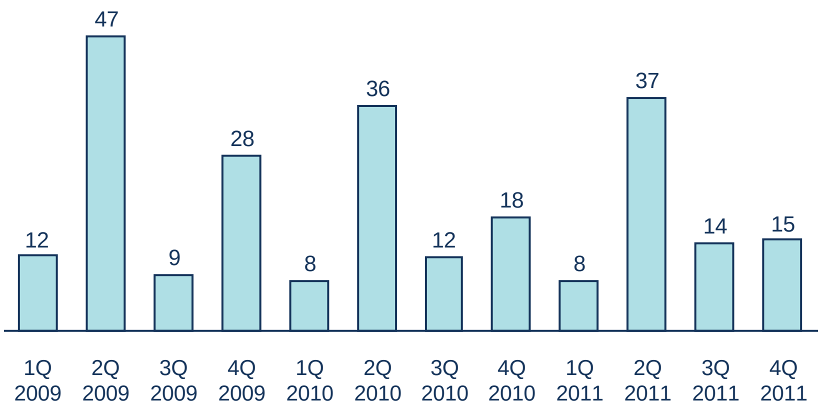
FV gains



Gains realised on AFS



Dividend income

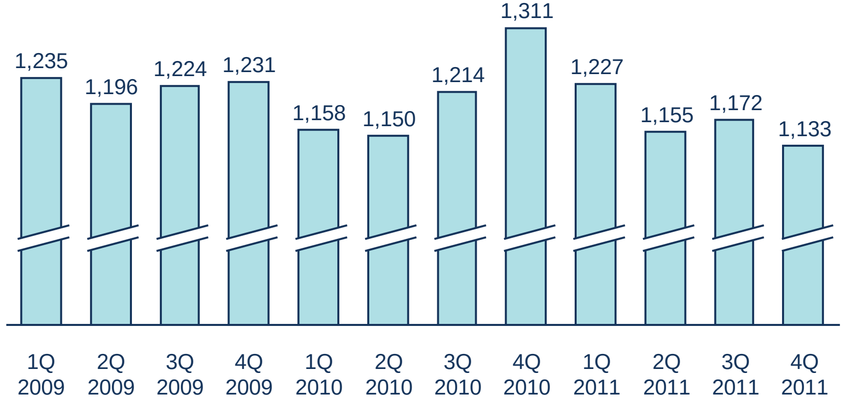


- The higher figure for net gains from financial instruments at fair value (138m EUR) is primarily the result of higher dealing room activity and a positive q-o-q change of the CVA (Counterparty Value Adjustment)
- Gains realised on AFS came to 85m EUR
- Dividend income amounted to 15m EUR

Amounts in m EUR

Underlying operating expenses - Group

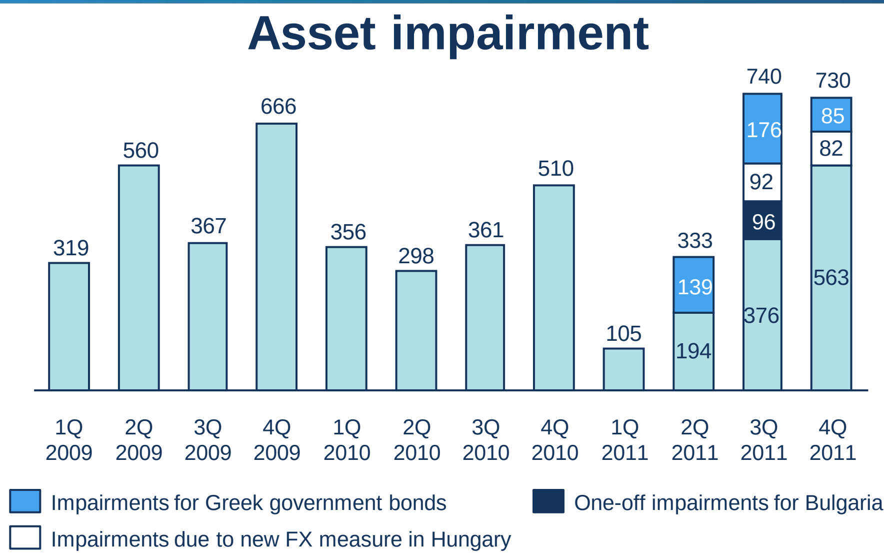
Operating expenses



- Costs remained well under control: -3% q-o-q and -14% y-o-y
  - Operating expenses fell by 3% q-o-q to 1,133m EUR in 4Q11 mainly thanks to 1) lower staff expenses in the Belgium Business Unit, 2) the deduction from the Hungarian banking tax related to the FX mortgage impairments and 3) the FX impact in CEE. Excluding one-off items, operating expenses rose by 3% q-o-q
  - Operating expenses fell by 14% y-o-y in 4Q11. Main drivers were the impact of deconsolidated entities (e.g. Centea) and the deduction from the Hungarian banking tax related to the FX mortgage impairments. Excluding these items, operating expenses fell by 1% y-o-y
  - Underlying cost/income ratio for banking stood at 60% for FY 2011 (and 57% excluding the 5-5-5 bond provision)

Amounts in m EUR

Underlying asset impairment - Group



- High impairments (730m EUR)
  - Quarter-on-quarter increase of 125m EUR in loan loss provisions, mainly for the Belgian corporates (given the unsustainable low level in 3Q11) and KBC Bank Ireland (loan loss provisions in 4Q11 of 228m EUR compared with 187m EUR in 3Q11)
  - Impairment of 85m EUR for Greek government bonds (62m EUR post-tax)
  - Impairment of 16m EUR on AFS shares, mainly at KBC Insurance

Amounts in m EUR

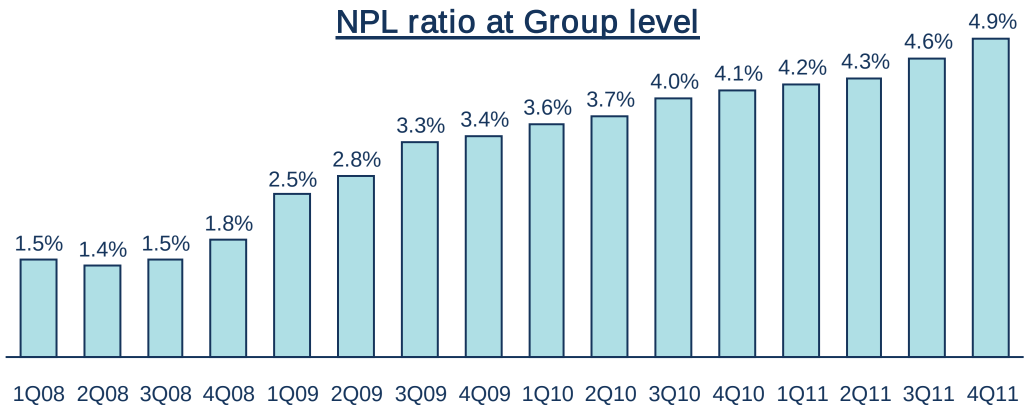
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.82% in 2011 (compared to 0.91% in 2010 and 1.11% in 2009). The NPL ratio amounted to 4.9%
- Credit cost ratio in Belgium remained at a (very) low level
- Sharply lower loan losses in CEE (-84m EUR q-o-q) entirely due to the one-off impairment in Bulgaria in 3Q11 and slightly lower loan loss provisions at K&H Bank, partly offset by an increase at CSOB Bank CZ. Excluding the 'one-off' impairments for CI Bank and K&H Bank, the CCR amounted to 0.69% for FY 2011
- Loan losses significantly higher in Merchant Banking (+163m EUR q-o-q) driven by Belgian corporates (given the unsustainable low level in 3Q11) and KBC Bank Ireland (+41m EUR q-o-q). Excluding Ireland, the CCR in Merchant Banking amounted to 59bps in 2011

Credit cost ratio (CCR)

	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY
		'Old' BU reporting			'New' BU reporting	
Belgium	**57bn**	0.13%	0.09%	0.17%	0.15%	0.10%
CEE	**30bn**	0.26%	0.73%	2.12%	1.16%	1.59%
CEE (excl. 2H11 one-offs)						0.69%
Merchant B. (incl. Ireland)	**53bn**	0.02%	0.48%	1.32%	1.38%	1.36%
Merchant B. (excl. Ireland)	**37bn**	0.02%	0.53%	1.44%	0.67%	0.59%
Total Group	**156bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**

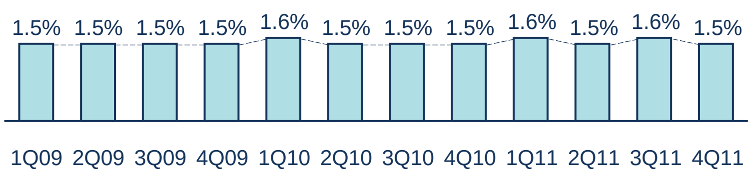
NPL ratio at Group level



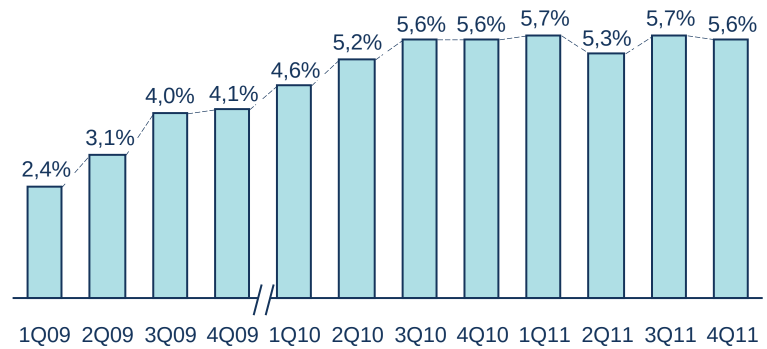
FY 2011	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.6%	1.4%
CEE BU	5.6%	3.3%	2.5%
MEB BU	7.8%	6.1%	4.2%

NPL ratios per business unit

BELGIUM BU

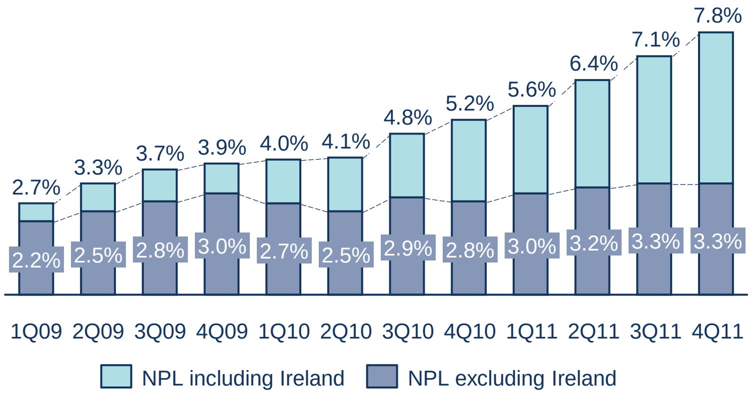


CEE BU



MEB BU

(incl. Ireland)



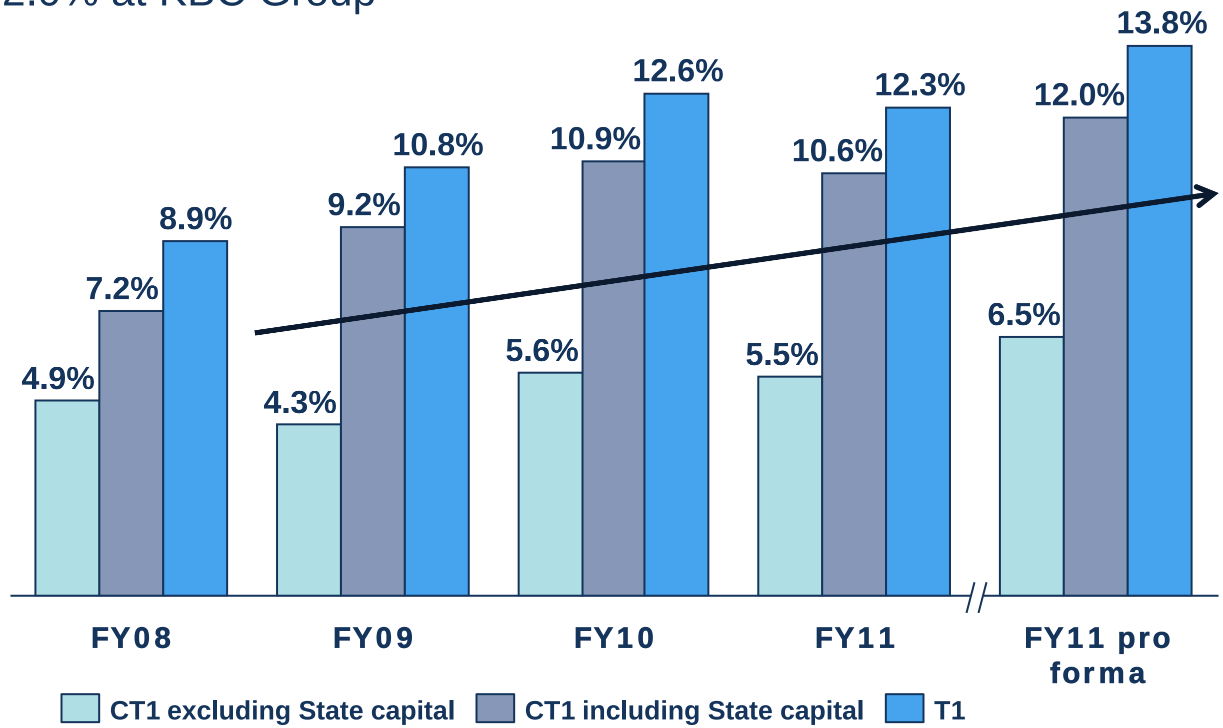
Section 3

Comfortable solvency and solid liquidity position

KBC

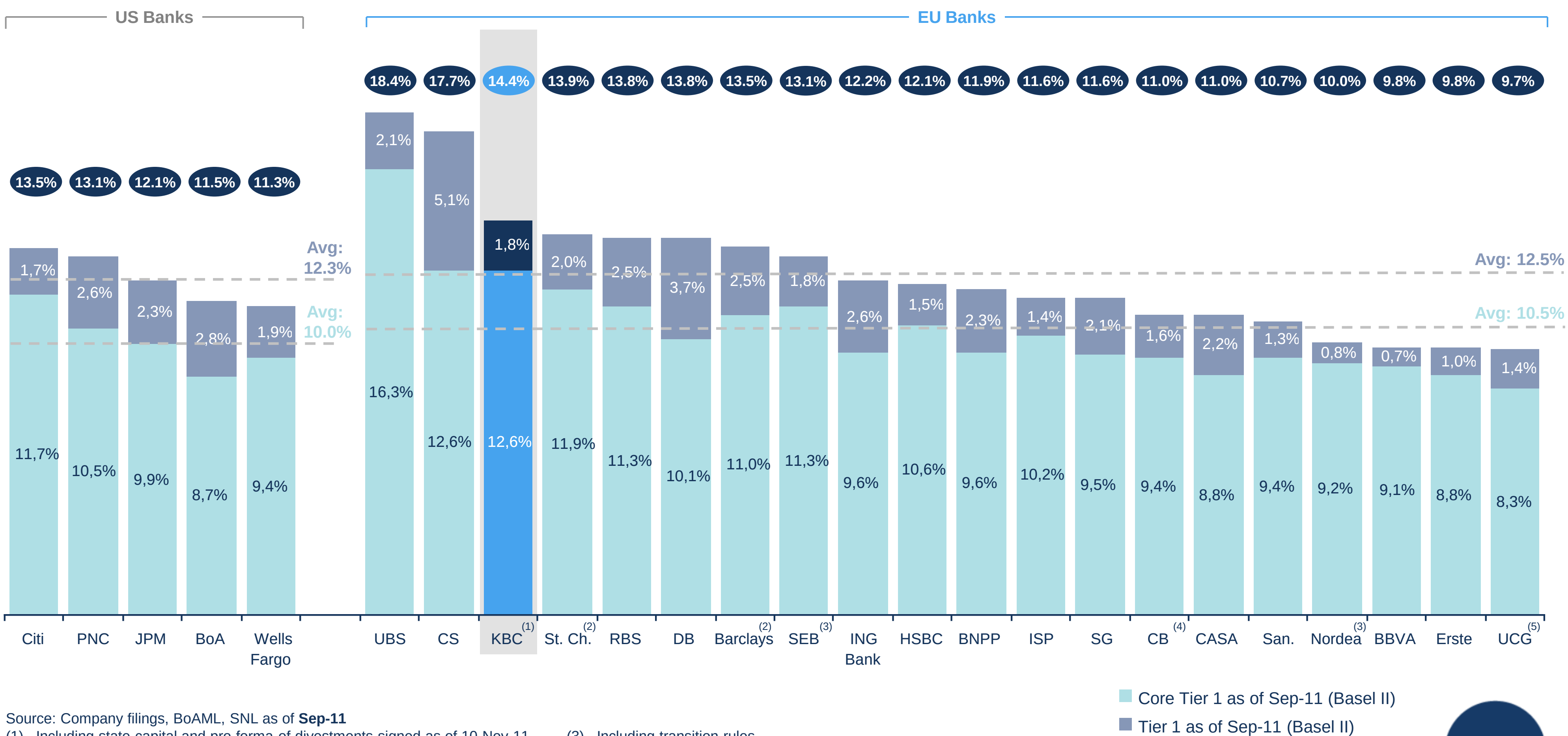
Comfortable capital position (1)

- Despite the RWA impact of B2.5 (roughly +6bn EUR RWAs) and the reimbursement of state aid (500m EUR at 15% premium), strong core tier-1 ratio of 10.6% at KBC Group as at the end of 2011
- Pro forma core tier-1 ratio – including the effect of divestments for which a sale agreement has been signed – of 12.0% at KBC Group



* FY11 pro forma CT1 includes the impact of divestments already signed

Favourable peer group comparison



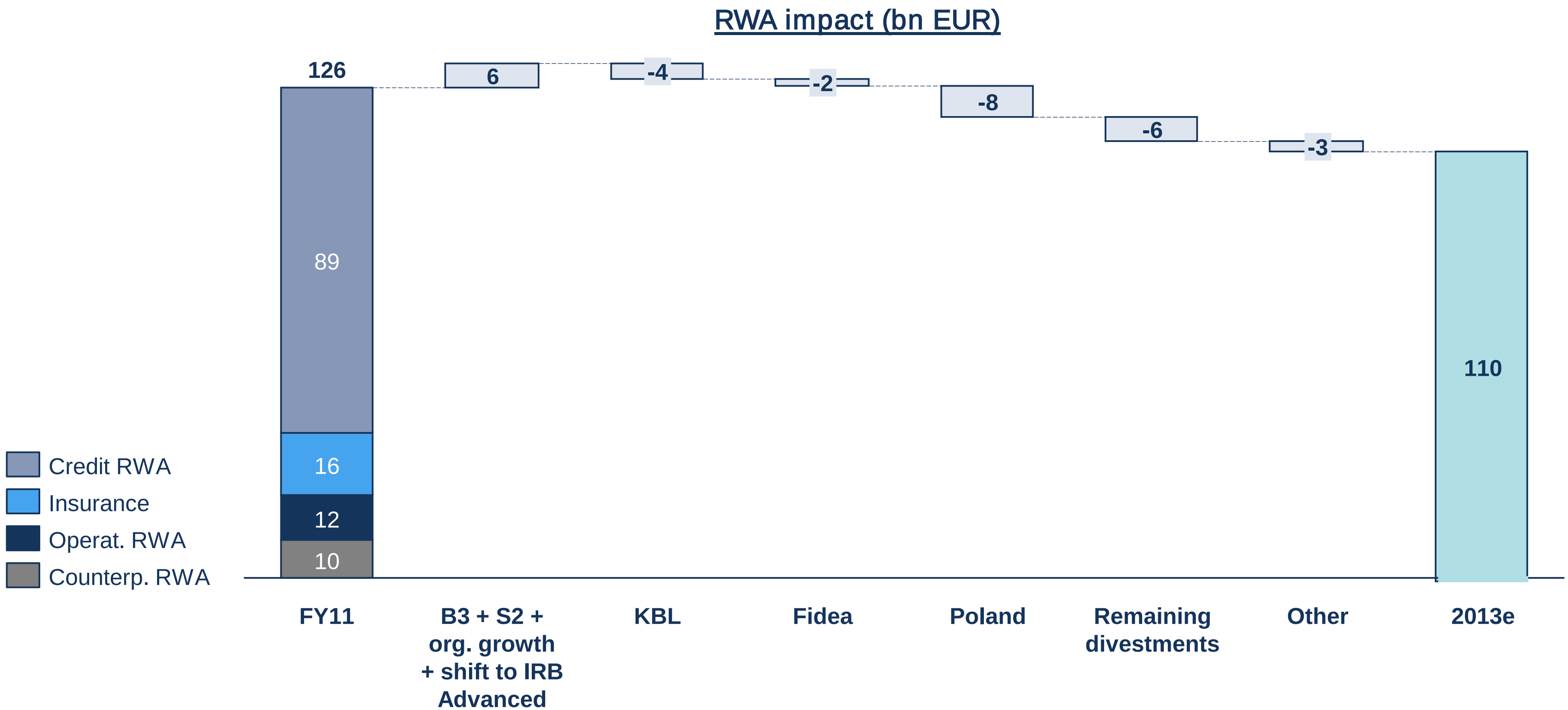
Source: Company filings, BoAML, SNL as of **Sep-11**

(1) Including state capital and pro-forma of divestments signed as of 10-Nov-11. Non-proforma CT1 and T1 ratios are equal to 11.7% and 13.6% respectively.
(2) As of Jun-11.
(3) Including transition rules.
(4) Including silent participation.
(5) Excluding CASHES, before capital increase announced in Nov-11.

Comfortable capital position (2)

- Strong tier-1 ratio of 12.3% (13.8% pro forma) at KBC group as at end 2011 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)
- Both KBC Group and KBC Bank meet the 9% core tier-1 threshold under the EBA definition (capital position as per 30 September 2011 according to B2.5 and adjusted to take account of the sovereign exposures marked down (at 30 September 2011))
- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013
- The Belgian regulator confirmed to us that the YES (Yield Enhanced Securities) will be fully grandfathered as common equity under the current CRD4 proposal
- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012

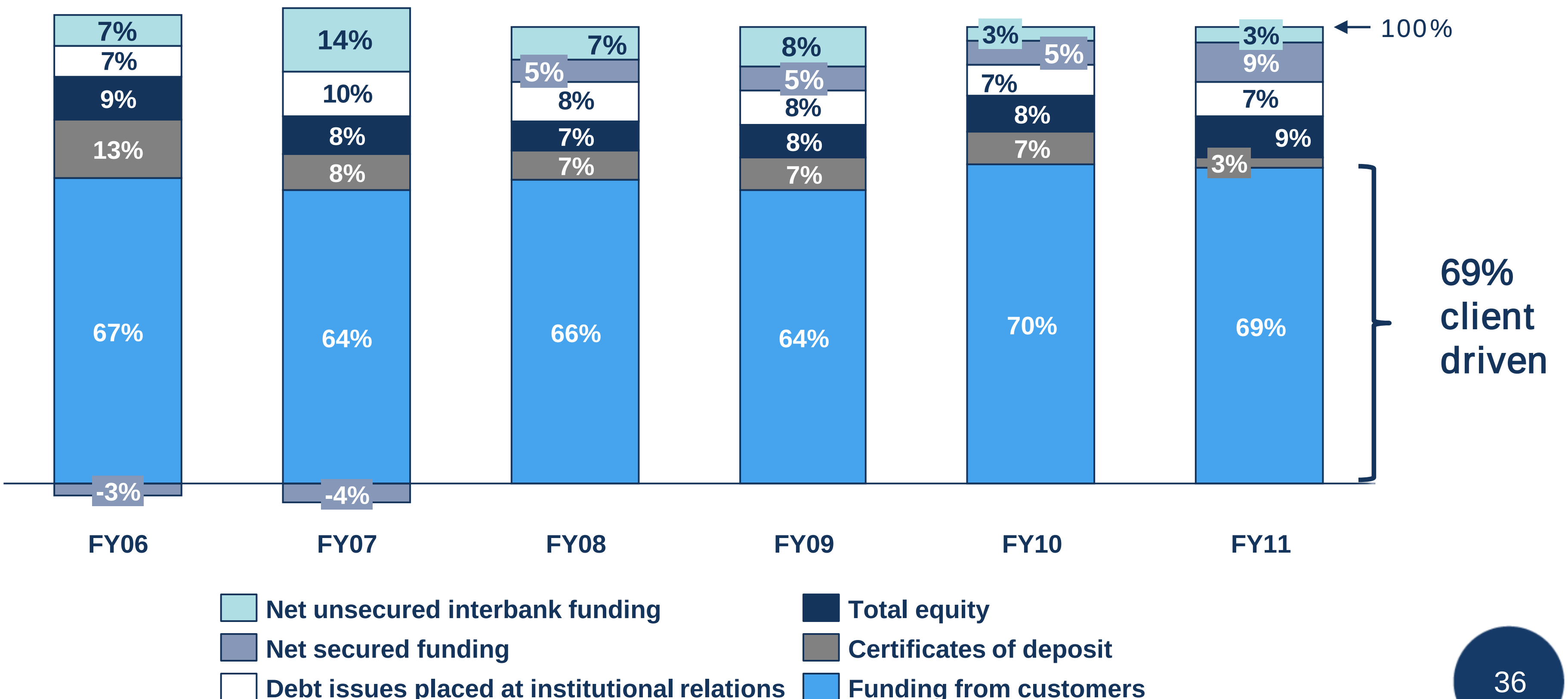
Estimated RWA at the end of 2013



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

A solid liquidity position (1)

- In its core markets, KBC Bank further strengthened its retail/corporate deposit base – together with the overall decrease in funding needs, this kept the funding mix stable with a very large part of the funding attracted from core customer segments & markets



A solid liquidity position (2)

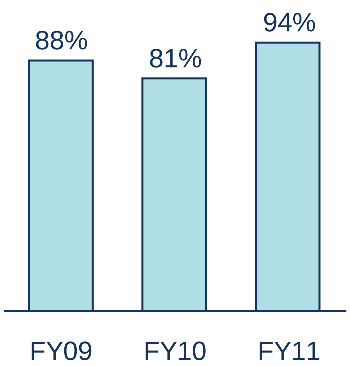
- No immediate need to issue new benchmarks/term debt in the next quarters given that
  - Our total mid/long-term funding (20bn EUR) only represents 7% of total assets/funding (which is relatively limited) – with only limited amounts maturing each year
  - Long-term funding needs decrease as actions to reduce RWA continue
  - KBC made use of the ECB-LTRO for a total amount of 3.3bn EUR (3y maturity), of which 3.2bn EUR for KBC Bank Ireland – mostly with underlying Irish collateral to decrease the dependency of the Irish subsidiary on intragroup funding. Future use of LTRO is being considered in order to further enhance the funding maturity structure. In addition, we drew 4bn USD* on short term ECB facilities to hedge our USD exposure
  - KBC has increased the amount of mid-term/long-term funding attracted from its retail customer base. As such, we have attracted 6.7bn EUR LT funding in 2011 from our retail customers (funding with term > 1 year apart from other stable retail funding)
- A regulation for the issuance of covered bonds is expected to be approved soon in Belgium

* Of which 2bn USD in January 2012

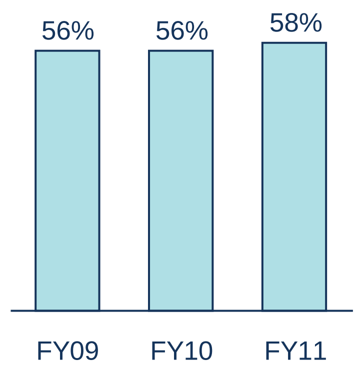
A solid liquidity position (3)

- LTD ratio of 94% at KBC Bank at the end of 2011. The increase is the result of an outflow of some volatile short-term corporate and institutional deposits, mainly outside our core markets – as the result of the downgrade of our short-term rating by S&P and the risk aversion towards the European market in general. Outflows were seen in the first weeks after the downgrade, but have stabilised and even recovered slightly since then. **Corporate/retail deposit base in our core markets remained very stable and showed further growth**

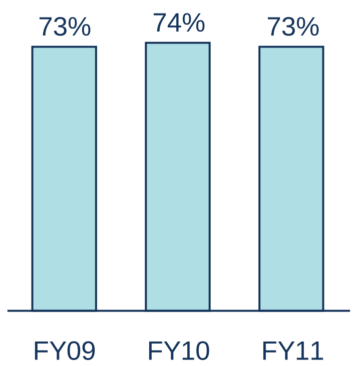
LTD ratio KBC Bank



LTD ratio Belgium BU*

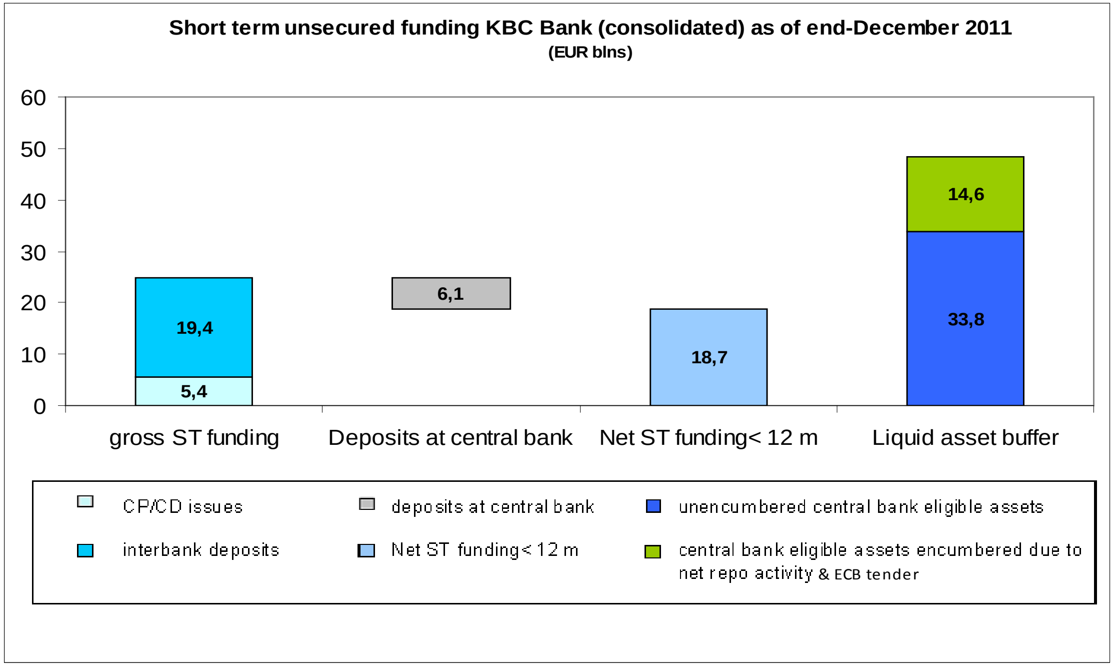


LTD ratio CEE BU**



* LTD ratio of Belgium BU is excluding Centea (retroactively adjusted)
** LTD ratio of CEE BU is excluding Kredyt Bank and Absolut Bank (to be divested items in Group Centre BU)

A solid liquidity position (4)



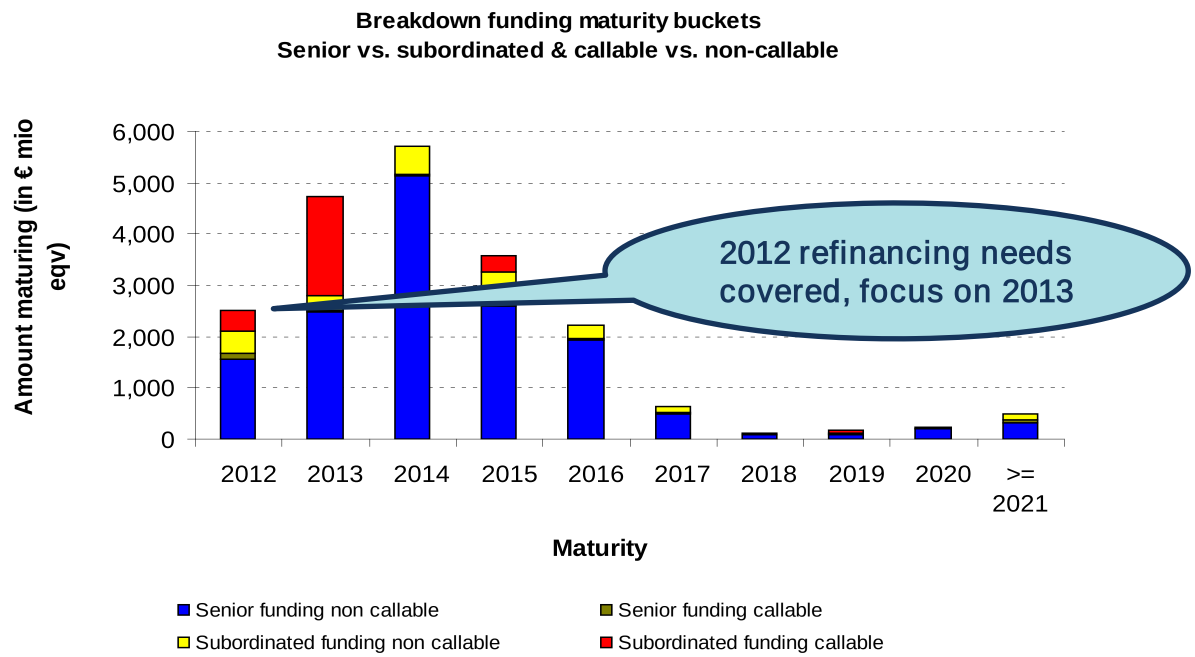
The liquid asset buffer decreased amongst others, as a result of reducing the exposure on Italian and Belgian government bonds

The total amount of unencumbered assets declined as more secured funding was attracted in market and from ECB to make sure that KBC had a sufficient buffer to cope with the possible impact of the rating downgrade

However, **the liquidity position remains strong** as:

- **Unencumbered assets are still more than enough to match the recourse on net short-term wholesale funding maturing in 1 year**
- **Funding coming from non-wholesale markets is very stable funding from our core customer segments in our home markets**

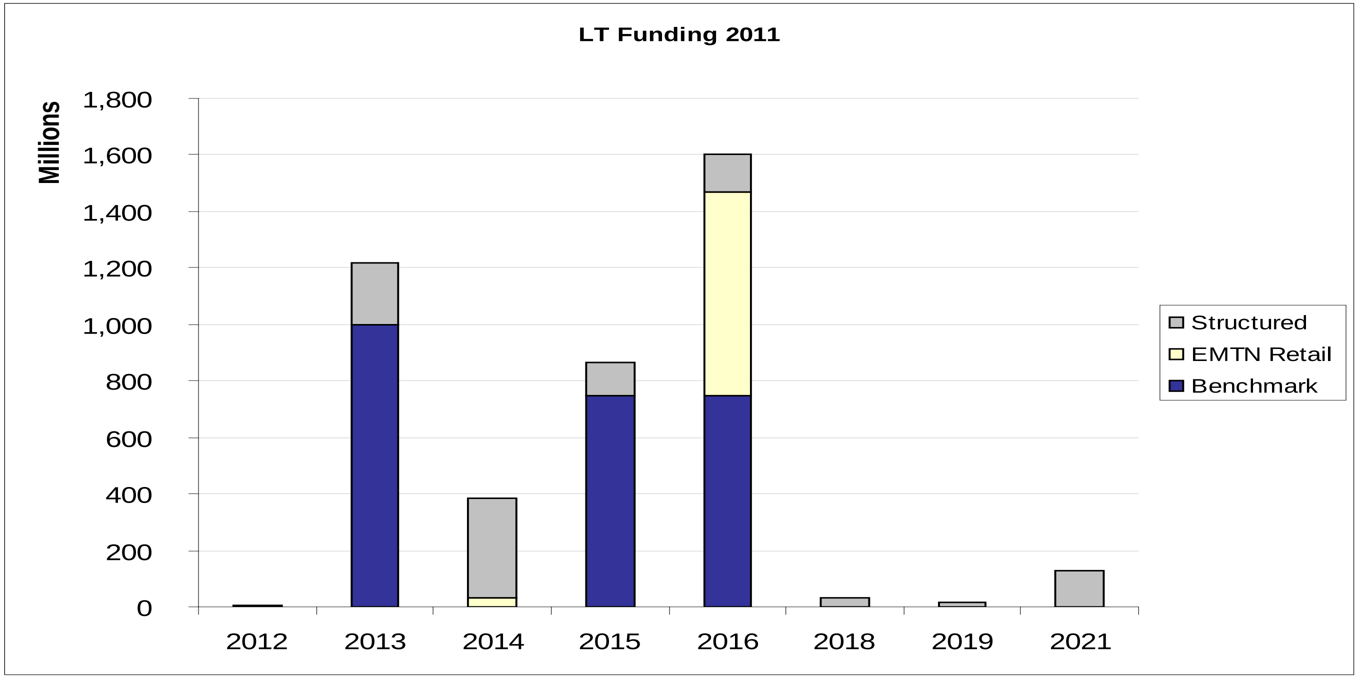
Upcoming mid-term funding maturities



- KBC Bank NV has 3 solid sources of EMTN Funding:
  - Public Benchmark transactions
  - Structured Notes using the Private Placement format
  - Retail EMTN
- A regulation for the issuance of covered bonds is expected to be approved soon in Belgium

Note that this graph does not include the ECB-LTRO for a total amount of 3.3bn EUR (3y maturity)

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



- Using its EMTN programme (40bn EUR), KBC Bank NV - through KBC Ifima NV - raised 4.3bn EUR LT in 2011. This debt programme was updated on 13 July 2011
- KBC Bank NV also has a US MTN programme (10bn USD) available for structuring debt capital market transactions in the US. This debt programme was updated on 15 April 2011

Note that this graph does not include KBC's raised long-term retail funding through on-balance deposits and branch 23 products!

Section 4

Areas of attention

Effects of Greek assistance programme

- With regard to all Greek sovereign bonds it holds (also those maturing after 2020), KBC recorded impairments amounting to an additional 85m EUR pre-tax / 62m post-tax at *underlying* level in 4Q11 (on top of the 139m EUR pre-tax / 102m post-tax already recognised in 2Q11 and the 176m EUR pre-tax / 126m post-tax booked in 3Q11)

- *Calculation* method:
  - Both the AFS and HTM bonds are impaired to their fair value (market prices) as at 31 December 2011
  - **As a result, the carrying amount of Greek government bonds on 31 December 2011 was on average 29% of the nominal amount of these bonds**

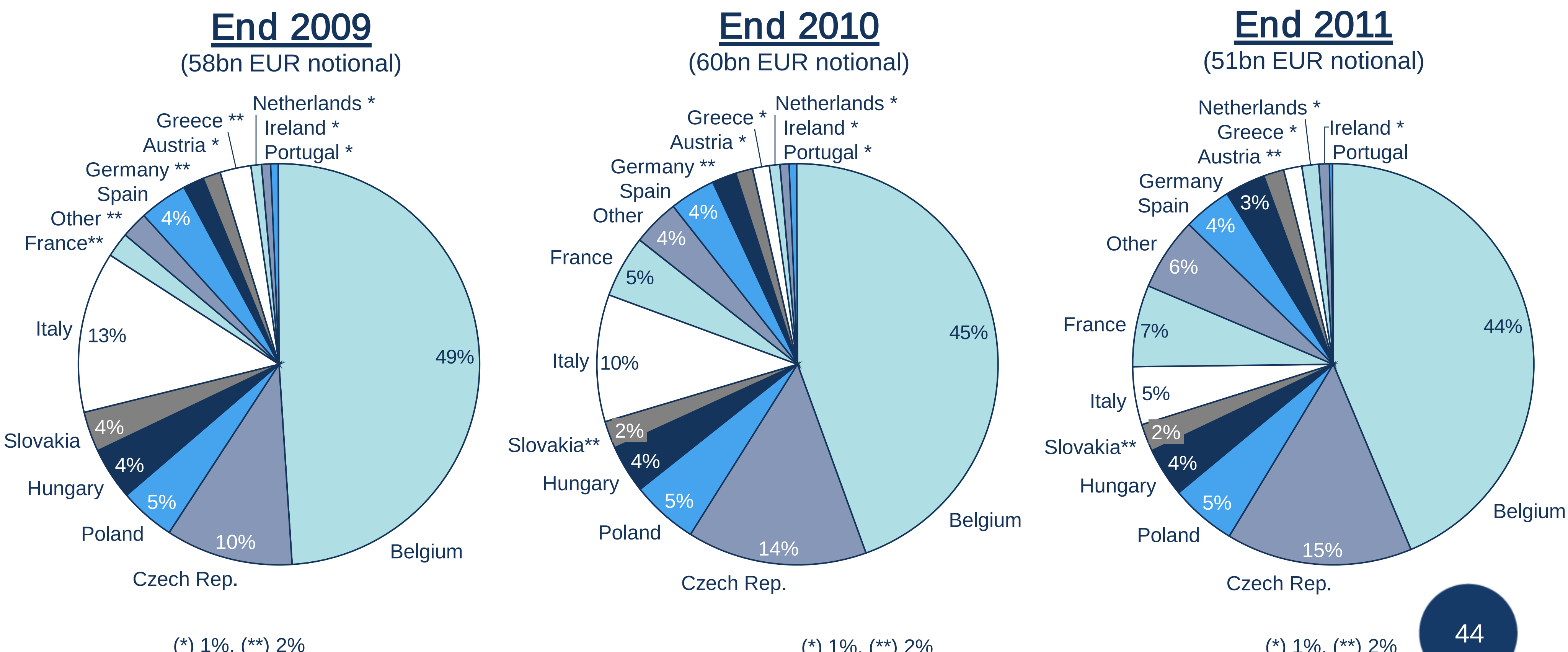
- *Breakdown* of impairment *per business unit* at underlying level:

(m EUR)	Impairment on AFS	Impairment on HTM	Total pre-tax impairment	Total post-tax impairment
Belgium BU	-27	-5	-32	-21
CEE BU	-30	0	-30	-24
MEB BU	0	-4	-4	-3
GC BU	-11	-9	-19	-13
TOTAL	**-68**	**-17**	**-85**	**-62**

Amounts in m EUR

Government bond portfolio

- Notional investment of 51bn EUR in government bonds (excl trading book) at end 2011, primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments



Sensitivity analysis on government bond exposure at the end of 2011

Impact of a parallel upward shift of 10 bps in the government bond interest rate curves

(m EUR)	Impact on equity	Impact on P&L*	Weighted average duration (in years)
TOTAL	-123	-14*	4.7
- of which Belgium	-74	-13*	4.4

* The impact on P&L was largely eliminated as most of the government bonds classified as ‘designated at fair value through profit or loss’ are used to hedge the M2M effect of the interest rate swaps

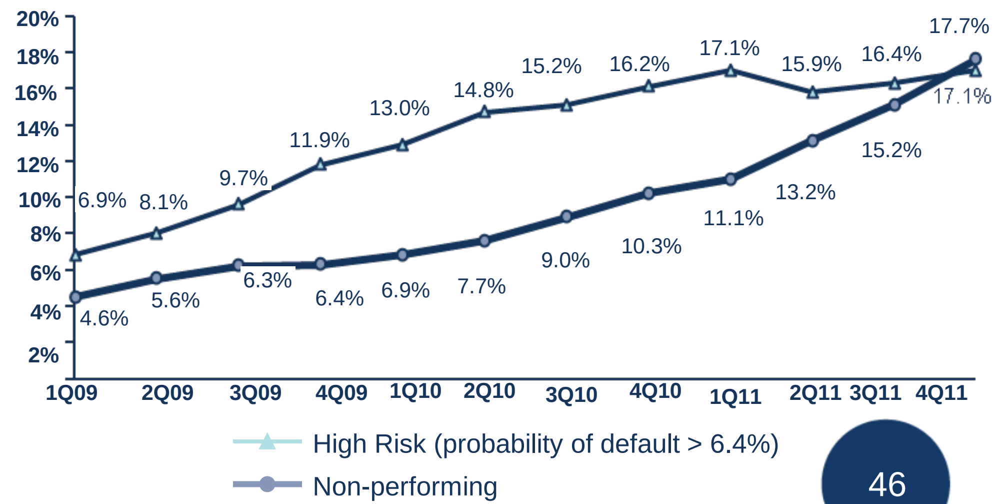
Ireland

- Loan provisions in 4Q11 of 228m EUR (510m EUR in FY11). The loss after tax in 2011 was 268m EUR
- The domestic economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer and business sentiment and spending was hit by the poorer global backdrop and ongoing severe domestic austerity measures
- Unemployment appears to be stabilising at high levels as economic growth is subdued. The Irish economy continues to meet the EU/IMF programme targets and FDI into Ireland remains strong
- Residential mortgage arrears continue to deteriorate. New Personal Insolvency Bill presents a further challenge to Irish lenders
- In the absence of domestic liquidity, collateral values on commercial exposures remain depressed
- Successful retail deposit campaign with over 5,000 customers added in 2011, total retail deposits approach 1bn EUR
- Local tier-1 ratio strengthened to 11.0% at the end of 4Q11 through a capital increase (9.2% at the end of 3Q11)

Irish loan book – key figures December 2011

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.6bn	12.7%	27%
Buy to let mortgages	3.2bn	20.4%	37%
SME /corporate	2.0bn	17.9%	54%
Real estate investment	1.4bn	25.0%	50%
Real estate development	0.5bn	69.5%	82%
	16.7bn	17.7%	42%

Proportion of High Risk and NPLs



Hungary (1)

- The **underlying net loss** of K&H Group for FY11 (-19m EUR) is due to
  - the impact of FX mortgage repayment (173m EUR before tax / 140m EUR after tax)
  - 30% of the loan loss provisions on FX mortgages (as stated above) can be offset against the 2011 bank tax (62m EUR before tax / 51m after tax), leading to a net impact of the bank tax of 7m EUR before tax and 6m EUR after tax

- We strongly believe that K&H Group will be **profitable in 2012**

- Loan loss provisions in 4Q11 amounted to 116m EUR, of which 82m EUR related to the FX mortgage repayment (see details in annex 3). The credit cost ratio came to 4.38% in 2011 (or 1.75% excluding the impact of FX mortgage repayment)

- NPL rose to 10.5% in 4Q11 (9.4% in 3Q11), an increase attributable partly to underlying trend in retail lending and partly to a technical impact of FX repayment.

- FX mortgage repayment: participation rate amounted to approximately 30% (see details in annex 3).

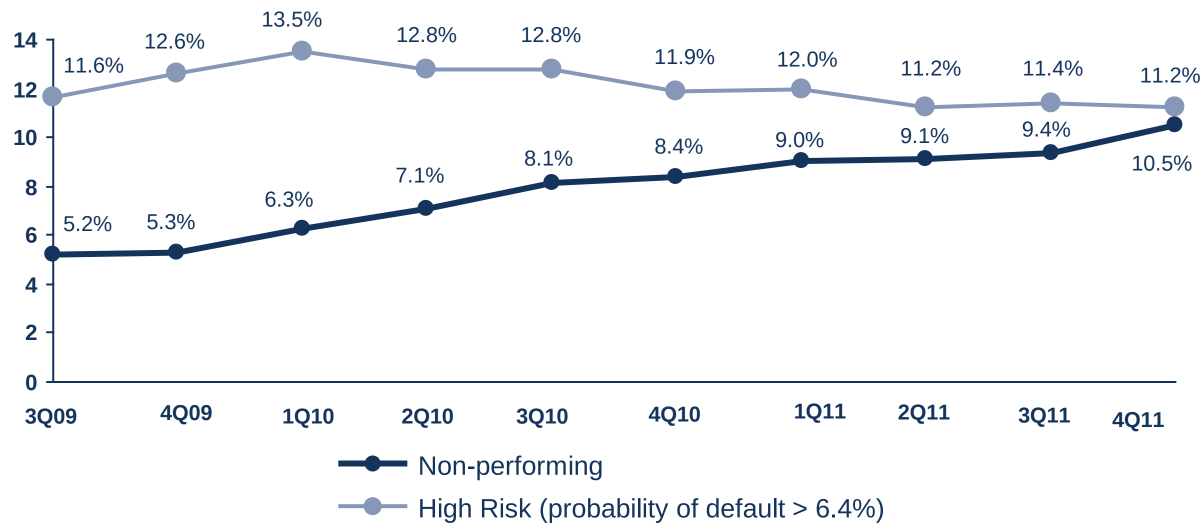
Hungary (2)

Hungarian loan book – key figures 31 December 2011

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	8.1%	61%
Retail	2.9bn	12.8%	84%
o/w private	2.5bn	13.3%	85%*
o/w companies	0.4bn	9.8%	76%
	5.7bn	10.5%	75%**

* Includes the additional loan loss provisions of 70m EUR for the impact of FX mortgage repayment (expected to be realised in 1Q12)
** Excluding the loan loss provisions of 70m EUR, the NPL coverage ratio for Hungary would have been 63%

Proportion of NPLs



Update on outstanding* CDO exposure at KBC (end 2011)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	10.9 6.4	-1.0 -4.1
TOTAL	**17.3**	**-5.1**

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-5.1 -2.1 -1.8

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

	10%	20%	50%
Narrowing of spread	+0.1bn	+0.3bn	+0.8bn
Widening of spread	-0.1bn	-0.2bn	-0.5bn

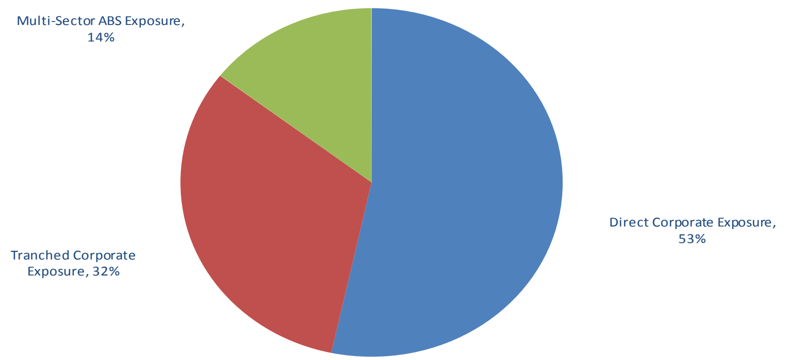
- The total notional amount remained roughly the same as in the previous quarter
- Outstanding value adjustments amounted to 5.1bn EUR at the end of 2011
- Claimed and settled losses amounted to 2.1bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a cumulative loss of 16% in the underlying corporate risk (approx. 86% of the underlying collateral consists of corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee

* Figures exclude all expired, unwound or terminated CDOs

** Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA of 70%

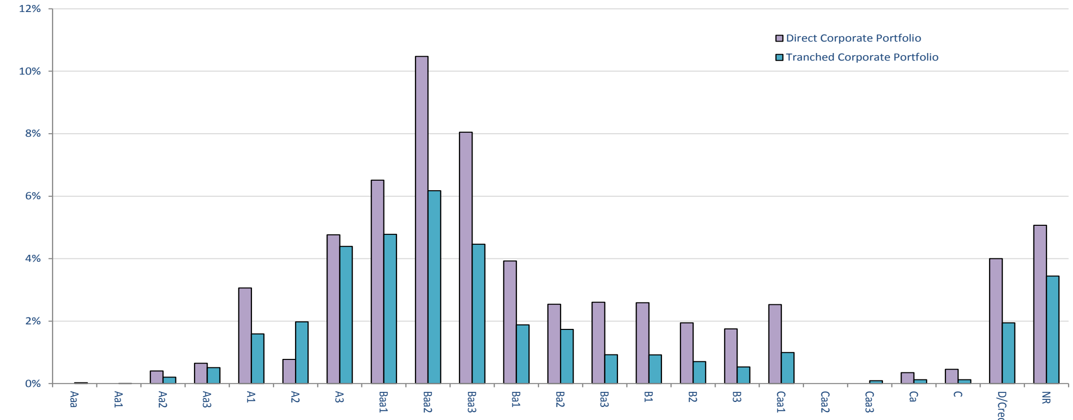
Breakdown of KBCs CDOs originated by KBC FP

Breakdown of assets underlying to KBCs CDOs originated by KBC FP*



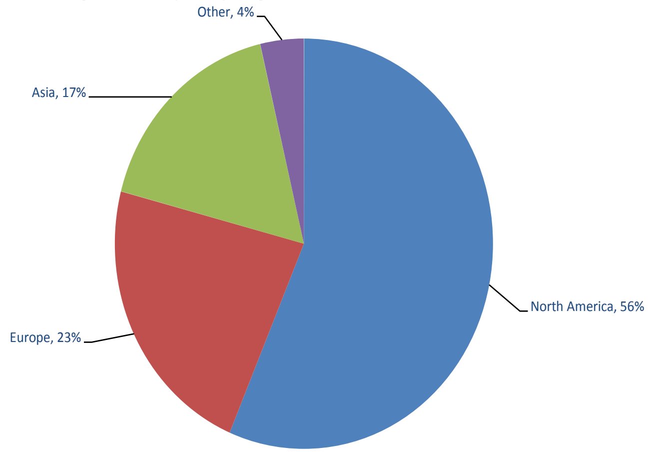
* % of total initial deal exposure; figures as of 9 January 2012

Corporate ratings distribution *



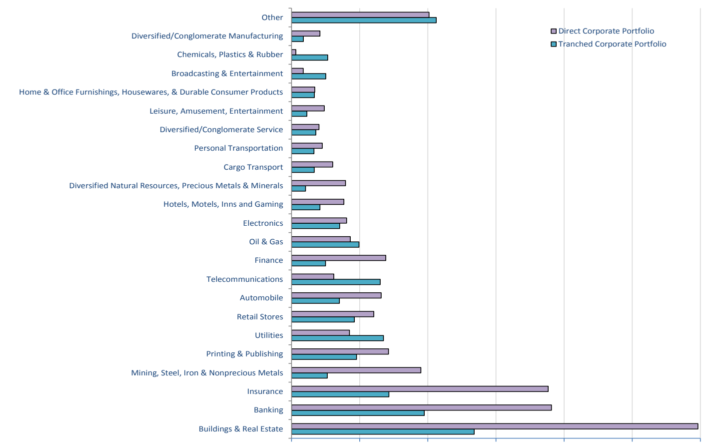
* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures as of 9 January 2012, based on Moody's Ratings

Corporate geographical distribution*



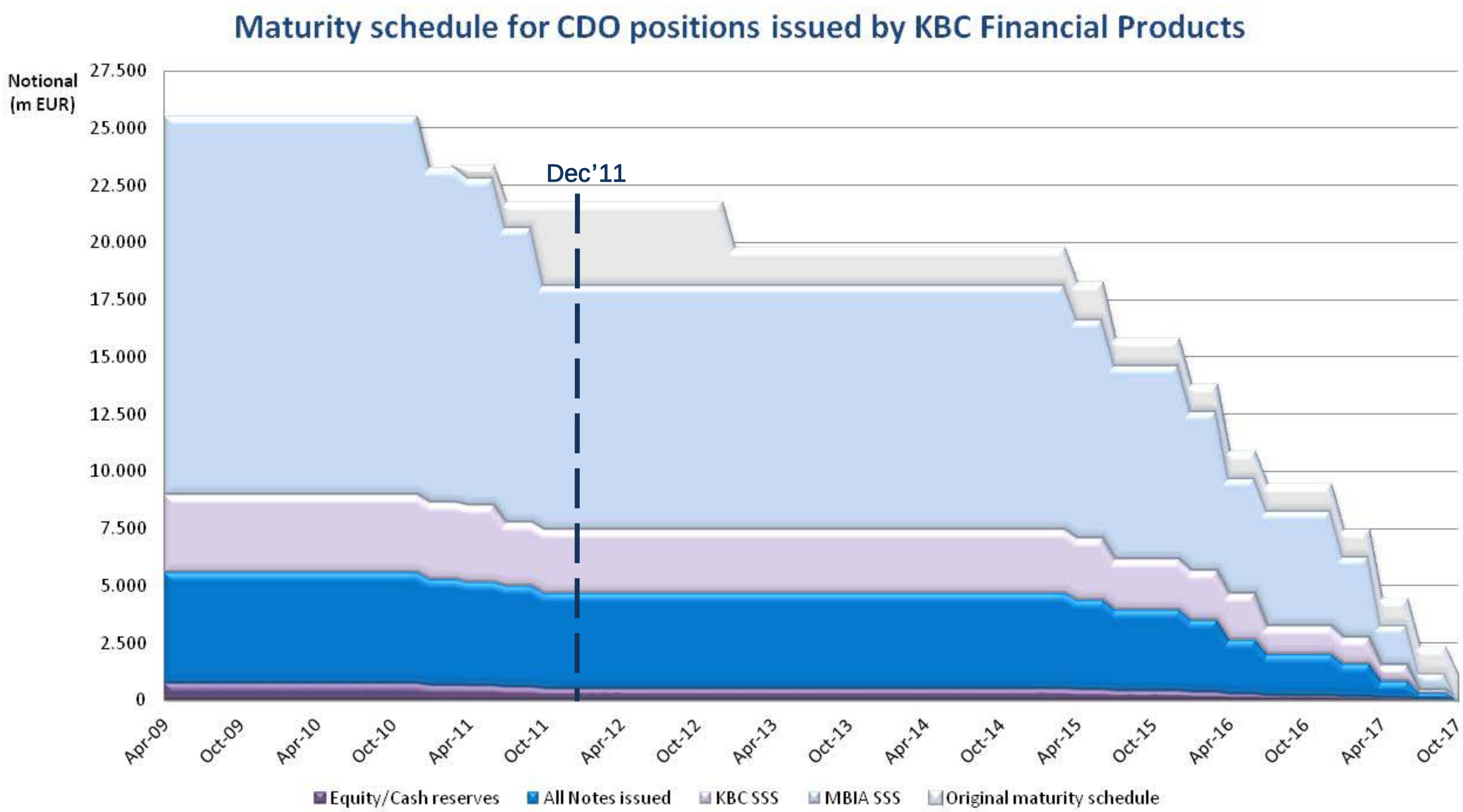
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 January 2012

Corporate industry distribution*



* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures as of 9 January 2012

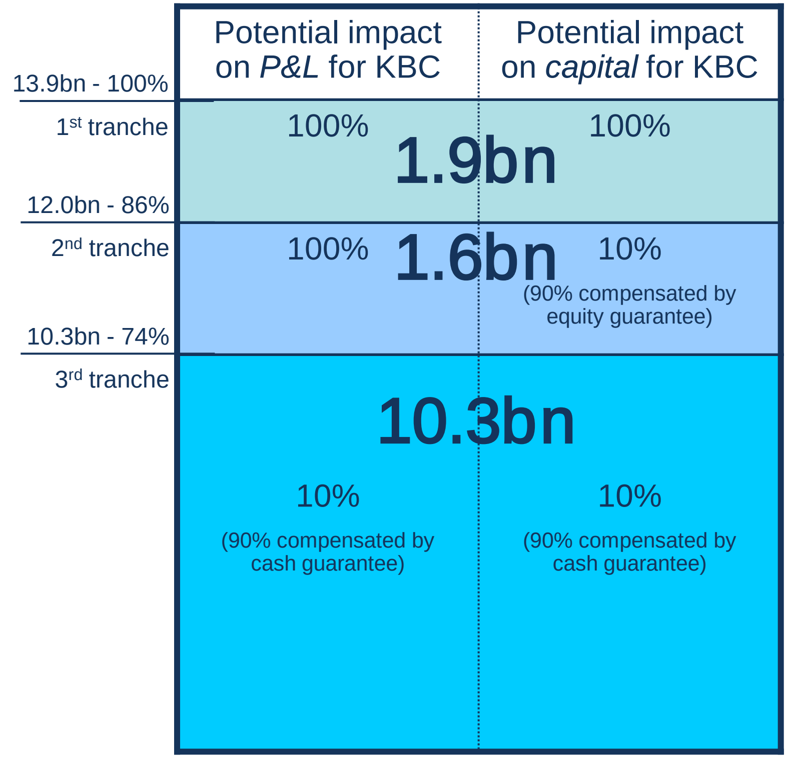
Maturity schedule for CDO portfolio



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

Summary of government transactions (1)

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



• Excluding all cover for expired, unwound or terminated CDOs

Summary of government transactions (2)

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

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

Section 5

Wrap up

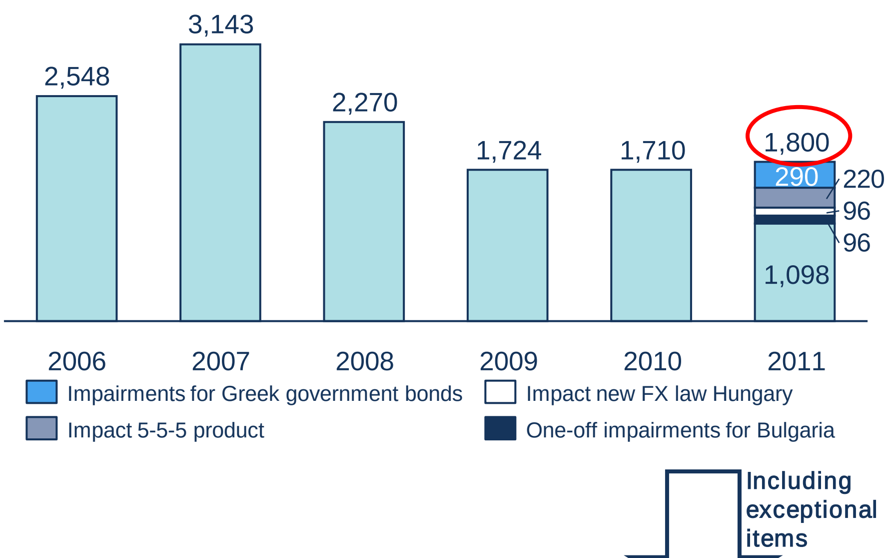
Key Takeaways

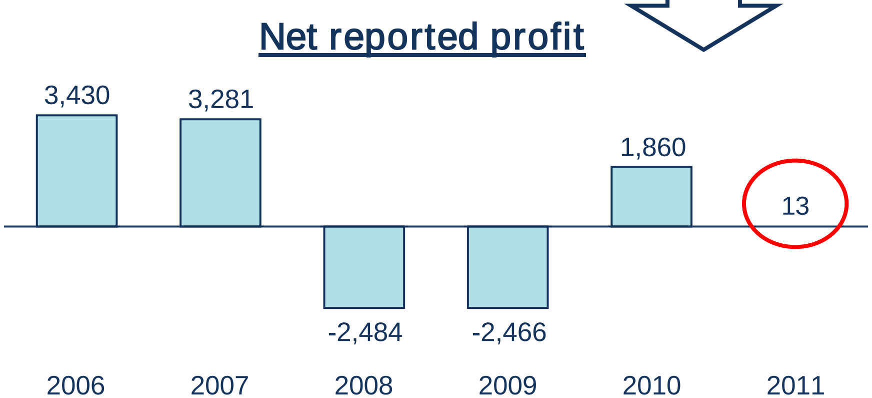
- Decisive progress on divestments, with capital gains to come in 2012
- Further reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Underlying 4Q11 results were affected by one-off items (Greek government bonds, 5-5-5 bonds, Hungary) and situation in Ireland. Loan loss provisions in Ireland are estimated at roughly 200m EUR for the first quarter of 2012 and 500-600m EUR for the full year 2012
- Core profitability in home markets remains intact in difficult market
- Comfortable capital position bolstered by decision to propose only symbolic dividend of 0.01 EUR. Payment of coupon to Governments maintained
- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013
- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
- Strong liquidity position in core countries. Overall liquidity position remains robust despite deposit outflows in the Merchant Banking BU (mainly in non-core activities)

Annex 1

FY 2011 Financial highlights

FY 2011 Group profit





Amounts in m EUR

- Net underlying profit of 1.1bn EUR in 2011
  - Good revenue generation (both NII and insurance result)
  - Strict cost management
  - Significantly higher impairments
  - Affected by 'one-offs' (Greek government bonds, 5-5-5 product, Hungary and Bulgaria)
- Adjusted for these 'one-offs', underlying net group profit amounted to 1.8bn EUR in 2011
- On top of that, net reported profit in 2011 was negatively impacted by:
  - 0.6bn EUR impairments on divestments
  - 0.4bn EUR unrealised losses on CDOs/MBIA
  - 0.3bn EUR M2M losses relating to ALM derivatives used for hedging purposes
  - 0.1bn EUR impairments on goodwill/ other

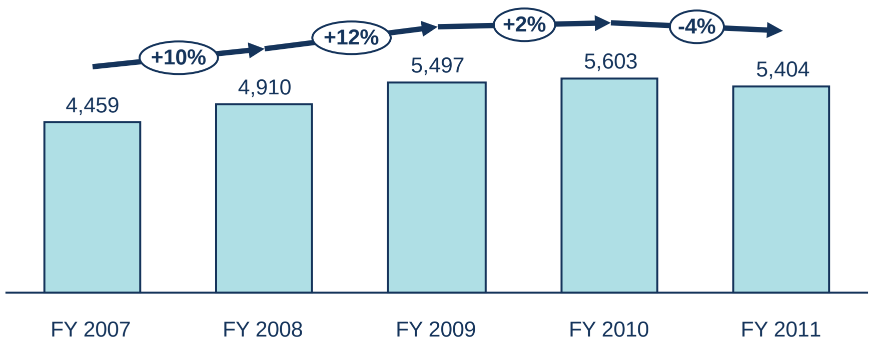
Highlights of underlying FY 2011 results

- Net underlying profit of 1.1bn EUR (1.8bn EUR adjusted for one-offs)
- Good level of net interest income thanks to a higher net interest margin (1.96% in 2011 compared to 1.92% in 2010)
- Increased sales of unit-linked products, offset by lower sales of ‘guaranteed interest’ products; Gross earned premiums for non-life increased by 5% y-o-y excluding Secura (which was sold during 2010). The combined ratio sharply improved to 92%
- Net fee and commission income decreased in line with the trend in assets under management given investors’ reduced risk appetite and the negative price trend
- 40% lower trading and fair value income
- Lower operating expenses (-3% y-o-y), reflecting divestments and deduction from the Hungarian banking tax related to the FX mortgage impairments. Excluding all one-off items, operating expenses rose by 3% y-o-y due to inflation-linked expenses
- Lower loan loss provisions, despite ‘one-off’ impairments for Hungary (FX law) in 2H11 and Bulgaria in 3Q11. Consistently low level in the Belgium BU, and lower loan loss provisions in the Merchant Banking BU (both including and excluding Ireland) and Group Center
- Comfortable capital and solid liquidity position

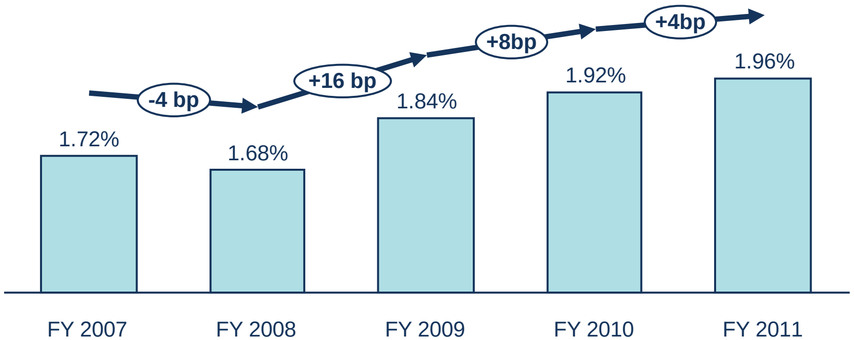
Good level of net interest income

Underlying performance

Net Interest Income



Net Interest Margin



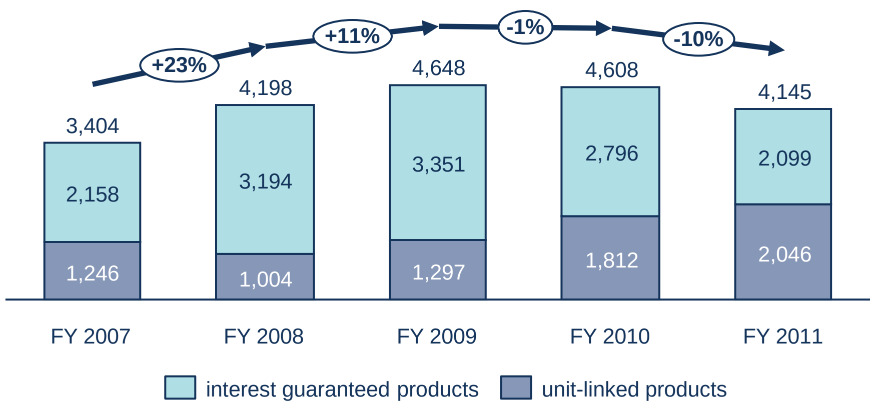
- Net interest income from lending and deposit-taking of 5.4bn EUR, down by 4% y-o-y, largely due to divestments (Centea and Secura) and the reduced government bond portfolio. Excluding Centea and Secura, net interest income fell 2% y-o-y. Customer deposits were down by 14% y-o-y for the group due to outflows of corporate and institutional investors outside core markets linked to EUR-zone and Belgium risk aversion (fully situated in Merchant Banking), with Belgium posting a 5% growth and CEE 4%
- Higher loan volumes compared to year-earlier level (+2%). Increase in volume of Belgian and CEE retail loans (+6% y-o-y) partly offset by intentional scaling down in Russia and international corporate loan book

Amounts in m EUR

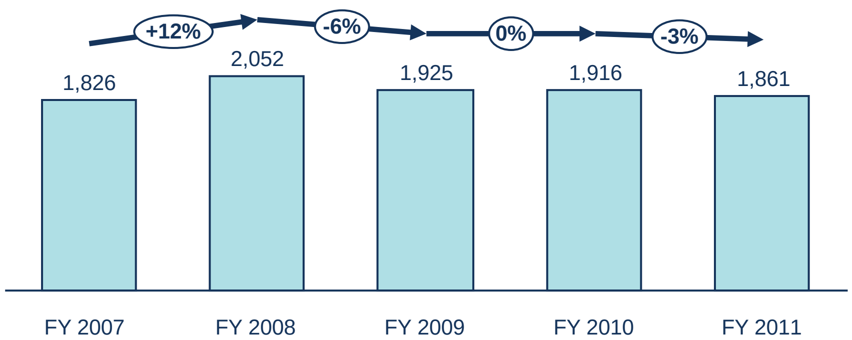
Insurance business – premium trend

Underlying performance

Sales – Life (gross written premium)



Gross Earned Premium – Non-Life

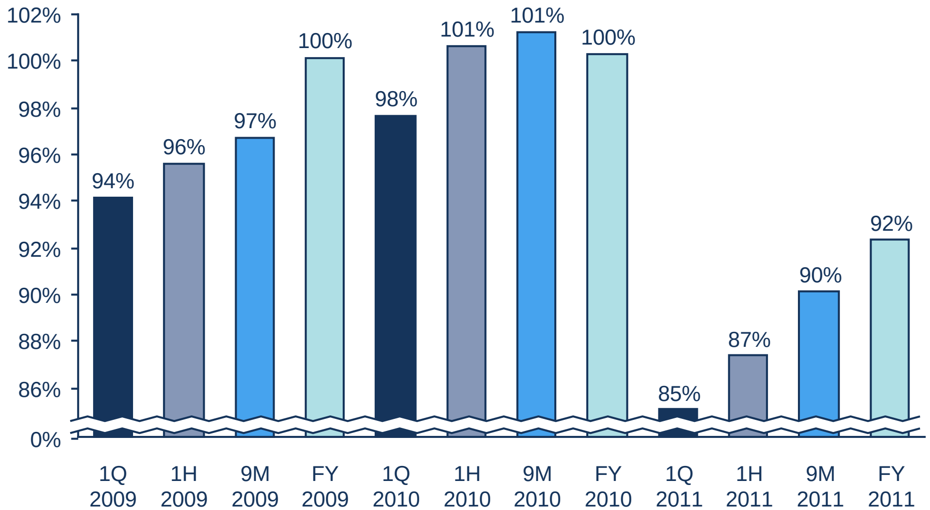


- Increased sales of unit-linked products, offset by lower sales of ‘interest guaranteed’ products
- Gross earned premiums for non-life decreased by 3% year-on-year, but increased by 5% y-o-y excluding Secura (which was sold during 2010)

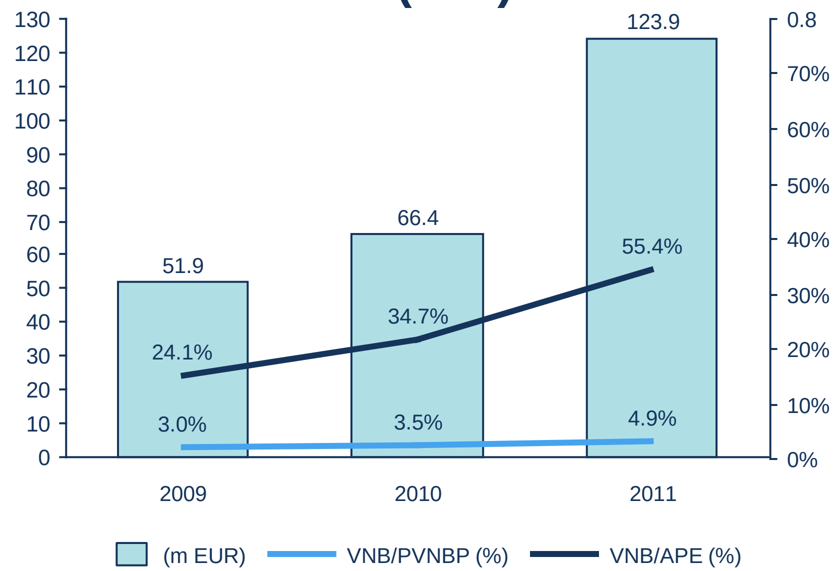
Amounts in m EUR

Excellent combined ratio and VNB

Combined ratio (Non-Life)



VNB (Life)*



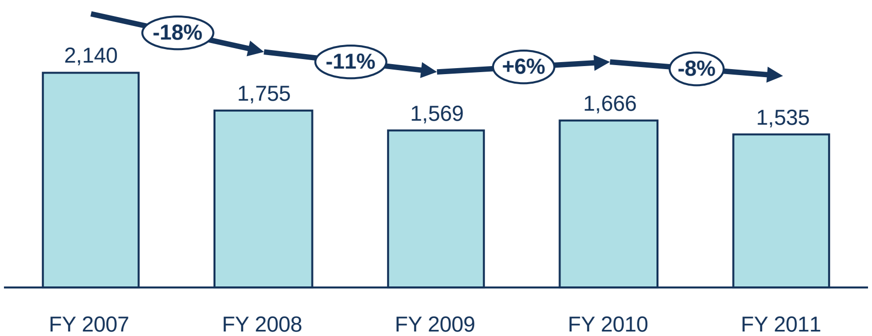
- Thanks chiefly to a relatively low claims level, the non-life combined ratio for the full year 2011 stood at a very good 92% (with the Belgium BU being the main driver), a significant improvement on the 100% recorded for FY2010
- VNB rose by 86% y-o-y to 124m EUR thanks to more profitable business such as unit-linked and term insurance contracts

* Around 24% of the total VNB is generated through the inclusion of the expected future profits arising form the management of unit-linked funds by KBC Asset management
- VNB = Value of New Business = present value of all future profits attributable to the shareholders from the new life insurance policies written during the year
- VNB/PVNBP = VNB at point of sale compared to the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums
- VNB/APE = VNB at point of sale compared to the Annualised Premium Equivalent. This ratio reflects the margin earned on recurrent premiums and 1/10th of single premiums

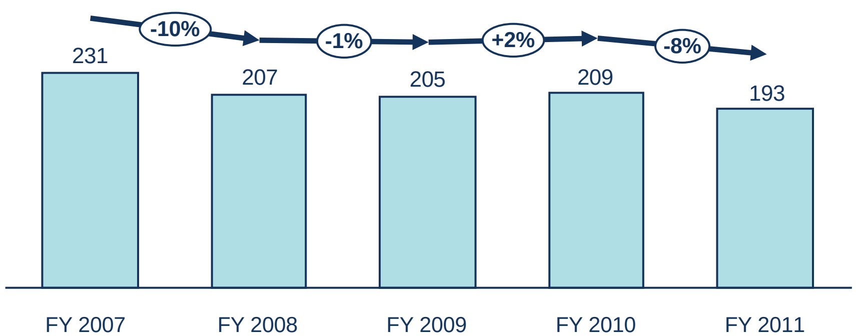
Lower net F&C income, in line with AuM

Underlying performance

Net Fee & Commission Income



Assets Under Management



Amounts in bn EUR

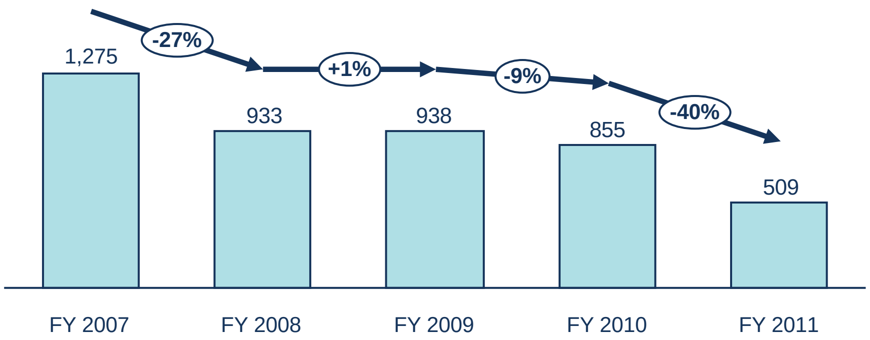
- Lower net fee and commission income, in line with the trend in assets under management
- Assets under management at 193bn EUR (-8% y-o-y, of which -5% due to net outflows and -3% due to the negative price trend): 138bn EUR in Belgium, 44bn EUR in European Private Banking (sale already announced) and 11bn EUR in CEE

Amounts in m EUR

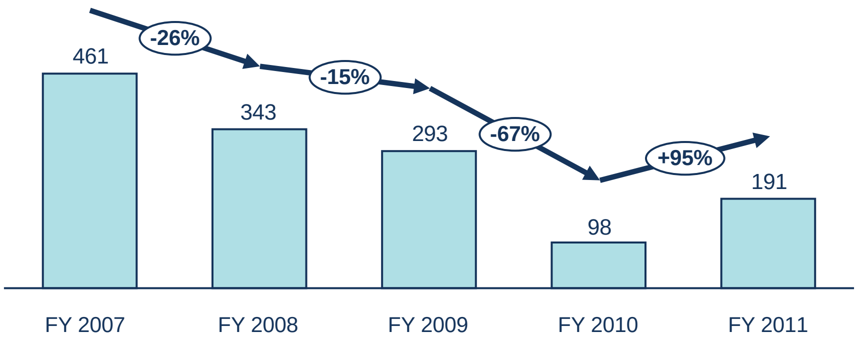
Lower trading and fair value income

Underlying performance

FV gains



Gains realised on AFS

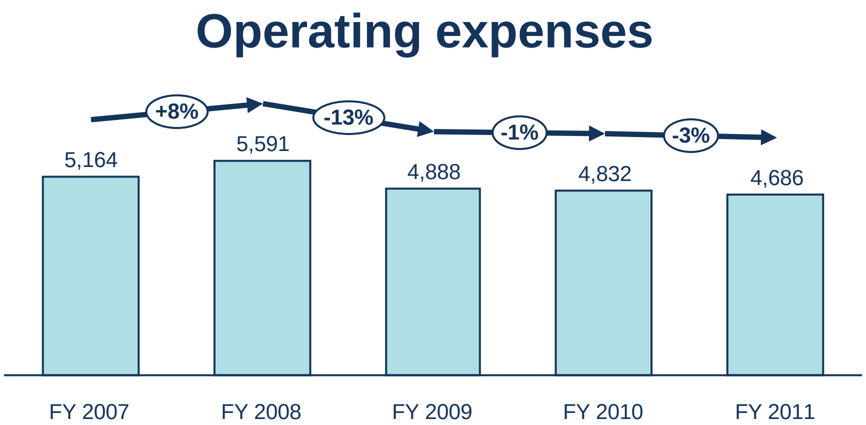


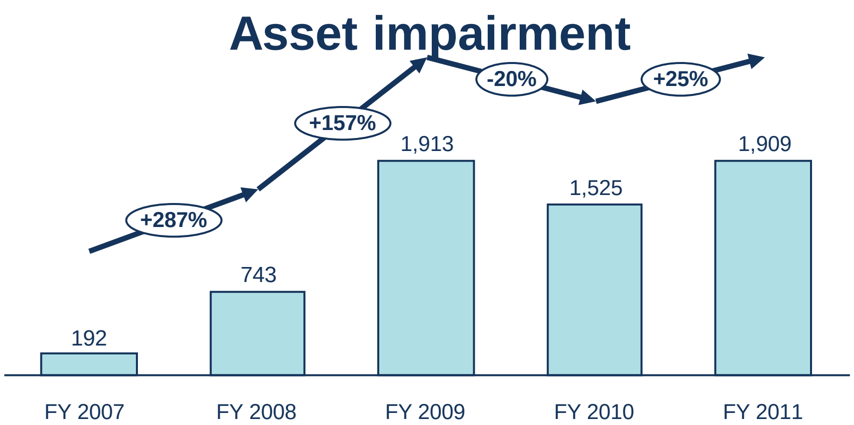
- Trading and fair value income 40% lower y-o-y, mainly driven by a lower contribution from entities to be divested, a negative CVA (Counterparty Value Adjustment) and lower dealing room results
- Sharply higher realised gains on available-for-sale investments, largely driven by the sale of government bonds

Amounts in m EUR

Costs contained, significantly higher loan loss provisions

Underlying performance





- Lower operating expenses (-3% y-o-y), reflecting divestments and deduction from the Hungarian banking tax related to the FX mortgage impairments. Excluding all these and other one-off items, operating expenses rose by 3% y-o-y due to inflation-linked expenses

- Significantly higher impairments (+25% y-o-y), which can be explained mainly by the impairments on Greek government bonds, impairments on AFS shares in the Belgium BU, the one-off impairments in Bulgaria (in 3Q11) and Hungary (in 2H11) in the CEE BU

Amounts in m EUR

Loan loss provisions and credit cost ratio

Underlying performance

- Credit cost ratio fell to 0.82% (compared to 0.91% in 2010). The NPL ratio amounted to 4.9%
- Loan losses in Belgium remained at a low level
- Sharply higher loan losses in CEE (-137m EUR y-o-y), driven mainly by Bulgaria (-96m EUR in 3Q11 driven by the very illiquid domestic real estate market) and Hungary (-173m EUR impact of new law on FX mortgages in 2H11)
- Loan losses in Merchant Banking remained at a high level in 2011, mainly attributable to KBC Bank Ireland. Excluding Ireland, the credit cost ratio actually fell from 67 bps in 2010 to 59 bps in 2011

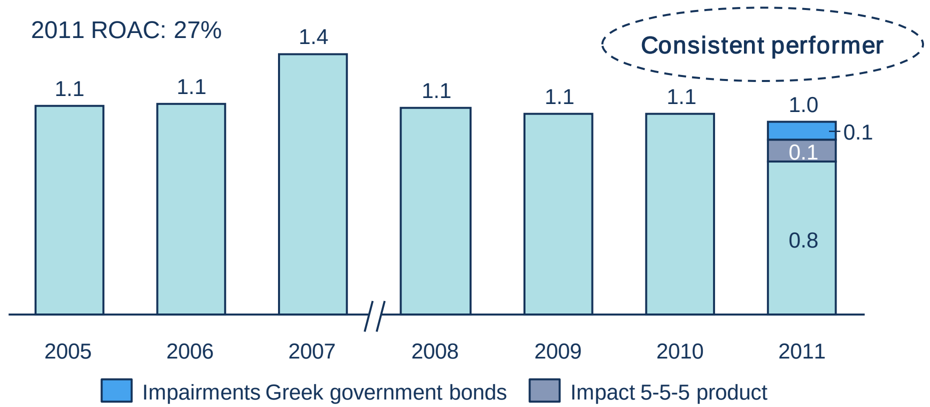
Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY
		'Old' BU reporting			'New' BU reporting	
Belgium	**57bn**	0.13%	0.09%	0.17%	0.15%	0.10%
CEE	**30bn**	0.26%	0.73%	2.12%	1.16%	1.59%
CEE (excl. 2H11 one-offs)						0.69%
Merchant B. (incl. Ireland)	**53bn**	0.02%	0.48%	1.32%	1.38%	1.36%
Merchant B. (excl. Ireland)	**37bn**	0.02%	0.53%	1.44%	0.67%	0.59%
Total Group	**156bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**

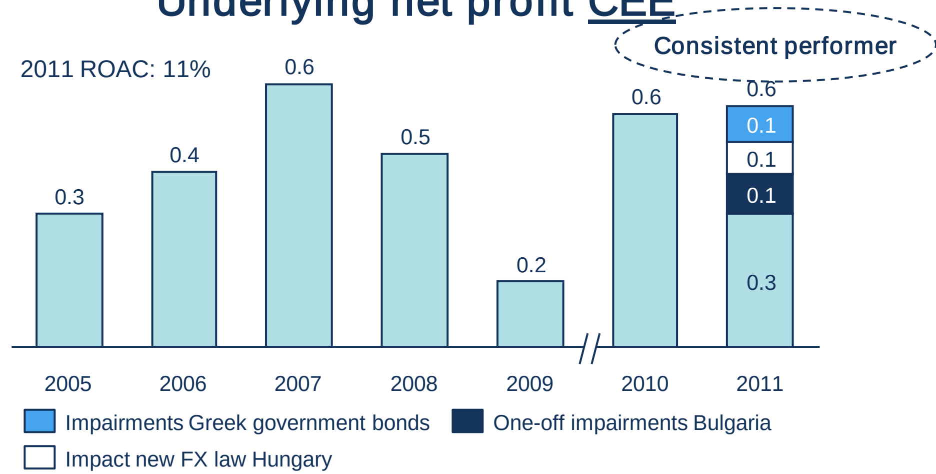
Satisfying FY results in home markets

Underlying performance

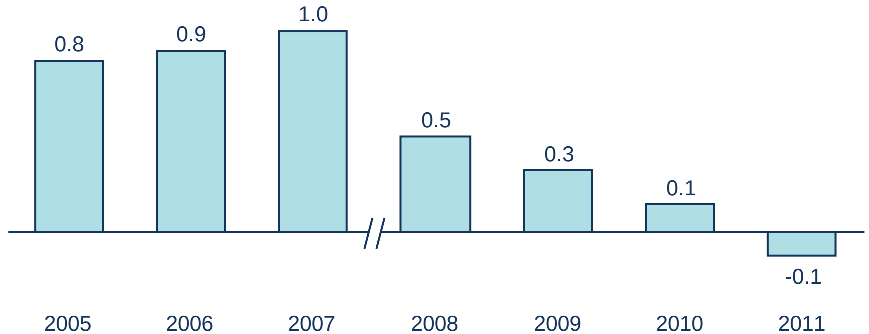
Underlying net profit Belgium (retail)



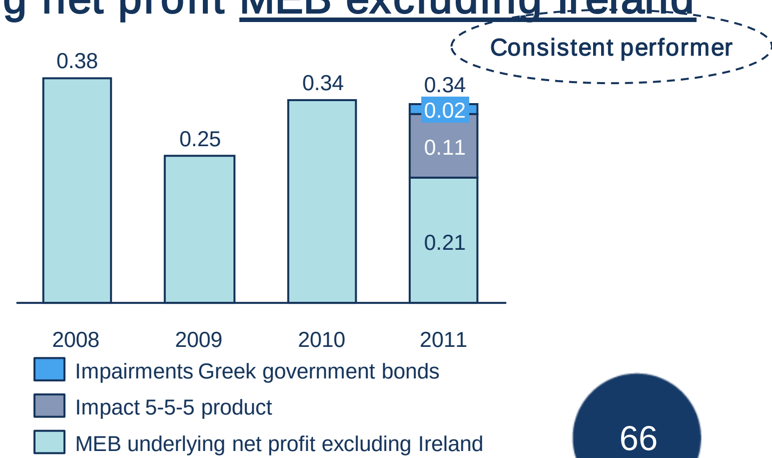
Underlying net profit CEE



Underlying net profit Merchant Banking (BE +Intl) (affected by Ireland)



Underlying net profit MEB excluding Ireland



Amounts in bn EUR

Market shares keep up well***

	BE*	CZ	SK	HU	BG
Loans and deposits	19%	20%**	10%	9%	3%
Investment funds	41%	31%	10%	20%	-
Life insurance	16%	13%	5%	3%	13%
Non-life insurance	8%	6%	2%	5%	13%

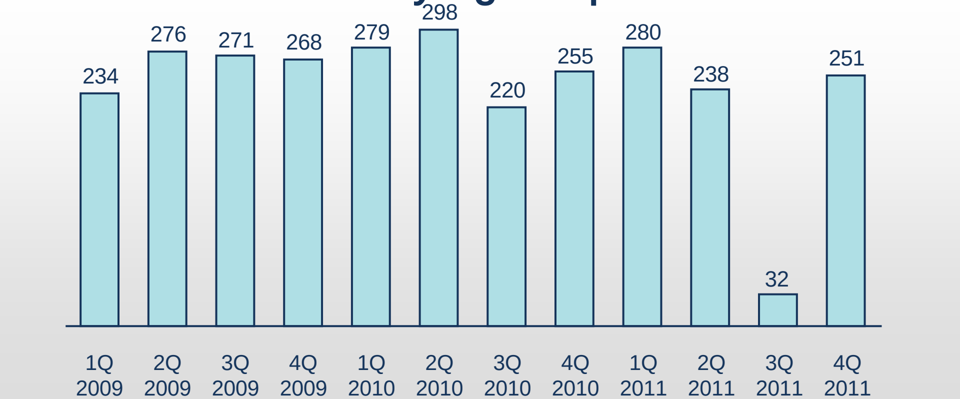
* Excluding Centea and Fidea
** Including 55% of the joint venture with CMSS
*** Market shares are based on preliminary figures

Annex 2

4Q 2011 underlying performance of business units

Belgium Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	55bn	29bn	71bn	138bn	22bn
Growth q/q*	+2%	+3%	-2%	0%	+2%
Growth y/y	+6%	+9%	+5%	-6%	+3%

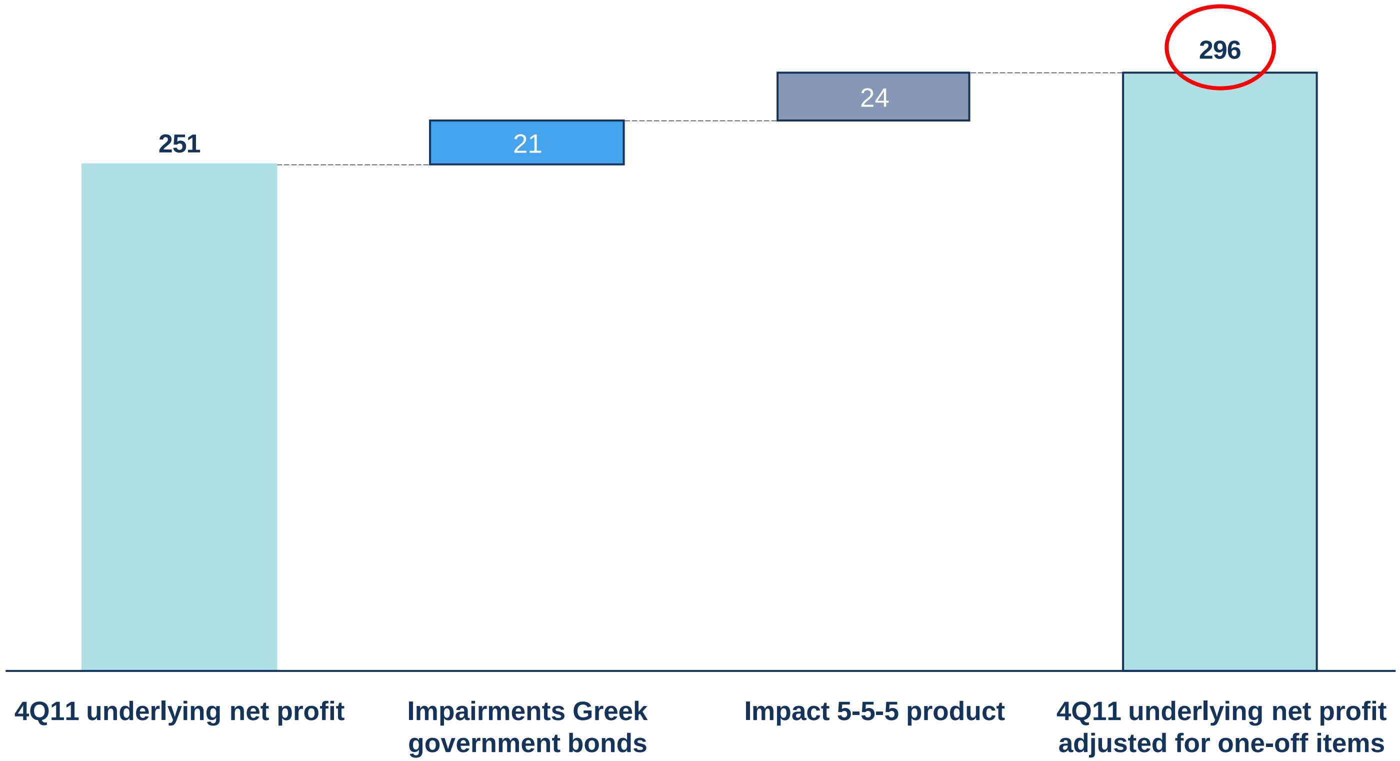
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net group profit of the Belgium Business Unit recovered quarter-on-quarter to 251m EUR. This can be attributed mainly to i) higher net realised gains from AFS assets, ii) lower operating expenses and iii) lower impairments for the 5-5-5 product and Greek government bonds
- Increase in quarter-on-quarter and year-on-year loan volume, driven by mortgage loan growth
- Deposit volumes went up by 5% year-on-year, but fell 2% quarter-on-quarter, due primarily to the successful issuance of Belgian state notes

Amounts in m EUR

4Q11 underlying net profit in Belgium Business Unit adjusted for one-off items

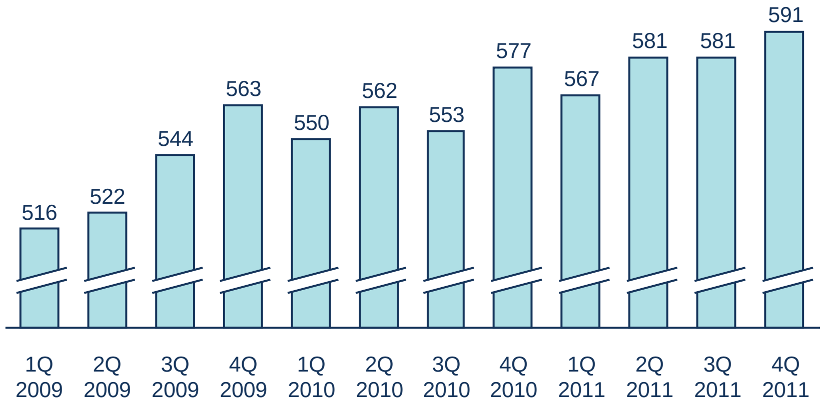
- Adjusted for one-off items (impairments Greek government bonds and impact 5-5-5 product), underlying net group profit in the Belgium Business Unit amounted to 296m EUR in 4Q11



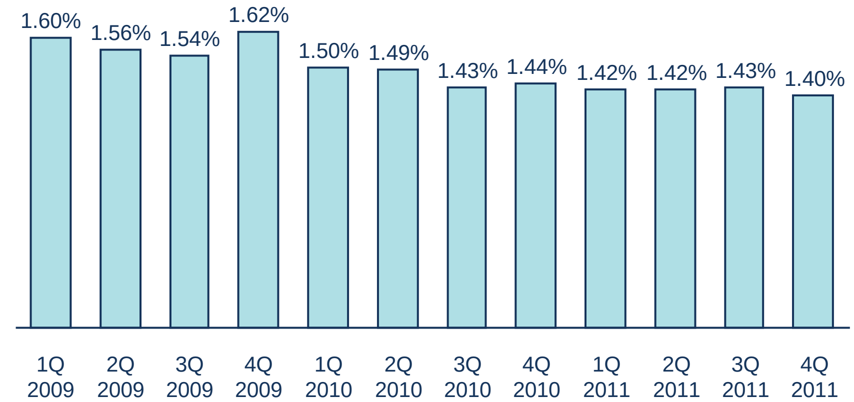
Amounts in m EUR

Belgium Business Unit (2)

NII



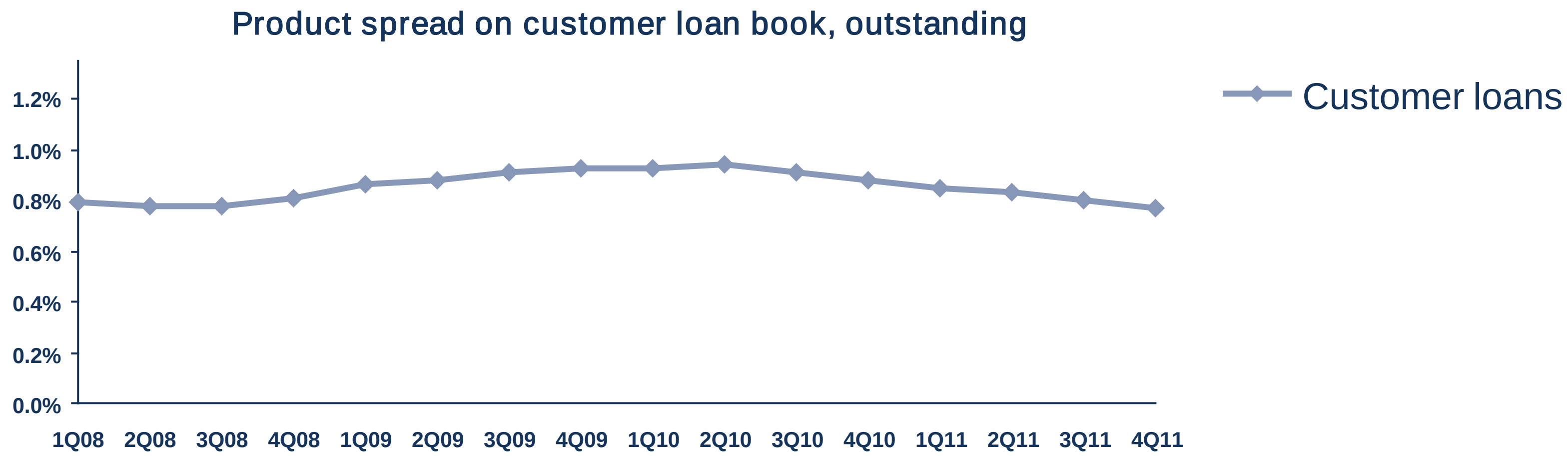
NIM

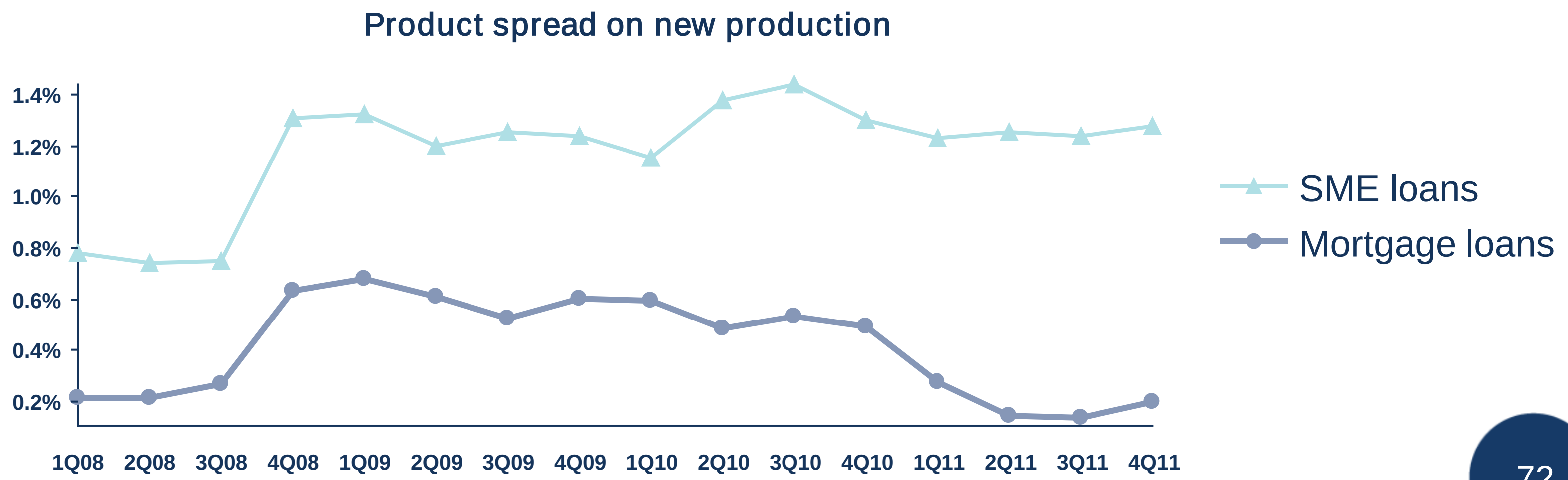


- Net interest income (591m EUR) remained healthy
  - An increase of 2% both y-o-y and q-o-q
  - The net interest margin decreased by 3 bps q-o-q to 1.40%, consequent chiefly on the result of the reduced government bond portfolio. The current NIM remains much higher than the 2H 2008 level (1.19% in 3Q08 and 1.25% in 4Q08)

Amounts in m EUR

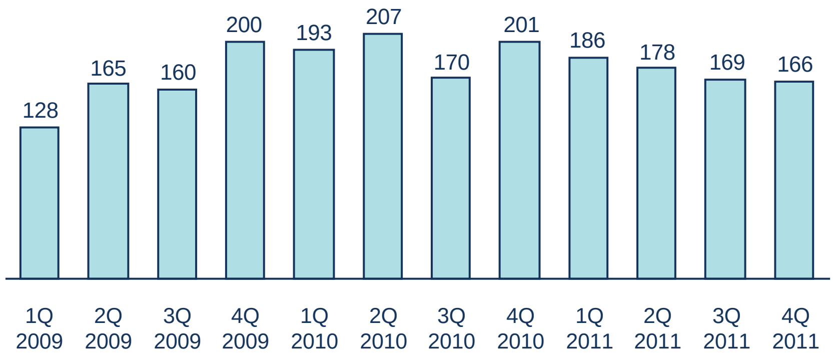
Credit margins in Belgium



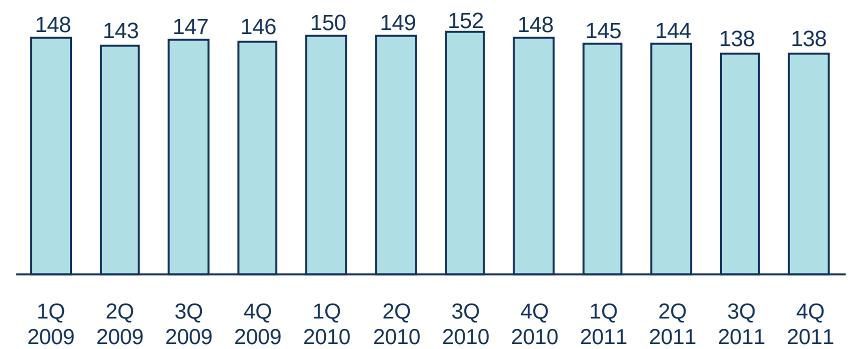


Belgium Business Unit (3)

F&C



AUM



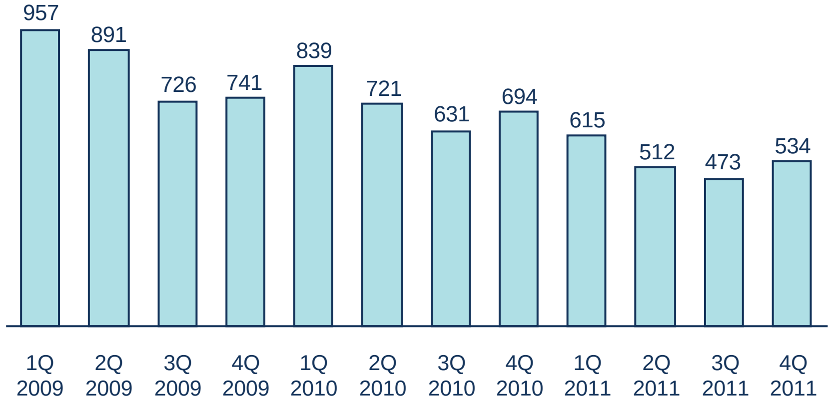
Amounts in bn EUR

- Net fee and commission income (166m EUR)
  - Net fee and commission income from banking activities (207m EUR) increased by 1% q-o-q thanks to fee income relating to the issuance of Belgian state notes. Net fee and commission income from banking activities decreased by 13% y-o-y. Risk appetite remained low, leading to lower entry fees on mutual funds. Management fees on mutual funds were impacted by lower assets under management
  - Commission related to insurance activities (-41m EUR, mainly commission paid to insurance agents) was higher than the previous quarter (+11%)
- Assets under management stabilised q-o-q at 138bn EUR, as the net outflows were offset by the positive price trend

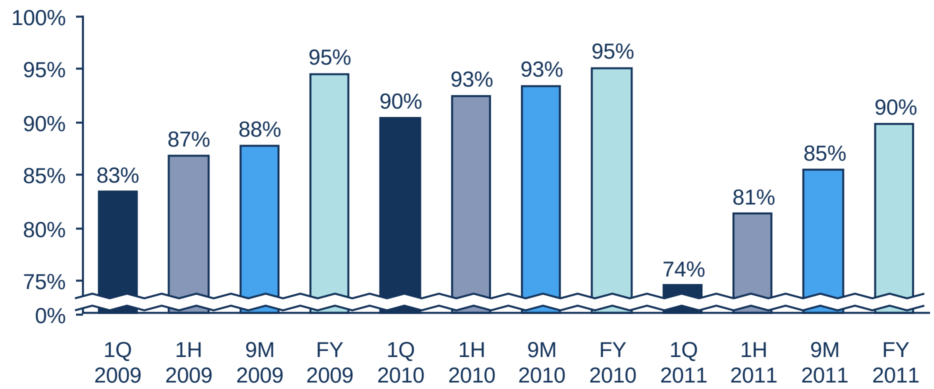
Amounts in m EUR

Belgium Business Unit (4)

Premium income (gross earned premium)



Combined ratio (Non-Life)

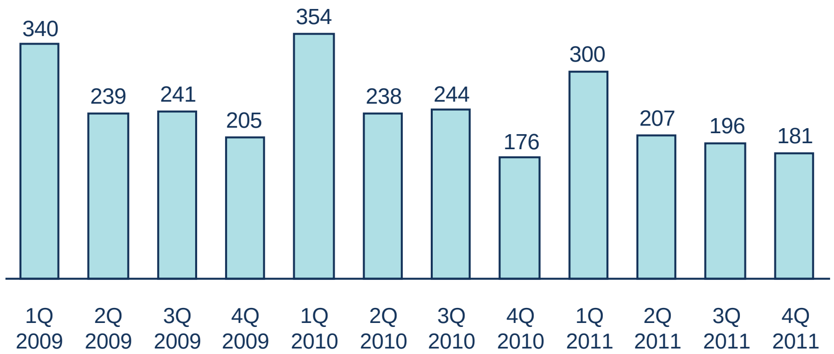


- Insurance premium income (gross earned premium) at 534m EUR
  - Non-life premium income (222m) flat q-o-q and up 4% y-o-y
  - Life premium income (312m) up 24% q-o-q and down 35% y-o-y
- Combined ratio improved to an excellent 90% in 2011 (from 95% in 2010)

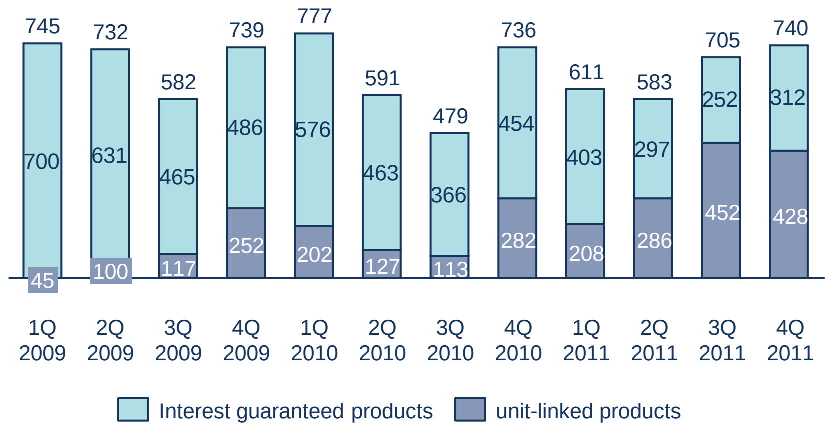
Amounts in m EUR

Belgium Business Unit (5)

Sales Non-Life (gross written premium)



Sales Life (gross written premium)

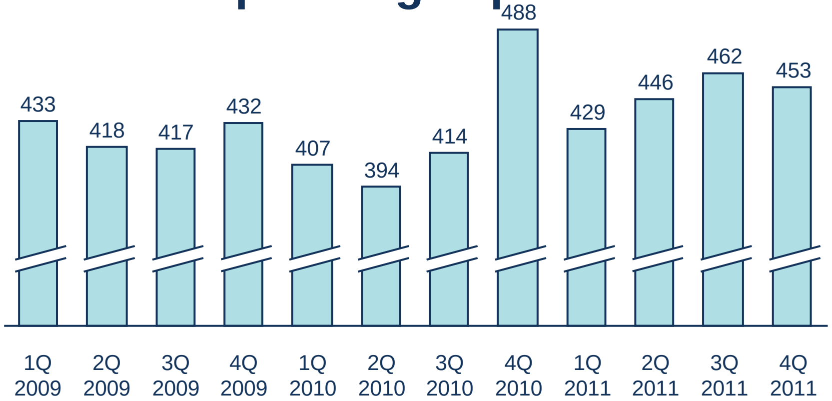


- The sale of Non-Life insurance products:
  - fell by 8% quarter-on-quarter (typical fourth quarter effect), but rose by 3% year-on-year
- The sale of Life insurance products:
  - rose by 1% year-on-year and 5% quarter-on-quarter. The 5% quarter-on-quarter increase was driven by higher sales of interest guaranteed products (as the fourth quarter is traditionally positively impacted by the extra contribution regarding pension savings), partly offset by lower sales of unit-linked products.
  - As a result, interest guaranteed products and unit-linked products accounted for respectively 48% and 52% of life insurance sales in FY 2011.

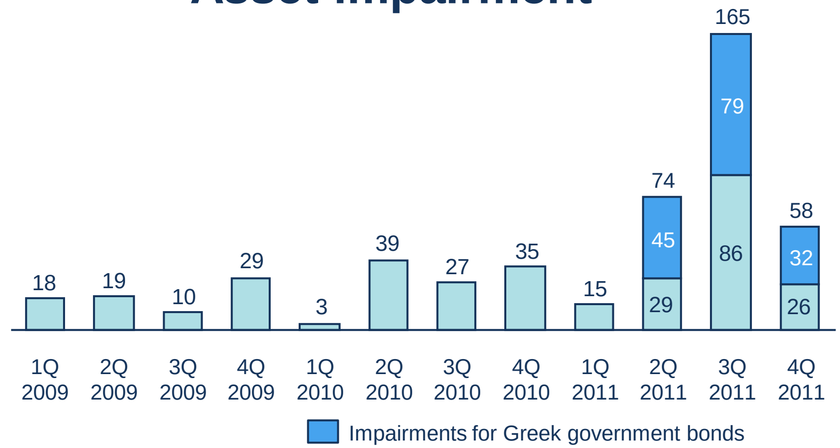
Amounts in m EUR

Belgium Business Unit (6)

Operating expenses



Asset impairment

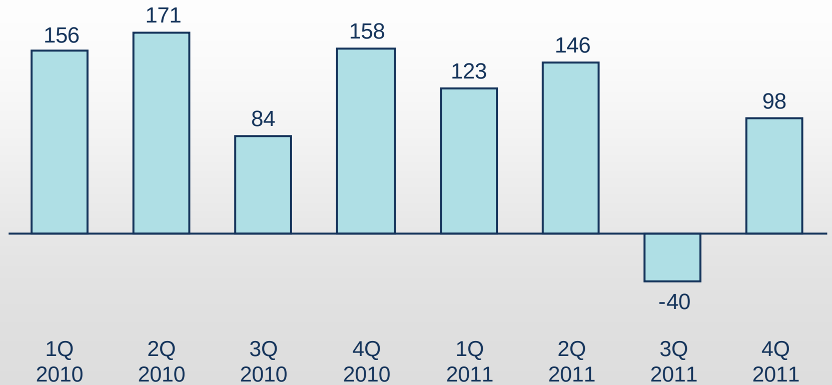


- Operating expenses: -2% quarter-on-quarter and -7% year-on-year
  - Operating expenses fell by 2% q-o-q thanks to lower staff expenses (mainly lower variable remuneration). Excluding several small one-off items, operating expenses were flat q-o-q
  - On a y-o-y basis, operating expenses were down 7%, more than half of which was thanks to a lower contribution to the Belgian Deposit Guarantee Scheme and lower staff expenses
  - Underlying cost/income ratio: 63% YTD (and 59% YTD excluding the provision for the 5-5-5 product)
- Loan loss provisions remained at a low level (23m EUR). Credit cost ratio of 10 bps in 2011. NPL ratio at 1.5%. Furthermore, impairment of 32m EUR before tax was recorded for Greek government bonds and 3m EUR was recognised on shares at KBC Insurance

Amounts in m EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	**26bn**	**11bn**	**35bn**	**11bn**	**2bn**
Growth q/q*	**-1%**	**-4%**	**-1%**	**-6%**	**-4%**
Growth y/y	**+6%**	**+2%**	**+4%**	**-17%**	**+3%**

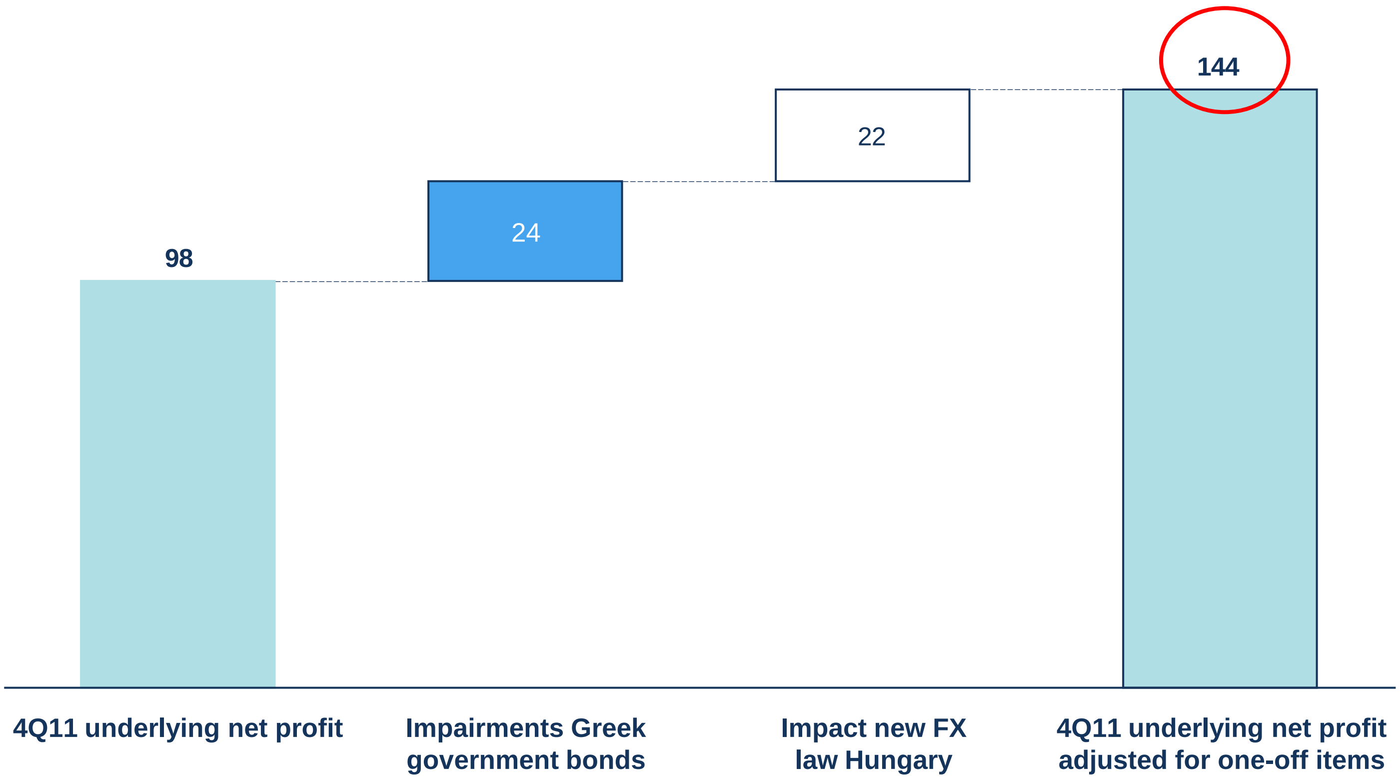
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying profit at CEE Business Unit of 98m EUR
  - CEE profit breakdown: 100m Czech Republic, 23m Slovakia, 7m Hungary, -5m Bulgaria, -28m Other (mainly due to the recognition at KBC Group level for Bulgaria and funding costs of goodwill)
  - Results from the banking business were positively impacted by significantly lower loan loss provisions (Bulgaria and K&H Bank) and negatively impacted by impairment of 24m EUR post-tax for Greece (almost fully borne by the Czech Republic)
  - Results from the insurance business were positively impacted by a lower combined ratio (thanks almost entirely to lower claims ratio)

Amounts in m EUR

4Q11 underlying net profit in CEE Business Unit adjusted for one-off items

- Adjusted for one-off items (Greek government bonds and Hungary), underlying net group profit in the CEE Business Unit amounted to 144m EUR in 4Q11



Amounts in m EUR

CEE Business Unit (2)

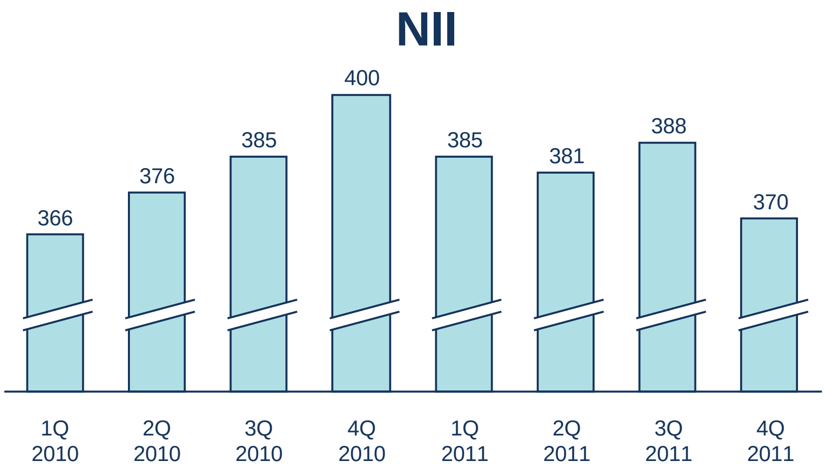
Organic growth(*)

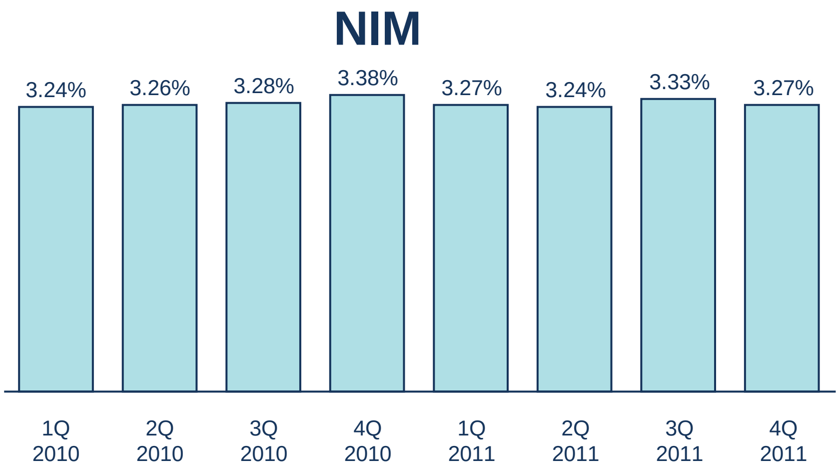
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	0%	+12%	-2%	+9%	0%	+5%
SK	+5%	+16%	+3%	+18%	-1%	-7%
HU	-7%	-14%	-16%	-21%	-2%	+8%
BU	-1%	-21%	-1%	-22%	+5%	+11%
TOTAL	**-1%**	**+6%**	**-4%**	**+2%**	**-1%**	**+4%**

- The total loan book fell by 1% q-o-q, but rose by 6% y-o-y. On a y-o-y basis, the increases in Slovakia (+16% y-o-y thanks to an increase in mortgage loans) and the Czech Republic (+12% y-o-y) was only partly offset by decreases in Hungary (where trend was impacted by the FX mortgage relief programme) and Bulgaria (where trend was impacted by 3Q11 impairments)
- Total deposits were down 1% q-o-q, but up 4% y-o-y
- Loan to deposit ratio at 73%

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

CEE Business Unit (3)



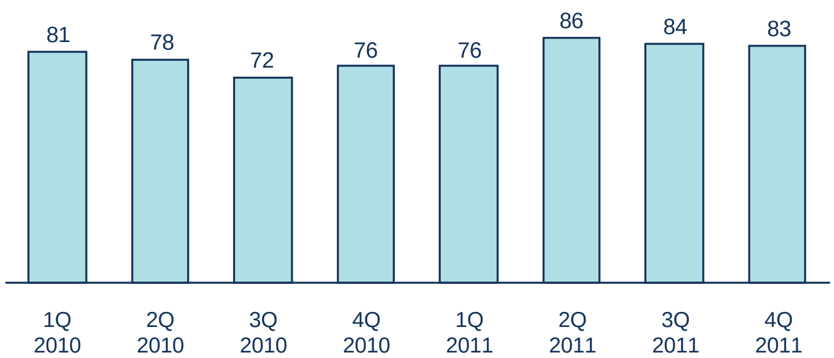


- At 370m EUR, net interest income rose by 1% q-o-q, but fell by 4% y-o-y (organic growth only)
- The net interest margin decreased by 6 bps to 3.27% due to the FX effect and the decrease at CSOB CZ (the result of a slightly lower interest result and an increased average of interest bearing assets). Net interest income was down 5% q-o-q, but this was due entirely to the depreciation in the CZK and HUF (resp. -3% and -10%)

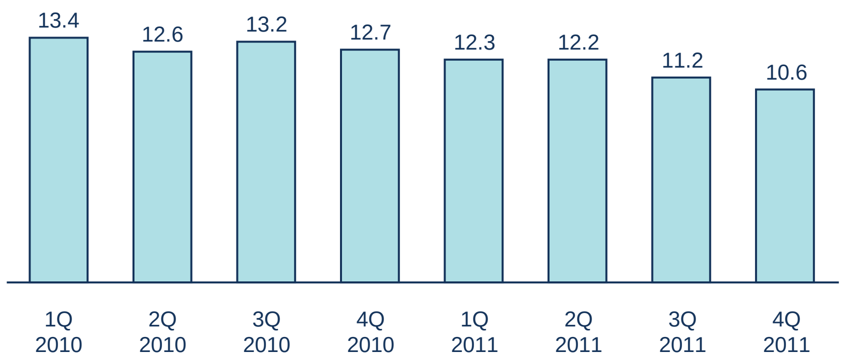
Amounts in m EUR

CEE Business Unit (4)

F&C



AUM



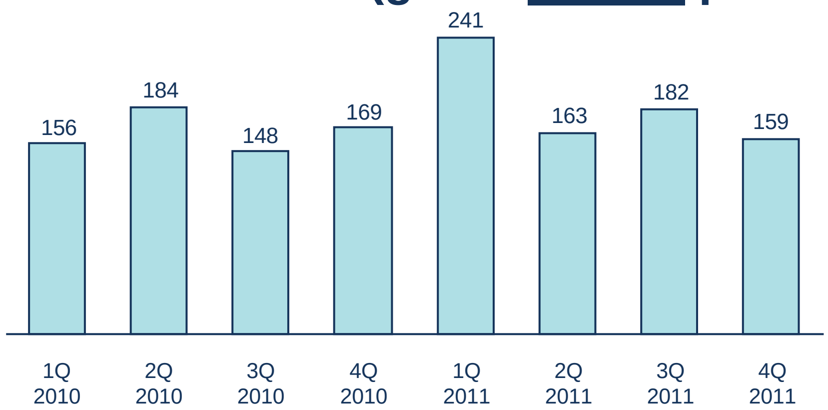
Amounts in bn EUR

- Net fee and commission income (83m EUR), up on an organic basis 4% q-o-q and 13% y-o-y. This increase was attributable primarily to higher fees regarding securities transactions at CSOB Bank CZ
- Assets under management fell by 6% q-o-q to roughly 11bn EUR, driven by the negative price trend and net outflows (both -3% q-o-q)

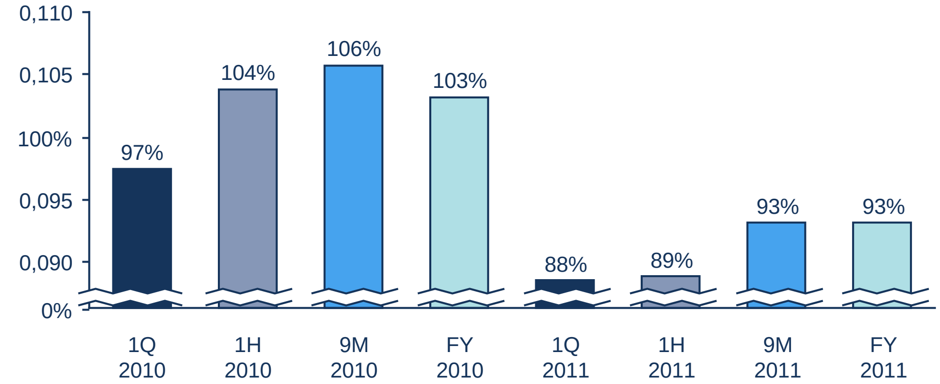
Amounts in m EUR

CEE Business Unit (5)

Premium income (gross earned premium)



Combined ratio (Non-Life)

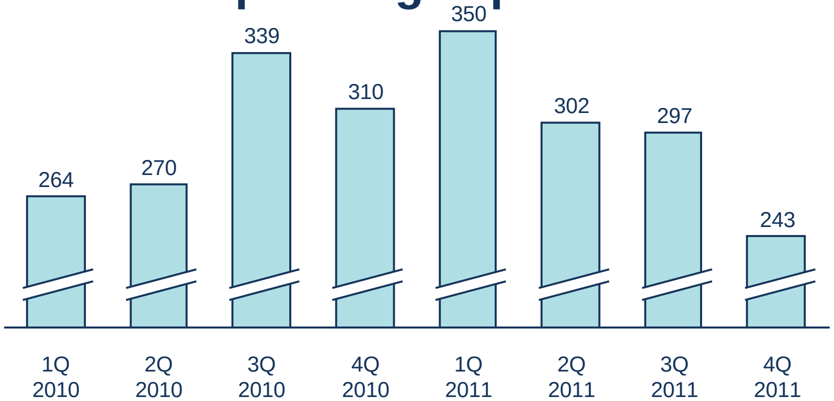


- Insurance premium income (gross earned premium) stood at 159m EUR
  - Non-life premium income (84m) up 1% on an organic basis q-o-q (thanks mainly to the Czech Republic) and 5% y-o-y (thanks mainly to Hungary and the Czech Republic)
  - Life premium income (75m) down 18% on an organic basis q-o-q and 12% y-o-y
- Combined ratio improved significantly to 93% in 2011 (from 103% in 2010)

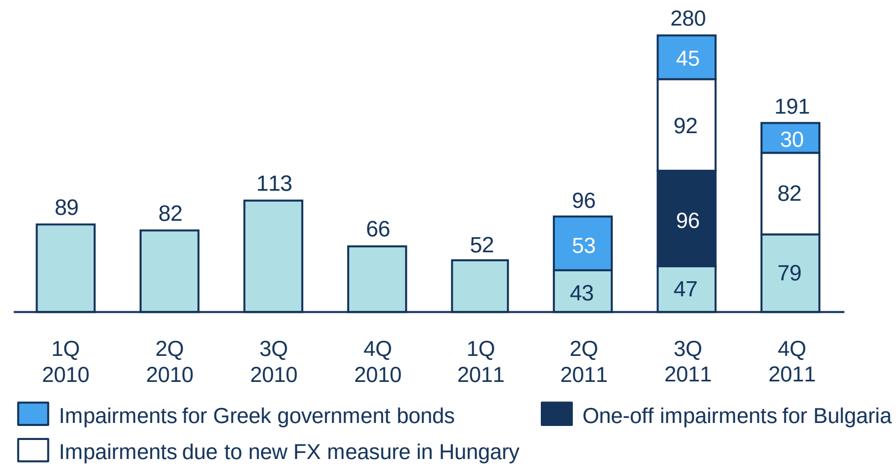
Amounts in m EUR

CEE Business Unit (6)

Operating expenses



Asset impairment



- Operating expenses (243m EUR) fell by 14% q-o-q and 19% y-o-y on an organic basis (excluding impact of FX)
  - This decrease was mainly caused by the 55m EUR deduction of the FX mortgage impairments from the Hungarian banking tax . Excluding the Hungarian bank tax and other technical items, operating expenses decreased by 5% y-o-y
  - YTD cost/income ratio at 54% (53% excluding Hung. bank tax)
- Asset impairment at 191m
  - L&R impairments decreased sharply thanks to i) slightly lower q-o-q FX mortgage impairments in Hungary and ii) one-off impairments for Bulgaria in 3Q11, leading to a credit cost ratio of 1.59% YTD (1.16% in FY10). NPL ratio at 5.6%
  - Impairment of 30m EUR pre-tax was recorded for Greek gov. bonds

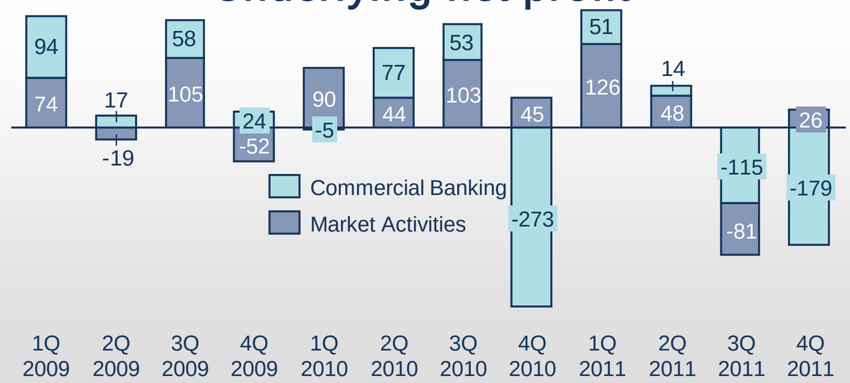
	Loan book	2008* CCR	2009* CCR	2010 CCR	2011 CCR
CEE	**30bn**	**0.73%**	**2.12%**	**1.16%**	**1.59%**
- Czech Rep.	19bn	0.38%	1.12%	0.75%	0.37%
- Hungary	6bn	0.41%	2.01%	1.98%	4.38%
- Slovakia	4bn	0.82%	1.56%	0.96%	0.25%
- Bulgaria	1bn	1.49%	2.22%	2.00%	14.73%

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

Amounts in m EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	**42bn**	**34bn**
Growth q/q*	**0%**	**-35%**
Growth y/y*	**-1%**	**-45%**

**non-annualised*

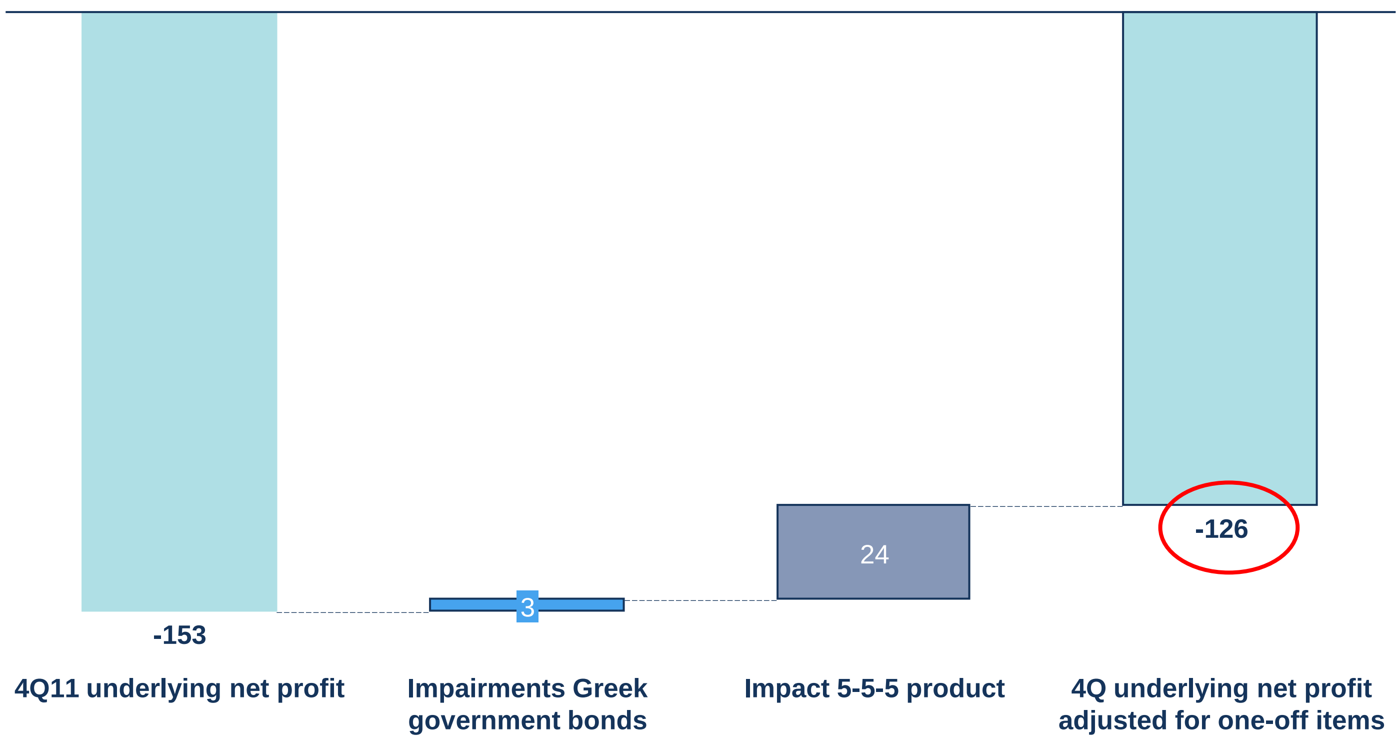
- Underlying net profit in the Merchant Banking Business Unit totalled -153m EUR. Adjusted for one-off items (Greece), underlying net profit amounted to -126m EUR
  - The lower q-o-q result from this business unit's Commercial Banking activities of 64m EUR in 4Q11 was due entirely to higher loan loss provisions for Belgian corporates (several specific files) and for KBC Bank Ireland. Excluding KBC Bank Ireland, the 4Q11 result would be 31m EUR lower q-o-q
  - The result from the unit's Market Activities of 26m EUR was up sharply q-o-q, entirely attributable to the lower provisions for the 5-5-5 product in 4Q11 (35m EUR pre-tax and 24m post-tax) and substantially higher dealing room results at KBC Bank Belgium

- Reminder: a significant part of the merchant banking activities (the assets to be divested) has been shifted to the Group Centre since 1Q10

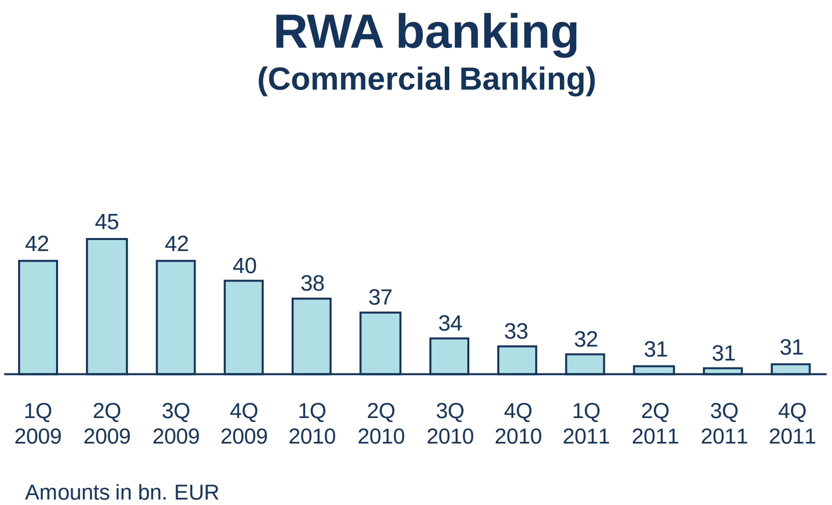
Amounts in m EUR

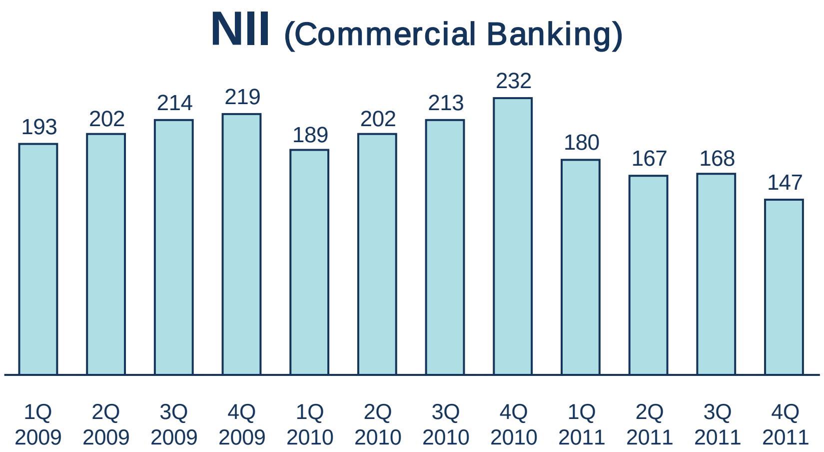
4Q11 underlying net profit in MEB Business Unit adjusted for one-off items

- Adjusted for one-off items (Greek government bonds and 5-5-5 bonds), underlying net group profit in the Merchant Banking Business Unit amounted to -126m EUR in 4Q11



Merchant Banking Business Unit (2)

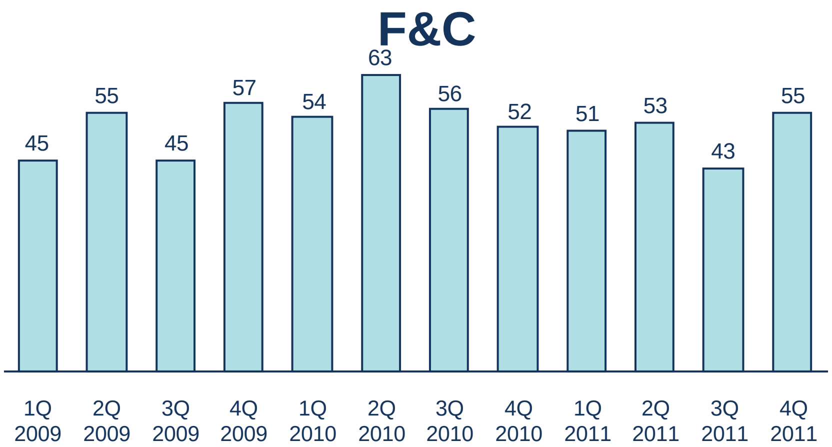


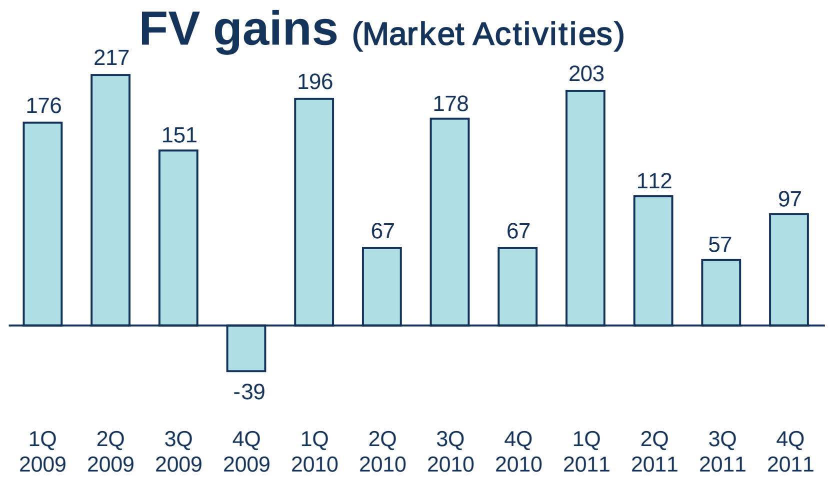


- Risk weighted assets in Commercial Banking stabilised at roughly 31bn EUR
- Net interest income (relating to the Commercial Banking activities) fell by 12% q-o-q to 147m EUR driven by a sizeable drop in volumes (mainly foreign branches) as well as a lower reinvestment yield (following the sale of PIIGS government bonds)

Amounts in m EUR

Merchant Banking Business Unit (3)





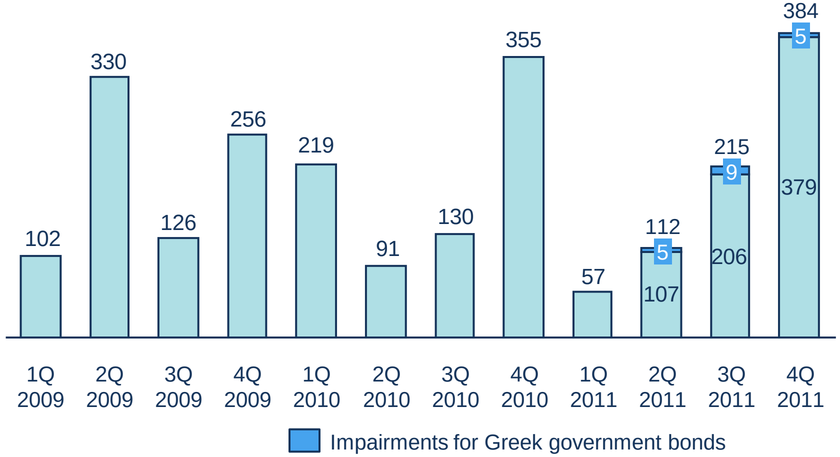
- At 55m EUR, net fee and commission income was 12m EUR higher q-o-q thanks to some technical items
- Higher fair value gains within the 'Market Activities' sub-unit, largely thanks to good dealing room activities in 4Q11

Amounts in m EUR

Merchant Banking Business Unit (4)

Operating expenses

Asset impairment



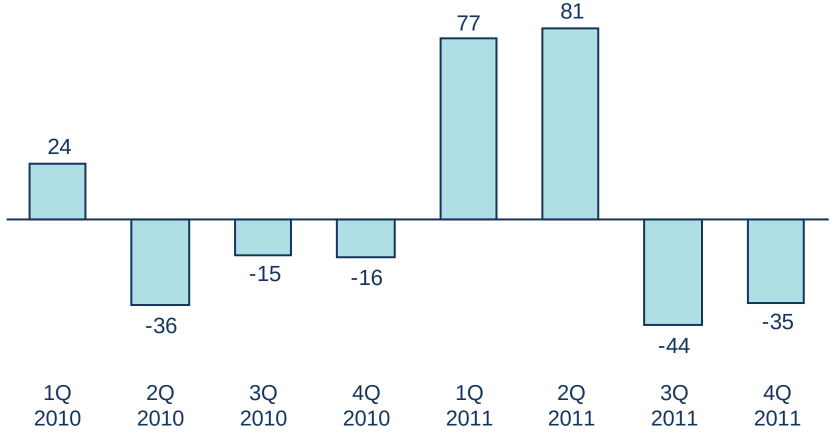
- Operating expenses decreased by 8% quarter-on-quarter and 16% year-on-year to 132m EUR. Excluding several small one-off items, operating expenses fell by 5% quarter-on-quarter and 1% year-on-year. Underlying cost/income ratio: 46% in 2011 (and 41% excluding the provision for the 5-5-5 product)

- Total impairments amounted to 384m EUR in 4Q11
  - The higher q-o-q L&R impairments was accounted for largely by Belgian corporates (given the unsustainable low level in 3Q11) and KBC Bank Ireland (loan loss provisions in 4Q11 of 228m EUR compared with 187m EUR in 3Q11). Credit cost ratio at 1.36% in 2011 (compared to 1.38% in 2010) and NPL ratio at 7.8%; 0.59% and 3.3%, respectively excluding KBC Bank Ireland
  - Impairment of 5m EUR pre-tax for Greek government bonds

Amounts in m EUR

Group Centre

Underlying net profit

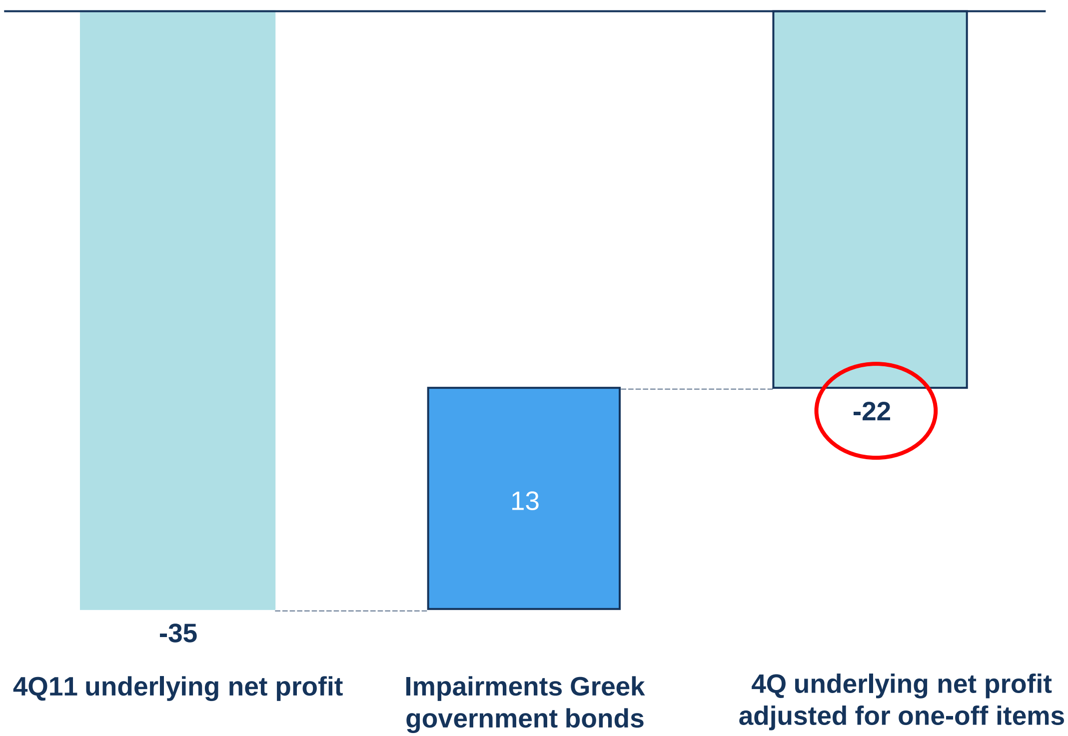


- In addition to the results of the holding company and shared-services, the results of companies scheduled for divestment have been reallocated to the ‘Group Centre’ (starting in 1Q10). The lower q-o-q net group loss was attributable chiefly to a deferred tax benefit (at KBL *epb*). Note that the divestment of Centea was finalised on 1 July 2011 (3Q11), while the sale of KBL *epb* and Fidea was announced in October 2011
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the ‘Group Centre’

Amounts in m EUR

4Q11 underlying net profit in Group Centre adjusted for one-off items

- Adjusted for one-off items (Greek government bonds), underlying net group profit in the Group Centre Business Unit amounted to -22m EUR in 4Q11



Group Centre (2)

Breakdown of underlying net group profit

	4Q11
Group item (ongoing business)	**-11**
Planned divestments	**-24**
- Centea	0
- Fidea	8
- Kredyt Bank	13
- Warta	1
- Absolut Bank	3
- 'old' Merchant Banking activities	-4
- KBL EPB	18
- Other	-63
TOTAL underlying net group profit	**-35**

NPL, NPL formation and restructured loans in Russia

	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%	11.2%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%	-0.2%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%	3.2%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8	4

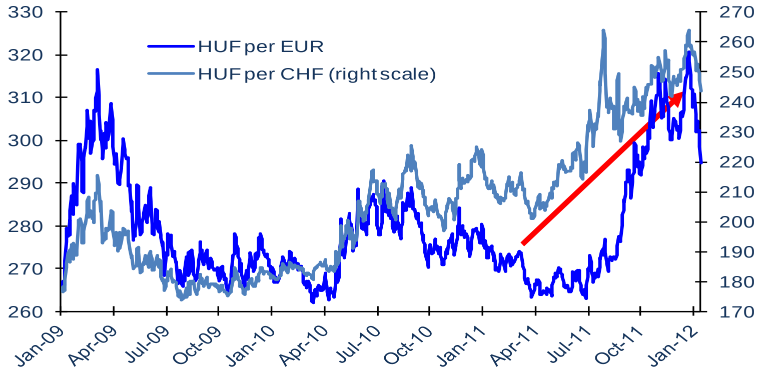
Amounts in m EUR

Annex 3

FX measures in Hungary

Hungary (1): FX mortgage repayment

- **FX repayment scheme introduced in 3Q11**: possibility for a full repayment of FX mortgage loans at a fixed exchange rate. The possibility was open until year-end 2011 for customers to announce their intention to repay with an ultimate repayment date set at 28 February 2012, but by 30 January 2012 the borrowers had to either provide for coverage on an account or present a promissory note
  - In 3Q11, K&H has already recorded 92m EUR in provisions. Given the higher than expected participation rate (ultimately at 30%) and discount, K&H recognised 82m EUR in additional provisions in 4Q11
  - The amendment voted in December 2011 allows the bank to deduct 30% of the loan loss provisions from the bank tax paid in 2011. This resulted in operating expenses decreasing by 55m EUR in 4Q11
  - **The total pre-tax effect for 2011 after recovering part of the bank tax, amounted to 119m EUR, which is 27m EUR higher than the amount set aside in 3Q11**
  - **The FX prepayment will have a negative impact on interest income of K&H of approximately 30m EUR in 2012, gradually decreasing in the following years**



Hungary (2): New measures agreed with the Hungarian government in Dec 2011

Measures to assist <u>performing</u> debtors

- The scheme (which already existed) under which loan installments are paid based on a fixed FX rate (of 180 CHF/HUF and 250 EUR/HUF), and the surplus is posted to a 'buffer account' and deferred, will be modified and accessible on a voluntary basis, until the end of 2012
- The principal amount of the monthly installment posted to the buffer account may be deferred until the end of 2016
- The interest part of the installment amounts will be borne by the Hungarian government and the banks on a 50/50 basis. Should the FX exchange rate exceed the levels of CHF/HUF 270 and EUR/HUF 340, the excess amounts will be borne by the Hungarian government
- **Assuming a client participation rate of 75%, the total impact of this measure until 2016 can be estimated at 31m EUR before tax over the 5 year period**

Hungary (3): New measures agreed with the Hungarian government in Dec 2011

Measures to assist defaulted debtors

- Debtors whose loans were overdue by more than 90 days on 30 September 2011 and the market value of the collateral was less than 20m HUF, will be requested to convert their FX mortgage loans into HUF loans. The banks will wave 25% of the converted total obligations. The losses waved can be deducted at 30% from the special bank tax due for 2012

- It was also decided that the National Asset Management Company (NAMC) would purchase residential properties of eligible mortgages debtors, the so called social cases

- The NAMC will purchase 25,000 properties by the end of 2014

- The measures to assist defaulted debtors **will not have any further substantial impact on P&L given the deductibility of the 30% of the loss from the bank tax and the high level of provisions K&H has already made** for such borrowers