4Q2012

KBC Group

Extended Quarterly Report

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

(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 activities of the group] / [total income of the banking activities of the group].

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

Credit cost ratio: [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 equity holders of the parent)] / [average number of ordinary shares, less treasury shares]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

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

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

Non-performing loan ratio: [amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than 90 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 capital instead of real capital] / [average capital allocated to the business unit]. The result of a business unit is the sum of the result of all the companies in that business unit, adjusted for the funding cost of goodwill (related to the companies in the business unit) and allocated central overheads. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance.

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

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

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KBC Group Report on 4Q and FY2012

This press release contains information that is subject to transparency regulations for listed companies.
Date of release: 14 February 2013

Summary: further alignment with core strategy and good commercial results

KBC ended the last three months of 2012 with a net profit of 240 million euros, compared with a net profit of 531 million euros in the previous quarter and 437 million euros in the year-earlier quarter. This means the group has generated a total net profit of 612 million euros for the full-year 2012, compared with 13 million euros a year earlier.

After excluding all exceptional and non-operating items, KBC ended the fourth quarter of 2012 with an underlying net profit of 309 million euros, compared with a net profit of 406 million euros in the previous quarter and 161 million euros in the corresponding quarter of 2011. The underlying results for full-year 2012 amounted to 1 542 million euros, well above 1 098 million euros in 2011.

Johan Thijs, Group CEO:

'The continued alignment of the group with its core strategy was the main focus for the last quarter of 2012. Besides generating good commercial results, we made substantial progress again in this quarter towards bringing KBC into line with its strategic objectives. Significant divestments, a very successful strengthening of our capital and a large repayment of state aid were the main features of the fourth quarter, a period in which we recorded underlying net profit of 309 million euros.

Our underlying result was driven by the good commercial performance of our strategic banking and insurance business model in our home markets in Belgium and Central and Eastern Europe. Net interest income held firm despite the current challenging low-yield environment, thanks to healthy commercial margins and the lower funding cost of covered bonds, among other things. Loan and deposit volumes grew considerably in our core markets. Fee income went up significantly and insurance products sold well, particularly in the life insurance business. The combined ratio was persistently low across the year, but loan loss impairments in the quarter under review were slightly higher.

We also successfully carried out the merger of our Polish banking subsidiary, Kredyt Bank, with Bank Zachodni WBK. In addition, we signed an agreement to sell our Russian banking subsidiary, Absolut Bank, to Blagosostoyanie, the group that manages the assets of the second-largest non-state pension fund in Russia. And we signed an agreement to fully exit NLB by selling our remaining 22% stake to the Republic of Slovenia. Consequently, we are now in a position to focus further on our core activities.

We improved our already strong liquidity position, as illustrated by a loan-to-deposit ratio of 78% at the end of December. We have decided to repay 8.3 billion euros of the LTRO to the ECB, given that our group boasts a strong retail and corporate deposit base in our core markets and our wholesale funding needs for 2013 are well advanced.

In addition to the successful placement of 350 million euros' worth of treasury shares at the beginning of the fourth quarter, an equally successful placement of 59 million ordinary shares at the beginning of December added gross cash proceeds of 1 250 million euros to our capital. At the beginning of 2013, we complemented these transactions with the issue of a tier-2 contingent capital note for 1 billion US dollars that was eight times oversubscribed.

We repaid 3 billion euros of state aid plus paid a penalty of 15% (450 million euros) to the Belgian Federal Government in December. We intend to accelerate repayment of 1.17 billion euros of state aid to the Flemish Regional Government plus pay the accompanying penalty of 580 million euros in the first half of 2013, subject to the customary approval of the National Bank of Belgium.

As a result, our tier-1 capital ratio settled at 13.8% in the fourth quarter of 2012. This ratio will amount to 14.6% on a pro forma basis when the effects of the the sale of our stake in Bank Zachodni *WBK, the sale of our holding in Nova Ljubljanska banka group and the sale of Absolut Bank are included. Our common equity ratio under Basel III at the end of 2012 stood at 10.8% (fully loaded), well above our goal to maintain a target common equity ratio under Basel III (fully loaded) of 10% as of 1 January 2013.*

At the beginning of October, we announced our updated strategy for the group for 2013 and beyond and have restructured our organisation with effect from 1 January 2013 to better reflect this updated strategy. Our goal is to *become more agile and efficient and thus more competitive. In doing so, we will not only adapt to changing client behaviour but will also meet the legitimate expectations from society as a whole, to the benefit of our clients, employees, shareholders and other stakeholders alike.*

Over the whole of 2012, KBC generated a profit of 612 million euros. On an underlying basis, this figure stood at an even higher 1 542 million euros. When taking into account the repayment penalty of 450 million euros, paid to the Belgian State, and the coupon of 543 million euros, to be paid on the core capital securities sold to the Belgian State and the Flemish Region, our underlying earnings per share comes to 1.57 euros, while reported earnings per share amounts to -1.09 euros. Given our strong solvency position – as reflected in our tier-1 capital ratio of 13.8% – we will propose to the Annual General Meeting of Shareholders that a dividend of 1.00 euro per share be paid this year.

We also intend not to pay a dividend next year, which means no coupon will be paid to the Flemish Regional Government either. Taking all factors into account, the return the Flemish Region will receive on the core capital securities will remain higher than 10% per year. As mentioned above, we still intend to accelerate repayment of 1 167 million euros of state aid to the Flemish Regional Government plus pay the accompanying premium of 583 million euros in the first half of 2013, subject to the customary approval of the National Bank of Belgium. '

Main exceptional and non-operating items impacting the reported IFRS result for 4Q2012:

A number of exceptional items were excluded from the underlying results. Their combined impact in 4Q2012 amounted to -0.1 billion euros. Apart from some smaller items, the main non-operating items in 4Q2012 were a negative amount of 0.1 billion euros for a marked-to-market adjustment in relation to KBC's own credit risk, a positive amount of 0.1 billion euros attributable to the Kredyt Bank divestment file and a negative amount of 0.1 billion euros from the sale of our stake in the Nova Ljubljanska banka group.

Financial highlights for 4Q2012 compared to 3Q2012:

- Continued good underlying net group profit through strong commercial franchise.
- Stable net interest income.
- Good growth in loan and deposit volumes in our core markets.
- Healthy combined ratio at 95% year-to-date.
- Robust sales of unit-linked life insurance products.
- Increased net fee and commission income, up by 4%.
- Solid gains from financial instruments at fair value.
- Underlying cost/income ratio at 57% year-to-date.
- Credit cost ratio at a satisfactory 0.71% year-to-date. Excluding Ireland, this ratio stands at 0.39%.
- Consistently strong liquidity position with a solid loan-to-deposit ratio of 78%.
- Solvency: strong capital base: *pro forma* tier-1 ratio – including the effect of divestments which have been signed, but not yet closed – at 14.6% (with a core tier-1 ratio of 12.5%). Basel III common equity ratio (fully loaded) well above the 10% target.

Overview KBC Group (consolidated)	4Q2011	3Q2012	4Q2012	Cumul. FY2011	Cumul. FY2012
Net result, IFRS (in millions of EUR)	437	531	240	13	612
Basic earnings per share, IFRS (in EUR)[1]	0.63	1.16	-0.97	-1.93	-1.09
Underlying net result (in millions of EUR)	161	406	309	1 098	1 542
Underlying basic earnings per share (in EUR)[1]	-0.19	0.79	-0.84	1.26	1.57
Breakdown of underlying net result per business unit (in millions of EUR)					
Belgium	251	290	237	802	1 019
Central & Eastern Europe	98	169	146	327	621
Merchant Banking	-153	10	-7	-110	-19
Group Centre	-35	-64	-67	79	-78
Parent shareholders' equity per share (in EUR, end of period)	28.7	31.3	29.0	28.7	29.0

The IFRS and underlying income statement summary tables are provided below in this earnings statement.
1 Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata). If a penalty has to be paid, it will likewise be deducted.

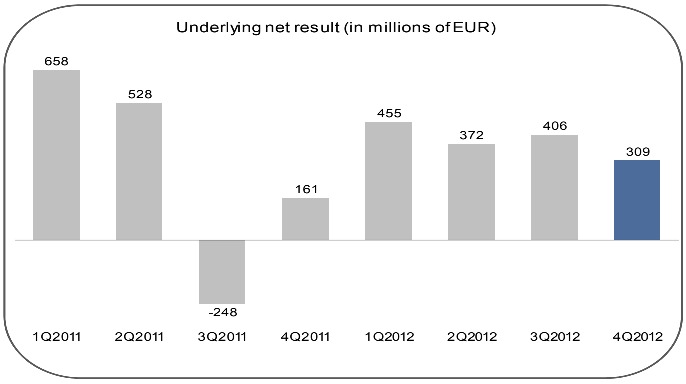
Underlying results

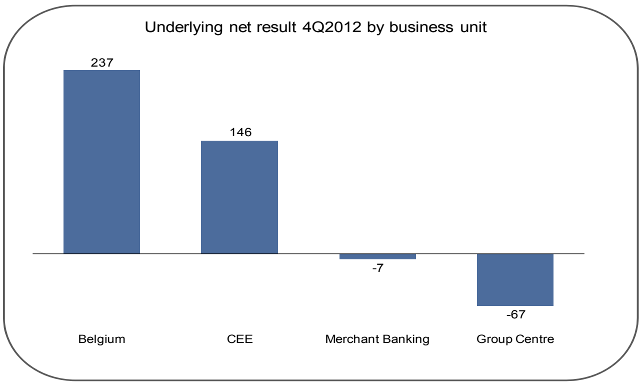
Highlights of 4Q2012 (excluding exceptional and non-operating items)

In addition to the figures according to IFRS (next section), KBC provides 'underlying' figures aimed at giving more insight into the business performance. The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment for certain hedging results and capital-market income.
A full explanation of the differences between the 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, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul FY2011	Cumul FY2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	1 087	1 086	5 404	4 534
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	578	623	4 122	2 975
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-499	-584	-3 556	-2 593
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	13	-44	-13
Dividend income	8	37	14	15	5	21	10	5	74	41
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	256	222	509	917
Net realised result from available-for-sale assets	53	42	11	85	31	6	57	55	191	150
Net fee and commission income	399	394	367	374	306	310	349	363	1 535	1 328
Other net income	73	72	-210	12	-8	53	74	89	-52	209
Total income	2 274	2 161	1 673	2 075	1 989	1 786	1 900	1 873	8 182	7 549
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	- 1 016	-990	-1 068	-4 686	-4 184
Impairment	- 105	-333	-740	-730	-271	-241	-305	-378	-1 909	-1 195
on loans and receivables	-97	-164	-475	-599	-261	-198	-283	-329	-1 335	-1 072
on available-for-sale assets	-6	-135	-228	-85	-5	-24	-4	-4	-453	-37
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	-2	-35	-38	-46	-5	-18	-18	-45	-121	-86
Share in results of associated companies	1	0	-23	-35	-9	-9	-13	1	-57	-31
Result before tax	943	673	-262	177	599	520	592	428	1 530	2 139
Income tax expense	- 271	-138	22	-9	-136	-144	-177	-110	-397	-567
Result after tax	671	534	-240	167	463	376	415	317	1 133	1 572
attributable to minority interests	14	6	8	7	7	5	9	9	35	30
attributable to equity holders of the parent	**658**	**528**	**-248**	**161**	**455**	**372**	**406**	**309**	**1 098**	**1 542**
Belgium	280	238	32	251	266	226	290	237	802	1 019
Central & Eastern Europe	123	146	-40	98	118	188	169	146	327	621
Merchant Banking	177	63	-196	-153	42	-65	10	-7	-110	-19
Group Centre	77	81	-44	-35	30	23	-64	-67	79	-78
Basic earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-0.84	1.26	1.57
Diluted earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-0.84	1.26	1.57

Reconciliation of underlying and IFRS result KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul FY2011	Cumul FY2012
Result after tax, attributable to equity holders of the parent: UNDERLYING	658	528	-248	161	455	372	406	309	1 098	1 542
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45	-29	-33	-30	-273	-46
+ gains/losses on CDOs	114	-108	-628	154	149	-32	274	40	-468	431
+ impairment on goodwill	0	-17	-57	-41	0	-16	0	-8	-115	-24
+ result on legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	6	7	50	-6
+ MTM of own debt issued	-16	-25	185	215	-340	41	-144	-87	359	-531
+ results on divestments	-45	-12	-591	8	81	-868	23	10	-640	-754
Result after tax, attributable to equity holders of the parent: IFRS	821	333	-1 579	437	380	-539	531	240	13	612





The underlying net result for the quarter under review amounted to 309 million euros, compared to 406 million euros in 3Q2012 and 161 million euros in 4Q2011.

Gross income stable quarter-on-quarter.

- Underlying net interest income stood at 1 086 million euros, the same level as the previous quarter and down 16% year-on-year. The year-on-year performance was impacted partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea. Leaving these items out, net interest income was down by 10% year-on-year. This was due primarily to the lower income from asset and liability management, while commercial margins remained healthy. The net interest margin came to 1.77% for the quarter under review, 3 basis points higher than in the previous quarter but 18 basis points less than the high level of a year earlier. In the Belgium Business Unit, both deposit and loan volumes were up quarter-on-quarter and year-on-year (loans: +5% year-on-year and +1% quarter-on-quarter; deposits: +5% year-on-year and 1% quarter-on-quarter). The loan book in the CEE Business Unit increased by 4% year-on-year (attributable to the Czech Republic, Slovakia and Bulgaria) and by 1% quarter-on-quarter, while deposits rose by 2% year-on-year and 3% quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit was down 6% year-on-year (mainly in Western Europe and the US) and 2% quarter-on-quarter, while the deposit base grew by 23% year-on-year, after a sharp contraction in 4Q2011 and by 2% quarter-on-quarter.
- Both the life and non-life insurance businesses had good commercial results during the quarter under review. In total, gross earned premiums less gross technical charges and the ceded reinsurance result came to 52 million euros, down 22% quarter-on-quarter and 66% year-on-year. However, when account is taken of the deconsolidation of Fidea, VITIS and Warta, this result was 42% less than the year-earlier figure. This year-on-year effect was caused by technical elements.

  The non-life segment was characterised by a good level of premiums but a relatively high level of claims due to bad weather conditions as well as technical elements like the introduction of new indicative tables for bodily injury claims, leading to a high figure for technical charges. The combined ratio for the year came to a good 95%.

  In the life segment, and on a comparable basis, sales of life insurance products rose by 29% quarter-on-quarter, due to a very successful savings campaign in the fourth quarter. Year-on-year, these sales rose by as much as 49%.

  It should be noted that the insurance results were also impacted by low investment income but benefitted from strict control of general administrative expenses.
- The net result from financial instruments at fair value amounted to 222 million euros in the quarter under review, down on the exceptionally high figure for the previous quarter but substantially up on the year-earlier figure.
- Net realised gains from available-for-sale assets stood at 55 million euros for the quarter under review, similar to the previous quarter but well above the 45-million-euro average for the last four quarters. This item was impacted mostly by gains on the sale of bonds.
- Net fee and commission income amounted to 363 million euros, up 4% quarter-on-quarter but down 3% year-on-year. The year-on-year performance was impacted partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea. Leaving these items out, income was up by 8% year-on-year. Assets under management stood at 155 billion euros, up 4% on the year-earlier figure, due to a positive investment performance, but flat compared with the figure for the third quarter of 2012.
- Other net income came to 89 million euros, 41 million euros of which was recovered with respect to the KBC Lease UK fraud case.

Operating expenses impacted by year-end effects.

- Operating expenses came to 1 068 million euros in the last quarter of 2012, up 8% on their level in the previous quarter and down 6% on their year-earlier level. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea. Excluding deconsolidated companies, underlying costs increased by 10% compared to the previous year. Higher marketing expenses and restructuring charges, primarily in Central and Eastern Europe, were the main causes of the quarterly increase. The year-on-year comparison is distorted by the recovery of 55 million euros of the bank tax in Hungary in the last quarter of 2011. The year-to-date cost/income ratio came to 57%, a clear indication that costs remain well under control.

Credit cost ratios up; loan loss provisions for Merchant Banking Business Unit sizeable.

- Loan loss impairment stood at 329 million euros in the last quarter, up on the 283 million euros recorded in the previous quarter, but down on the 599 million euros recorded a year earlier. The quarterly figure was accounted for by the fact that loan loss impairment of 87 million euros was recorded at KBC Bank Ireland, as well as 96 million euros at the Merchant Banking Business Unit excluding Ireland. The annualised credit cost ratio stood at 0.71% for 2012. This breaks down into a low 0.11% for the Belgian retail book (compared to 0.10% for FY2011), 0.40% in Central and Eastern Europe (down from 1.59% for FY2011, which had been adversely affected by Hungary and Bulgaria) and 1.42% for Merchant Banking (marginally up from 1.36% for FY2011). Excluding Ireland, the credit cost ratio for Merchant Banking stood at 0.48% (down from 0.59% for FY2011).
- Impairment charges on available-for-sale assets came to 4 million euros and other impairment charges amounted to 45 million euros in the quarter under review.

Strong solvency capital position under Basel II.

- The group’s tier-1 ratio (under Basel II) stood at a strong 13.8% at 31 December 2012 (core tier-1 ratio of 11.7%). Including the effect of the the sale of the stake in Bank Zachodni WBK, the sale of the holding in the Nova Ljubljanska banka group and the sale of Absolut Bank, the *pro forma* tier-1 ratio was as high as 14.6% (core tier-1 ratio of 12.5%).
- The solvency ratio for KBC Insurance stood at an excellent 322% at 31 December 2012, down from a very high 365% at the end of the previous quarter.
- The common equity ratio under the current Basel III framework stood at 10.8% (fully loaded, including the aid from the Flemish Region) at the end of 2012, well above the targeted common equity ratio of 10% under Basel III (fully loaded).

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 237 million euros to profit in 4Q2012, compared to 290 million euros in the previous quarter. The quarter was characterised by increased net interest income due to good commercial margins, good insurance sales but a challenging combined ratio due largely to technical elements, increased fee income and a higher level of loan impairment. Operating expenses were up for seasonal reasons but remained very well under control.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 146 million euros in 4Q2012, compared to 169 million euros in the previous quarter, driven partly by a higher level of operating expenses and a somewhat lower net interest income. Overall, impairment levels in the fourth quarter remained low.
- The Merchant Banking Business Unit recorded a loss of 7 million euros in 4Q2012, compared to a profit of 10 million euros in 3Q2012. The result was impacted by an increased level of loan impairment in the corporate branches. In Ireland, impairment charges amounted to 87 million euros, down 33% on the previous quarter. The respectable dealing room results and a recovery of an amount related to the fraud case at KBC Lease UK contributed substantially to the gross income. Excluding KBC Bank Ireland, net profit for the Merchant Banking Business Unit in 4Q2012 would have been 53 million euros.
- It should be noted that all planned divestments in the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly state the financial performance of the long-term activities and the planned divestments separately. In 4Q2012, the Group Centre’s net result came to a negative 67 million euros, compared to -64 million euros in the previous quarter. This result was driven largely by the impairments in a small number of files in the project finance portfolio of KBC Finance Ireland as well as at KBC Bank Deutschland.

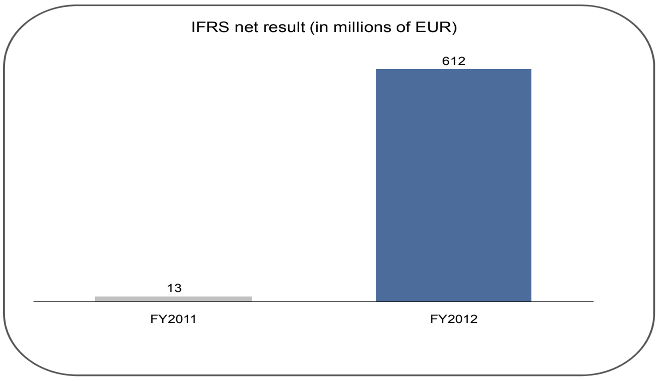
Exceptional and non operating items.

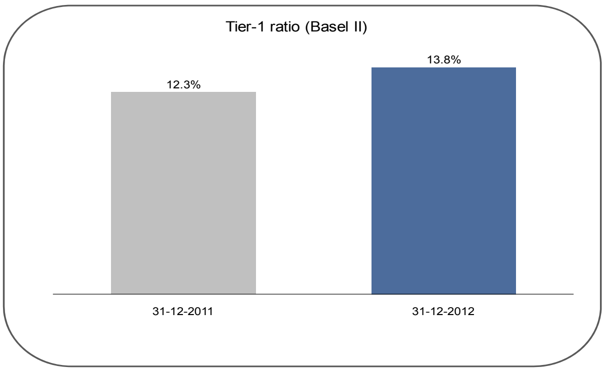
A number of exceptional items were excluded from the underlying results. Their combined impact in 4Q2012 amounted to -0.1 billion euros. Apart from some smaller items, the main non-operating items in 4Q2012 were a negative amount of 0.1 billion euros for a marked-to-market adjustment in relation to KBC’s own credit risk, a positive amount of 0.1 billion euros income from the Kredyt Bank divestment file and a negative amount of 0.1 billion euros from the sale of the group’s stake in the Nova Ljubljanska banka group.

IFRS result
Highlights of FY2012

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of this 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 performance, KBC also publishes its 'underlying' results (see above).

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul FY2011	Cumul FY2012
Net interest income	1 395	1 406	1 341	1 337	1 261	1 190	1 097	1 121	5 479	4 669
Interest income	3 047	3 195	2 910	2 732	2 695	2 563	2 493	2 382	11 883	10 134
Interest expense	-1 651	-1 789	- 1 569	-1 395	-1 434	-1 374	-1 396	-1 261	-6 404	-5 465
Earned premiums, insurance (before reinsurance)	1 141	974	972	1 033	884	890	578	623	4 119	2 975
Technical charges, insurance (before reinsurance)	-1 012	-840	-812	-877	-752	- 757	-499	-584	-3 541	-2 593
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	13	-44	-13
Dividend income	12	41	17	15	6	21	13	5	85	45
Net result from financial instruments at fair value through profit or loss	472	-194	-892	436	60	43	275	42	-178	420
Net realised result from available-for-sale assets	34	42	10	83	32	9	56	85	169	181
Net fee and commission income	300	297	281	287	304	309	343	360	1 164	1 315
Fee and commission income	518	530	480	514	492	479	494	541	2 043	2 005
Fee and commission expense	-218	-233	-200	-227	-188	-170	-151	-181	-878	-690
Other net income	92	110	-149	3	73	368	106	187	56	734
Total income	2 416	1 829	749	2 317	1 853	2 072	1 954	1 854	7 310	7 733
Operating expenses	-1 143	-1 081	-1 077	-1 043	-1 132	-1 033	-1 003	-1 081	-4 344	-4 248
Impairment	-105	-332	-940	-746	-273	-1 473	-302	-463	-2 123	-2 511
on loans and receivables	-97	-164	-473	-599	-261	-198	-283	-330	-1 333	-1 072
on available-for-sale assets	-6	-118	-223	-71	-5	-75	-4	-11	-417	-95
on goodwill	0	-17	-62	-41	0	-414	0	-8	-120	-421
on other	-2	-33	-183	-35	-7	-786	-15	-114	-253	-923
Share in results of associated companies	1	0	-23	-35	-9	17	-6	1	-58	2
Result before tax	1 170	416	-1 292	492	439	-417	644	310	786	976
Income tax expense	-334	-76	165	-75	-93	-110	-103	-56	-320	-362
Net post-tax result from discontinued operations	0	0	-445	26	40	-8	0	-6	-419	27
Result after tax	835	340	-1 571	443	387	-535	540	249	47	641
attributable to minority interests	14	6	8	6	7	5	9	9	34	29
attributable to equity holders of the parent	**821**	**333**	**-1 579**	**437**	**380**	**-539**	**531**	**240**	**13**	**612**
Belgium	385	158	-348	226	489	204	321	286	421	1 300
Central & Eastern Europe	141	145	-91	94	119	171	182	119	289	591
Merchant Banking	203	69	-255	-225	17	-65	-8	-58	-208	-114
Group Centre	92	-39	-885	342	-246	-849	37	-107	-489	-1 165
Basic earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-0.97	-1.93	-1.09
Diluted earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-0.97	-1.93	-1.09





IFRS net result for 2012 at 612 million euros, compared to 13 million euros a year earlier.

- Net interest income amounted to 4 669 million euros, compared to 5 479 million euros a year earlier. The decline was caused primarily by the deconsolidation of KBL epb, Warta, Żagiel and Fidea and lower re-investment yields. Year-on-year, loan volumes grew overall by 1%: 5% in Belgium, 4% in Central Europe and -6% in Merchant Banking. Customer deposits expanded by 9%: 5% in Belgium, 2% in Central Europe, and 23% at Merchant Banking, after a sharp contraction in 4Q2011. The year-to-date net interest margin shrunk to 1.81%, 16 basis points lower than the high figure a year ago.
- Gross earned premiums less gross technical charges and the ceded reinsurance result came to 369 million euros, down 31% year-on-year, primarily because of the deconsolidation of VITIS, Warta and Fidea.

  For the non-life activities, the year-to-date combined ratio came to a strong 95%, slightly up on the 92% for FY2011 due largely to technical items. For the life activities and on a comparable basis, there was a 16% year-on-year increase in the sale of life insurance products (thanks to higher sales of unit-linked products). It should be noted that the insurance results were also affected by investment income and charges, as well as by general administrative expenses. Investment income, in particular, was lower for both the life and non-life businesses compared to the previous quarter and the year-earlier quarter.
- Net fee and commission income amounted to 1 315 million euros in 2012, up 13% on its level a year ago, thanks, *inter alia*, to the successful sale of unit-linked products. Assets under management stood at 155 billion euros, up 4% on the year-earlier figure, due to a positive investment performance.
- The net result from financial instruments at fair value (trading and fair value income) came to 420 million euros in 2012, compared to a negative 178 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, fair valuing of the group's own debt and after shifting all trading-related income items to this heading), trading and fair value income amounted to 917 million euros on 31 December 2012, almost double the year-earlier figure, due to the very good performance turned in by the dealing room, especially in the first quarter, and the positive credit value adjustments in the third quarter.
- The remaining income components were as follows: dividend income from equity investments amounted to 45 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 181 million euros and other net income totalled 734 million euros, accounted for primarily by the capital gain realised on the closure of the sale of Warta in the second quarter.
- Operating expenses amounted to 4 248 million euros in 2012, 2% lower than the year-earlier figure. This was caused by the divestments, but offset by such factors as inflation, wage indexation and a higher bank tax. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 57% at the end of December 2012, an improvement on the 60% recorded for FY2011.
- Total impairment stood at 2 511 million euros for 2012. Impairment on loans and receivables amounted to 1 072 million euros, substantially lower than the 1 333 million euros recorded in 2011. As a result, the annualised credit cost ratio for 2012 came to 0.71%, an improvement on the figure of 0.82% for FY2011. Impairment on available-for-sale assets stood at 95 million euros. Impairment on goodwill totalled 421 million euros and other impairment charges 923 million euros. Impairment charges on goodwill and other impairment charges were both caused by the planned divestment files (primarily NLB, Absolut Bank, Antwerp Diamond Bank, KBC Banka and KBC Bank Deutschland) and were recorded in the second quarter.
- Income tax amounted to 362 million euros for FY2012.
- At year-end 2012, total equity came to 16.0 billion euros – down 0.8 billion euros on its level at the start of the year – due mainly to the repayment of 3.0 billion euros (plus a penalty of 0.5 billion euros) of non-voting core capital securities subscribed by the Belgian Federal Government and the deduction of the coupon on non-voting core capital securities subscribed by the Belgian Federal and Flemish Regional governments (-0.6 billion euros). These outflows were mitigated by the inclusion of net profit for 2012 (0.6 billion euros), the substantial change in the available-for-sale revaluation reserve (1.4 billion euros), and the capital increase through the sale of treasury shares and issue of new shares (1.6 billion euros

combined). The remaining items include cash flow hedges and translation differences. The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.8% at 31 December 2012. This ratio will amount to 14.6% on a pro forma basis when the effects of the the sale of the stake in Bank Zachodni WBK, the sale of the holding in NLB and sale of Absolut Bank are included.

Selected balance sheet data

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total assets	322 493	312 899	305 109	285 382	290 635	285 848	270 010	256 886
Loans and advances to customers*	147 625	143 182	143 451	138 284	135 980	133 326	131 048	128 492
Securities (equity and debt instruments)*	88 839	85 144	74 062	65 036	65 853	64 227	65 171	67 295
Deposits from customers and debt certificates*	192 412	188 116	184 453	165 226	166 551	163 685	160 945	159 632
Technical provisions, before reinsurance*	23 870	24 084	21 064	19 914	19 925	19 539	19 637	19 205
Liabilities under investment contracts, insurance*	6 568	6 638	6 787	7 014	7 871	8 856	9 680	10 853
Parent shareholders' equity	11 011	11 500	9 834	9 756	10 949	9 687	10 629	12 099
Non-voting core-capital securities	7 000	7 000	7 000	6 500	6 500	6 500	6 500	3 500

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

Selected ratios

Selected ratios KBC Group (consolidated)	FY2011	FY2012
Profitability and efficiency (based on underlying results)		
Return on equity[1]	5%	10%
Cost/income ratio, banking	60%	57%
Combined ratio, non-life insurance	92%	95%
Solvency[2]		
Tier-1 ratio	12.3%	13.8%
Core tier-1 ratio	10.6%	11.7%
Credit risk		
Credit cost ratio	0.82%	0.71%
Non-performing ratio	4.9%	5.3%

1 If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata).
2 After coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and assumed dividend of 1.00 euros per share, payable in May 2013.

Strategy highlights and main events

KBC's core strategy remains focused on bank-insurance in Belgium and a selection of countries in Central and Eastern Europe (Czech Republic, Slovakia, Hungary and Bulgaria). In line with its strategic plan, the group has almost finished the sale or run-down of a number of (non-core) activities (see below).

Significant progress made in 4Q2012 and so far in 2013 in implementing strategic refocusing plan.

- On 8 October 2012, Johan Thijs, the group's CEO, presented the updated strategy and explained how KBC will address the challenges presented by the changed business environment. He also put forward KBC's main financial targets for 2015, setting the course for the group to become the reference in bank-insurance in its core markets.
- On 16 October 2012, KBC Group NV and KBC Bank NV announced the successful completion of the private placement of 18.2 million euros' worth of treasury shares. The gross proceeds from the transaction amounted to 350 million euros.
- On 3 December 2012, KBC launched a highly successful Mortgage Pfandbriefen benchmark issue in euros, marking KBC's inaugural benchmark issue of covered bonds. The 1.25-billion-euro covered bond issue allowed KBC to further diversify its investor base and long-term funding mix and resources through covered bonds.
- On 4 December 2012, the Polish Financial Supervision Authority approved the merger of KBC and Banco Santander's respective Polish banking subsidiaries, Kredyt Bank and Bank Zachodni WBK. The merger was registered on 4 January 2013.
- On 4 December 2012, KBC Private Equity NV reached an agreement with KeBeK I regarding the sale of most of KBC Private Equity's remaining private equity portfolio.
- On 10 December 2012, KBC Group NV announced the successful placement of 58.8 million ordinary shares at a price of 21.25 euros per share, resulting in gross cash proceeds of 1 250 million euros.
- On 17 December 2012, KBC repaid 3 billion euros of state aid plus paid a penalty of 15% (450 million euros) to the Belgian Federal Government, after having obtained approval from the National Bank of Belgium. Since KBC had already repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government on 2 January 2012, all of the state aid received from the Belgian Federal Government has now been reimbursed.
- On 20 December 2012, KCB announced the amendment of the guarantee agreement (the Portfolio Protection Agreement or PPA) for the group's CDO and ABS portfolio. Additional clauses have been added to the revised agreement that grant KBC a conditional discount on the outstanding premiums, under certain strict conditions and limited to a set maximum amount.
- On 24 December 2012, KBC Group NV signed an agreement to sell its Russian banking subsidiary Absolut Bank to a group of Russian companies that manage the assets of Blagosostoyanie, the group that manages the second-largest non-state pension fund in Russia. The transaction is still subject to regulatory approval, which is expected in the second quarter of 2013.
- On 28 December 2012, KBC reached agreement with the Republic of Slovenia regarding the sale of its remaining 22% stake in the Nova Ljubljanska banka group. Completion of the agreement is expected in early 2013 after the approval of the Slovenian Competition Authority has been obtained.
- On 18 January 2013, KBC successfully placed 1 billion US dollars' worth of tier-2 contingent capital notes. The issue met with strong demand and was more than eight times oversubscribed.
- On 25 January 2013, KBC Group NV announced its decision to repay its three-year Long Term Refinancing Operation to the European Central Bank in the first quarter of 2013, for an amount totalling 8.3 billion euros. KBC boasts a strong retail and corporate deposit base in its core markets and its wholesale funding needs for 2013 are well advanced.
- For three of its remaining divestment files, i.e. Antwerp Diamond Bank (Belgium), KBC Banka (Serbia) and KBC Bank Deutschland (Germany), KBC is still in discussions with a number of interested parties, while the divestment of the stake in Bank Zachodni WBK (Poland) is ongoing. For all four files, KBC is also maintaining an open and constructive dialogue with the European Commission

Other main events in 2012

- On 3 October 2012, the European Banking Authority and National Bank of Belgium announced the final assessment of the capital exercise and fulfilment of the EBA December 2011 Recommendation, which showed that KBC Bank meets the 9% core tier-1 ratio including the sovereign buffer as stated in the recommendation.
- The Irish economy appears to be growing modestly albeit not evenly. A solid export performance and growing signs of stabilisation in domestic activity have coincided with an improvement in financial sentiment. Reflecting the challenging global environment and ongoing budget austerity, the turnaround in Irish economic conditions is likely to be gradual. However, growth in tax revenues, a marginal easing in unemployment and broadly encouraging survey data suggest domestic activity is approaching a turning point, while recent data on housing transactions and prices seem consistent with a bottoming out in the housing market. A loan loss provision of 87 million euros was recorded in 4Q2012, resulting in impairment on loans of 547 million euros for the full financial year.
- KBC has acted to reduce volatility in its results, and further reduced its exposure to Southern European government bonds in the first three quarters by almost a third, mainly through cutting back its holdings of Spanish and Italian government bonds.
- KBC reduced the profit and loss sensitivity of its CDO portfolio significantly through de-risking activities.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
- Although political event risks remain large, particularly in the Southern part of the European Monetary Union (EMU) area, economic risks clearly receded in recent months. This is illustrated, for example, by the avoidance of the fiscal cliff in the US and the ongoing favourable effect on EMU sovereign bond markets of the OMT programme announced by the ECB in September 2012. As a consequence, the recovery in global manufacturing is gaining strength and is becoming most visible in the US, China and in core EMU economies such as Germany. Since structural reforms in the Southern EMU area are starting to bear fruit and the political approach towards growth-reducing austerity has become more pragmatic, it is likely that countries in that area will gradually join the global recovery in the second half of 2013.

Additional information

- The statutory auditor of KBC Group NV has confirmed that his audit of the consolidated financial statements – which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union – is substantially completed and that this audit has 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 (KBC Group Report on 4Q and FY2012, pages 4-14).'
- In 2012, the changes in the scope of consolidation related to Centea, Fidea, Warta and KBL epb. The combined effect of these changes on profit is immaterial.

Financial calendar for 2013

2012 Annual Report available as of	2 April 2013
2012 Risk Report available as of	2 April 2013
Annual General Meeting	2 May 2013
Ex-dividend date	13 May 2013
Payment date	16 May 2013
KBC Group – Publication of 1Q 2013 results	16 May 2013
KBC Group – Publication of 2Q 2013 results	8 August 2013
KBC Group – Publication of 3Q 2013 results	14 November 2013
KBC Group – Publication of 4Q 2013 results	13 February 2014

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

KBC Group Analysis of 4Q2012 underlying results

Unless otherwise specified,
all amounts are given in euros

Underlying versus IFRS figures

The underlying figures, which are discussed in this section, *exclude* a number of non-operating or exceptional items. A full overview of these items is provided in the 'Reconciliation of underlying result and IFRS result' table in the first part of this report, while the impact for each business unit is summarised separately in the sections below.

In 4Q2012, the main exceptional or non-operating items were:

- -0.1 billion (after tax) related to marking-to-market of own credit risk (narrowing of KBC credit spreads)
- +0.1 billion in income from the Kredyt Bank divestment file
- -0.1 billion from the sale of stake in Nova Ljubljanska Banka (NLB)

In the reference quarters, the main exceptional or non-operating items were:

- 3Q2012: +0.3 billion (after tax) in valuation mark-up on CDO exposure (tightening of spreads) and -0.1 billion (after tax) related to marking-to-market of own credit risk (narrowing of KBC credit spreads).
- 4Q2011: +0.2 billion (after tax) in valuation mark-up on CDO exposure (tightening of spreads) and + 0.2 billion (after tax) related to marking-to-market of own credit risk (widening of KBC credit spreads).

Analysis of the underlying result, KBC Group

Total income, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	1 087	1 086
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	578	623
Non-life	451	468	477	466	438	442	307	313
Life	691	507	496	567	446	448	271	310
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-499	-584
Non-life	-234	-245	-259	-258	-234	-243	-150	-252
Life	-782	-599	-557	-622	-518	-514	-350	-332
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	13
Dividend income	8	37	14	15	5	21	10	5
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	256	222
Net realised result from available-for-sale assets	53	42	11	85	31	6	57	55
Net fee and commission income	399	394	367	374	306	310	349	363
Banking	497	488	468	475	396	394	401	411
Insurance	-98	-93	-101	-102	-89	-84	-52	-49
Other net income	73	72	-210	12	-8	53	74	89
Total income	2 274	2 161	1 673	2 075	1 989	1 786	1 900	1 873
Belgium	845	864	692	860	829	795	851	855
CEE	556	537	538	544	531	531	522	544
Merchant Banking	469	340	105	323	425	248	383	348
Group Centre	404	420	338	348	204	212	144	126

Net interest income in the quarter under review amounted to 1 086 million. This was more or less the same as the figure in the previous quarter as sound commercial margins and lower funding costs at KBC Bank Belgium offset the negative impact of lower reinvestments yields. On a comparable basis (i.e. *excluding Fidea, KBL epb, Zagiel and Warta,* which have since been deconsolidated), net interest income was down 10% on its 4Q2011 level. The year-on-year decrease was related, among other things, to the reduction in the (high-yield) GIIPS government bond portfolio, generally lower reinvestment yields and higher senior debt costs. This also caused the year-on-year decline of 18 basis points in the overall net interest margin of the group's banking activities, to 177 basis points in 4Q2012 (181 basis points for FY2012).

On a comparable basis (excluding divestments and all entities falling under IFRS 5), the group's total loan portfolio was unchanged quarter-on-quarter, but increased by 1% year-on-year. Broken down by business unit, loan volumes were as follows: in the Belgium Business Unit, the retail loan portfolio continued to go up (by 1% in the quarter under review), leading to a year-on-year increase of no less than 5%. In the CEE Business Unit, loan volumes went up by 1% in the quarter under review (decrease in Hungary, increases in all other countries), leading to a year-on-year expansion of 4% (again, a decline in Hungary; growth in the other countries). In the Merchant Banking Business Unit (corporate loan portfolio in Belgium and abroad), loan volumes were down 2% in the quarter under review and 6% year-on-year, due entirely to the reduction in the group's non-core international loan portfolio.

On a comparable basis (excluding divestments and all entities falling under IFRS 5), the group's total deposit volume increased by 2% quarter-on-quarter and as much as 9% year-on-year. Deposit volumes in the Belgium Business Unit were up 1% in 4Q2012, and 5% year-on-year; in the CEE Business Unit, they increased by 3% quarter-on-quarter and 2% year-on-year (they were down in Hungary and Bulgaria, but up in the other countries); in the Merchant Banking Business Unit, deposit volumes rose by 2% in the quarter under review, and – bearing in mind the significant drop in the last quarter of 2011 – were up 23% year-on-year.

Earned insurance premiums amounted to 623 million in 4Q2012, which breaks down into 313 million for non-life insurance and 310 million for life insurance.

On a comparable basis (excluding deconsolidated entities), non-life premium income was up 2% quarter-on-quarter and 5% year-on-year. The level of claims was relatively high in the quarter under review due to bad weather conditions and the effects of an annual review (increase in the longevity reserves and new indicative tables relevant for bodily injury claims in the non-life business). As a result, the non-life combined ratio in 4Q2012 stood at 115%, leading to a ratio of 95% for FY2012 (versus 92% in FY2011).

Earned premiums for *life* insurance under IFRS (310 million) exclude certain types of life insurance contracts (in simplified terms, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to 1 224 million in the quarter under review. On a comparable basis (excluding deconsolidated companies), this figure was up 29% on the level recorded in the previous quarter, and 49% on its 4Q2011 level. The quarter-on-quarter increase in sales of unit-linked products was due mainly to the successful savings campaign in October and November in the Belgium Business Unit and exceptionally high sales level also in this business unit in December, which benefited from the fact that insurance tax is expected to increase from January 2013 . As was the case in previous quarters, life insurance sales remained very much focused on unit-linked products, which accounted for 78% of life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remainder.

Note that, in general, net profit from the non-life and life insurance activities as a whole was impacted by a lower investment result in the quarter under review. Note also that the insurance investment result is included in a number of P/L items described below, though these items evidently also include banking activities.

Net fee and commission income stood at 363 million in 4Q2012. On a comparable basis (excluding deconsolidated entities), this income item was up 4% quarter-on-quarter and up 8% compared to the 4Q2011 figure (which moreover benefited from fee income stemming from the issuance of Belgian state notes). The quarter under review benefited from the successful savings campaign in 4Q12 in Belgium (increased fee income related to investment funds and relatively high fee income related to the sale of unit-linked insurance products). Total assets under management of the group stood at 155 billion at year-end 2012, unchanged from the level three months earlier.
The other income components were as follows. Dividend income amounted to 5 million, below the average of 13 million for the four preceding quarters. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') amounted to 222 million, up on the average of 208 million for the four preceding quarters, as the quarter under review was characterised by satisfactory dealing room income. The net realised result from available-for-sale assets stood at 55 million, up on the average of 45 million for the four preceding quarters as the quarter under review included considerable realised gains on the sale of Belgian government bonds (at KBC Bank Belgium). Other net income amounted to 89 million in 4Q2012, significantly more than the average of 33 million for the four preceding quarters. In 4Q2012, other net income included a recovery of +41 million in the KBC Lease UK fraud case.

Operating expenses, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Staff expenses	-694	-701	-719	-693	-628	-633	-630	-627
General administrative expenses	-444	-366	-367	-354	-404	-305	-283	-367
Depreciation and amortisation of fixed assets	-89	-87	-86	-85	-78	-78	-77	-73
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	- 1 016	-990	-1068
Belgium	-429	-446	-462	-453	-458	-425	-431	-454
CEE	-350	-302	-297	-243	-349	-290	-292	-348
Merchant Banking	-152	-142	-143	-132	-147	-148	-147	-141
Group Centre	-296	-265	-269	-305	-156	-154	-120	-126

Comparatively speaking (i.e. *excluding deconsolidated entities),* operating expenses (1 068 million) were up 8% quarter-on-quarter, partly due to seasonal effects: 1) traditionally higher marketing expenses, 2) some restructuring charges (in the CEE Business Unit), and 3) variable remuneration. Operating expenses were up 10% on a comparable basis on the year-earlier figure, since 4Q2011 included, among other things, the positive impact of the deduction from the Hungarian bank tax related to the impairment charges on foreign exchange mortgage loans. As a result, the cost/income ratio of the group's banking activities stood at 57% in 4Q2012, leading to a ratio of also 57% for the full FY2012, an improvement on the 60% recorded for FY2011. The FY2012 cost/income ratio breaks down per business unit as 59% for Belgium, 59% for CEE and 42% for Merchant Banking.

Impairment, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Impairment on loans and receivables	-97	-164	-475	-599	-261	-198	-283	-329
Impairment on available-for-sale assets	-6	-135	-228	-85	-5	-24	-4	-4
Impairment on goodwill	0	0	0	0	0	0	0	0
Other impairment	-2	-35	-38	-46	-5	-18	-18	-45
Impairment	- 105	-333	-740	-730	-271	-241	-305	-378
Belgium	-15	-74	-165	-58	-2	-39	-16	-45
CEE	-52	-96	-280	-191	-47	-21	-32	-42
Merchant Banking	-57	-112	-215	-384	-205	-166	-180	-200
Group Centre	19	-51	-81	-97	-17	-14	-77	-91

Impairment *on loans and receivables* (loan loss provisions) stood at 329 million. The loan loss provisions in 4Q2012 were higher than the 283 million recorded in the previous quarter, but significantly lower than the 599 million recorded in 4Q2011, which had included an additional impairment charge for Hungary related to the impact of the legislation for foreign exchange mortgage loans, and high loan loss provisions for Ireland (228 million).

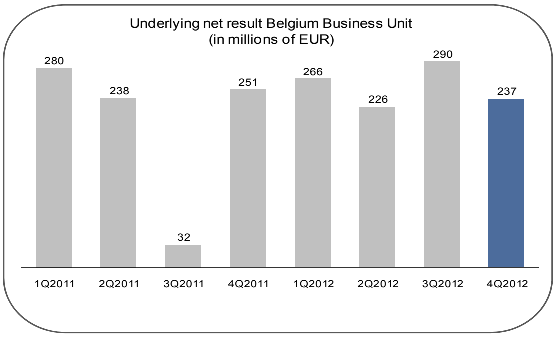
In the quarter under review, loan loss provisions went up mainly at KBC Bank Belgium (part retail), KBC Bank Deutschland (which is up for sale) and the group's branches abroad. Loan loss provisions at KBC Bank Ireland amounted to only 87 million, down on the 129 million recorded in 3Q2012 and significantly less than the 228 million recorded in 4Q2011.

Overall, this led to a credit cost ratio for FY2012 of 71 basis points for the group as a whole, an improvement on the 82 basis points recorded for FY2011. The credit cost ratio for FY2012 breaks down as follows: an excellent 11 basis points for the Belgium Business Unit, 40 basis points for the CEE Business Unit and 142 basis points for the Merchant Banking Business Unit (only 48 basis points excluding Ireland). At the end of December 2012, non-performing loans accounted for some 5.3% of the total loan book, down on the figure recorded three months earlier (5.5%) and a decrease for the first time in a long time.

Other impairment in the quarter under review totalled 49 million and related mainly to real estate investment property and ICT. In 4Q2011, the (high) impairment on available-for-sale assets related to Greek government bonds (85 million). Please note that impairments related to group companies that have to be divested are excluded from the underlying results.

In the following sections, the underlying results of the KBC group are broken down by business unit. In order to create more transparency and to avoid substantial quarter-on-quarter distortion in the results of the business units every time a company is divested, all the results of the companies that are earmarked for divestment have been grouped together in the Group Centre. The results of the business units (Belgium, Central & Eastern Europe (CEE) and Merchant Banking) therefore exclude these companies and the analysis of their results is, in principle, not distorted by the deconsolidation of group companies that have been divested.

Analysis of the underlying results, Belgium Business Unit



The Belgium Business Unit encompasses the retail and private bank-insurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, KBC Asset Management, part of KBC Lease, KBC Group Re, KBC Consumer Finance and VAB).

It should be noted that the entities that are earmarked for divestment under the strategic plan are not included here, but grouped together in the Group Centre (until their sale date).

Income statement, Belgium Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	567	581	581	591	585	561	532	541
Earned premiums, insurance (before reinsurance)	615	512	473	534	490	411	394	469
Technical charges, insurance (before reinsurance)	-593	-507	-436	-488	-468	-393	-356	-477
Ceded reinsurance result	-8	-1	-11	-5	-8	-6	-12	15
Dividend income	6	26	9	11	5	19	4	5
Net result from financial instruments at fair value through profit or loss	10	12	10	13	15	8	21	12
Net realised result from available-for-sale assets	22	24	7	45	41	-16	44	32
Net fee and commission income	186	178	169	166	177	197	195	212
Other net income	41	37	-110	-8	-6	15	28	46
Total income	845	864	692	860	829	795	851	855
Operating expenses	-429	-446	-462	-453	-458	-425	-431	-454
Impairment	-15	-74	-165	-58	-2	-39	-16	-45
on loans and receivables	-11	-16	-10	-23	2	-15	-12	-42
on available-for-sale assets	-4	-53	-142	-31	-4	-24	-4	-2
on goodwill	0	0	0	0	0	0	0	0
other	0	-5	-13	-5	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	402	344	65	348	369	332	404	356
Income tax expense	-121	-105	-32	-97	-103	-105	-113	-119
Result after tax	281	238	33	251	266	227	290	237
attributable to minority interests	1	0	1	0	1	0	0	0
attributable to equity holders of the parent	**280**	**238**	**32**	**251**	**266**	**226**	**290**	**237**
Banking	175	147	64	148	137	159	173	178
Insurance	106	91	-32	103	128	68	117	59
Risk-weighted assets, group (end of period, Basel II)	29 104	29 158	29 161	28 929	29 101	25 273	25 434	25 660
of which banking	18 086	18 013	17 988	18 038	18 179	14 519	14 733	14 958
Allocated capital (end of period, Basel II)	2 775	2 786	2 787	2 746	2 763	2 453	2 465	2 483
Return on allocated capital (ROAC, Basel II)	39%	32%	3%	34%	37%	33%	46%	37%
Cost/income ratio, banking	57%	60%	77%	60%	65%	58%	57%	55%
Combined ratio, non-life insurance	74%	89%	95%	106%	82%	92%	89%	122%

The underlying figures exclude exceptional and non-operating items.
The following table is a reconciliation of the underlying result and the result according to IFRS.

Result after tax, attributable to equity holders of the parent: underlying	280	238	32	251	266	226	290	237
+ MTM of derivatives for ALM hedging	57	-56	-213	-38	68	-26	-25	-8
+ gains/losses on CDOs	48	-24	-167	16	155	4	55	57
+ impairment on goodwill	0	0	0	-4	0	0	0	0
+ results on divestments	0	0	0	0	2	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	385	158	-348	226	489	204	321	286

In 4Q2012, the Belgium Business Unit generated an underlying profit of 237 million, slightly below the average of 258 million for the four preceding quarters. The quarter under review was characterised by slightly higher net interest income, strong unit-linked life insurance sales, higher gross technical charges for non-life insurance, a rise in net fee and commission income and increased expenses and impairment charges. The banking activities accounted for 75% of the underlying result of the Belgium Business Unit in the quarter under review, and insurance activities for 25%.

Net interest income goes up while loan and deposit volumes continue to increase

Net interest income stood at 541 million in the quarter under review, up 2% on the previous quarter and down 8% year-on-year. The 2% increase on the figure in the previous quarter is the result of sound commercial margins, which offset the negative impact of lower reinvestments yields (due mainly to the sharply reduced GIIPS government bond portfolio during the last two years and declining interest rates). Margins were higher in the branches for most products (except current accounts). For saving accounts, this was accounted for by the decrease in the basic interest rate by 25bps in November. At 116 basis points, the net interest margin of KBC Bank in Belgium widened by 1 basis point quarter-on-quarter and narrowed by 24 basis points year-on-year. In line with the group's strategy to focus on its core markets (Belgium and four Central European countries), the Belgian retail loan book continued to expand, by 1% quarter-on-quarter, leading to a year-on-year increase of 5%. Mortgage loans remained an important driver of this retail volume growth (up 5% year-on-year). Deposits from customers likewise increased, going up by 1% quarter-on-quarter and 5% year-on-year.

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

Earned insurance premiums in the quarter under review amounted to 469 million, breaking down into 233 million for life insurance and 236 million for non-life insurance. Non-life premium income continued its upward trend, increasing by 3% compared to the previous quarter and some 6% on the year-earlier quarter (with increases in, *inter alia*, the Fire and Motor Insurance classes). The quarter under review was also characterised by a substantially higher level of claims due to bad weather conditions and the effects of an annual review (increase in the longevity reserves and new indicative tables relevant for bodily injury claims). As a result, the combined ratio deteriorated to 122%, leading to a ratio of 96% for FY2012. Life sales, including unit-linked products (which are not included in the premium figures under IFRS), amounted to a relatively strong 1 143 million in 4Q2012. This figure is 36% up on the level in the previous quarter thanks to the successful savings campaign in October and November and exceptionally high sales level in December, which benefited from the fact that insurance tax is expected to increase as from January 2013. Furthermore, the fourth quarter is traditionally positively impacted by extra contributions paid in to to pension savings. Life sales were up 55% compared to the year-earlier quarter, driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), although partly offset by deliberately lower sales of guaranteed interest products. As a result, the sales of unit-linked products accounted for 80% of total life insurance sales in 4Q2012. The remaining 20% was accounted for by interest-guaranteed products. At the end of December 2012, the life reserves of this business unit (including the liabilities under unit-linked contracts) amounted to 25.1 billion (up 3% q-on-q).

Fee and commission income up 9% quarter-on-quarter

Total net fee and commission income amounted to a satisfactory 212 million in the quarter under review, up 9% on the previous quarter and as much as 28% on the year-earlier quarter, despite the fact that the year-earlier quarter had benefited from additional fee income related to the issuance of Belgian state notes. The strong year-on-year increase was driven mainly by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). The quarter under review included higher income from mutual funds (both entry and management fees), attributable partly to the savings campaign carried out during 4Q12. Assets under management of this business unit stood at 144 billion at the end of December 2012, roughly unchanged from the figure three months earlier.

Other income components

Fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 12 million in the quarter under review, a decline on the average of 14 million for the four preceding quarters. Dividend income stood at 5 million, somewhat down on the average for the four preceding quarters. The realised result from available-for-sale assets amounted to 32 million, accounted for chiefly by gains realised on the sale of bonds at KBC Bank (29 million). Other net income came to 46 million in 4Q2012, although the figure for the year-earlier quarter (-8 million) had been impacted by the recognition of some 35 million in impairment related to the 5-5-5 product.

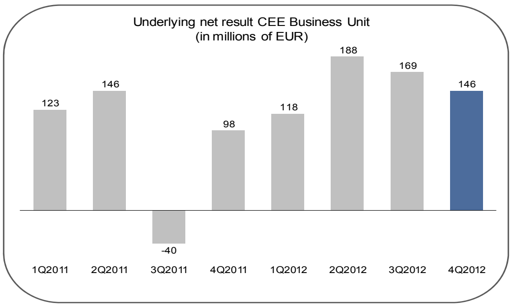
Costs under control

The operating expenses of the Belgium Business Unit stood at 454 million in the quarter under review. This is a 5% increase on the previous quarter, which is mainly due to seasonally higher marketing and ICT expenses. Compared to a year ago, expenses remained more or less the same. The cost/income ratio in the quarter under review amounted to 55%, which led to a ratio of 59% for FY2012, an improvement of 4 percentage points on the 63% recorded for FY2011.

Continued low impairment on loans

Impairment on loans and receivables (loan loss provisions) amounted to 42 million in 4Q2012. Consequently, the credit cost ratio for FY2012 stood at an excellent 11 basis points, more or less in line with the already very favourable 10 basis points for FY2011. At the end of 4Q2012, some 1.6% of the Belgian retail loan book was non-performing, in line with the figure recorded three months earlier. Other impairment charges amounted to 2 million in the quarter under review and related to shares in the portfolio; in 4Q2011 other impairment charges had totalled 36 million, due mainly to the charge of 32 million recorded on Greek government bonds.

Analysis of the underlying results, CEE Business Unit



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

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	385	381	388	370	357	347	348	337
Earned premiums, insurance (before reinsurance)	241	163	182	159	173	264	186	156
Technical charges, insurance (before reinsurance)	-189	-115	-135	-108	-127	-216	-141	-104
Ceded reinsurance result	-5	-4	-6	-6	-3	-4	-2	-5
Dividend income	0	1	1	0	0	0	1	0
Net result from financial instruments at fair value through profit or loss	33	14	5	22	55	49	46	63
Net realised result from available-for-sale assets	6	3	6	17	-11	8	5	5
Net fee and commission income	76	86	84	83	77	71	77	73
Other net income	9	9	13	7	11	11	3	17
Total income	556	537	538	544	531	531	522	544
Operating expenses	-350	-302	-297	-243	-349	-290	-292	-348
Impairment	-52	-96	-280	-191	-47	-21	-32	-42
on loans and receivables	-51	-42	-234	-151	-46	-18	-29	-30
on available-for-sale assets	0	-52	-45	-30	0	0	0	-1
on goodwill	0	0	0	0	0	0	0	0
other	-1	-2	0	-11	-1	-3	-3	-12
Share in results of associated companies	0	0	0	0	0	0	0	1
Result before tax	154	139	-39	111	136	220	199	155
Income tax expense	-31	8	-1	-14	-19	-32	-29	-9
Result after tax	123	147	-40	97	118	188	169	146
attributable to minority interests	0	0	0	-1	0	0	0	0
attributable to equity holders of the parent	**123**	**146**	**-40**	**98**	**118**	**188**	**169**	**146**
Banking	113	136	-43	85	112	178	162	133
Insurance	10	11	3	12	6	10	8	12
Risk-weighted assets, group (end of period, Basel II)	25 607	25 810	26 062	26 128	26 260	26 314	25 555	24 468
of which banking	24 140	24 300	24 541	24 563	24 742	24 820	24 048	22 960
Allocated capital (end of period, Basel II)	2 137	2 155	2 176	2 184	2 192	2 195	2 135	2 048
Return on allocated capital (ROAC, Basel II)	19%	22%	-11%	14%	17%	30%	27%	23%
Cost/income ratio, banking	63%	55%	53%	43%	65%	54%	55%	64%
Combined ratio, non-life insurance	88%	89%	101%	93%	95%	96%	99%	94%

The underlying figures exclude exceptional and non-operating items.
The following table is a reconciliation of the underlying result and the result according to IFRS.

Result after tax, attributable to equity holders of the parent: underlying	123	146	-40	98	118	188	169	146
+ MTM of derivatives for ALM hedging	22	-1	2	21	2	-2	13	-19
+ gains/losses on CDOs	2	0	0	-3	0	0	0	0
+ impairment on goodwill	0	-1	-53	-21	0	-15	0	-8
+ results on divestments	-5	1	0	0	0	0	0	0
Result after tax, attributable to equity holders of the parent: IFRS	141	145	-91	94	119	171	182	119

In the quarter under review, the CEE Business Unit generated an underlying net result of 146 million, in line with the average figure of 143 million for the four preceding quarters. The quarter under review was characterised by somewhat lower net interest income and fee and commission income, a better combined ratio and lower life insurance sales, higher expenses and same-level loan loss provisions. Broken down by country, the CEE Business Unit's net result for 4Q2012 was 124 million for the Czech Republic, 13 million for Slovakia, 39 million for Hungary, and 4 million for Bulgaria.

Net interest income down 3% quarter-on-quarter

Net interest income generated in this business unit amounted to 337 million in the quarter under review. Excluding the impact of exchange rates, this was roughly 3% less than the figure for the previous quarter, and a decline of 10% on the year-earlier quarter. The net interest margin decreased by 14bps quarter-on-quarter to 2.89% due primarily to a lower reinvestment yield in the Czech Republic. The net interest margin fell by 38bps year-on-year, due chiefly to the lower amount of loans and receivables at K&H (especially the result of fewer foreign exchange mortgage loans with relatively high margins) and a lower reinvestment yield in the Czech Republic. As regards volumes, the combined loan book of the business unit was up 1% quarter-on-quarter and 4% year-on-year (with a decrease in Hungary being offset by increases in the loan books of the Czech Republic, Slovakia and, to a lesser extent, Bulgaria). As regards customer deposits, the total volume for the business unit was up 3% quarter-on-quarter, and 2% year-on-year (a decrease in Hungary and Bulgaria, offset by an increase in the other countries).

Combined ratio at 96% in 2012; life sales down on the level of the previous quarter

Earned insurance premiums in the quarter under review amounted to 156 million, which breaks down into 73 million for life insurance and 84 million for non-life insurance. Non-life premium income was in line with the figures for the previous and year-earlier quarters. Technical charges were lower than in the previous quarter (especially in the Czech Republic, as 3Q12 had been hit by worse weather conditions and some big insurance claims), which caused the combined ratio for the quarter under review to improve to 94%. The combined ratio for the full financial year was 96%.

Life sales, including insurance products not recognised under earned premiums under IFRS, amounted to 78 million in the quarter under review, 8% lower than the level for 4Q2011 and down 27% on the previous quarter, which had been favourably affected by strong sales of unit-linked products in the Czech Republic. Sales of unit-linked products accounted for some 60% of total life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remaining part. At the end of December 2012, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1.7 billion (down 1% quarter-on-quarter).

Other income components

Net fee and commission income amounted to 73 million in the quarter under review, down 5% on the previous quarter (attributable primarily to the faster amortisation of deferred acquisition costs in the Czech Republic), and 14% compared to 4Q2011 (in both cases excluding the foreign exchange impact). Total assets under management of this business unit totalled roughly 11 billion at quarter-end, up 8% compared to three months earlier, as a result of both net inflows and a positive price effect.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 63 million, up on the average of 43 million for the four preceding quarters. The figure for 4Q2012 included good fair value results in the Czech Republic and Hungary, which were offset by somewhat weaker fair value results in Slovakia. The net realised result from available-for-sale assets came to 5 million and related to sales of bonds. Other net income totalled 17 million.

Sharp rise in costs

The operating expenses of this business unit came to 348 million, which is substantially higher than both the previous and year-earlier quarters (disregarding foreign exchange effects) due to higher marketing expenses, restructuring charges (linked chiefly to a reduction in the number of employees at CSOB CZ) and ICT costs. The cost/income ratio of the CEE banking activities stood at 64% in the quarter under review, or 59% for FY2012, compared to 54% for FY2011.

Loan loss provisions relatively low

As was the case in the previous quarter, impairment on loans and receivables (loan loss provisions) stood at a relatively low 30 million. This is in line with the previous quarter but evidently a considerable decrease compared to the high 151 million recognised in 4Q2011, which had been impacted by the impairment on foreign exchange mortgage loans in Hungary. As a result, the credit cost ratio of this business unit for FY2012 amounted to a favourable 40 basis points, well below the 159 basis points recorded for FY2011. At the end of the quarter under review, non-performing loans accounted for some 5.2% of the CEE loan book, lower than the level recorded three months earlier (5.5%). Impairment on assets other than loans and receivables amounted to 12 million in the quarter under review; the figure for the quarter a year earlier (40 million) had been impacted by impairment on Greek bonds.

Breakdown per country

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

Income statement, Czech Republic, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	259	261	268	257	260	258	259	249
Earned premiums, insurance (before reinsurance)	178	96	119	99	111	201	129	97
Technical charges, insurance (before reinsurance)	-151	-71	-92	-68	-86	-173	-105	-70
Ceded reinsurance result	-2	-2	-3	-5	-1	-2	0	-2
Dividend income	0	1	1	0	0	0	1	0
Net result from financial instruments at fair value through profit or loss	26	12	-1	16	31	23	15	29
Net realised result from available-for-sale assets	5	3	6	15	-11	7	5	4
Net fee and commission income	42	49	50	49	45	38	43	37
Other net income	4	2	9	5	10	6	0	12
Total income	361	351	357	368	358	358	347	357
Operating expenses	-158	-165	-169	-182	-160	-160	-161	-193
Impairment	-18	-65	-52	-70	-13	-14	-19	-23
Of which on loans and receivables	-18	-13	-9	-33	-13	-12	-17	-21
Of which on available-for-sale assets	0	-52	-43	-29	0	0	0	-1
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	185	121	136	116	185	184	167	141
Income tax expense	-28	-13	-19	-16	-29	-27	-24	-17
Result after tax	157	108	116	100	156	158	143	124
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**157**	**108**	**116**	**100**	**156**	**158**	**143**	**124**
banking	148	101	112	91	151	152	137	116
insurance	8	7	5	9	5	5	6	9
Risk-weighted assets, group (end of period, Basel II)	13 854	13 937	14 342	14 869	15 590	15 715	15 121	14 145
of which banking	13 015	13 080	13 477	14 013	14 709	14 836	14 218	13 242
Allocated capital (end of period, Basel II)	1 159	1 166	1 199	1 241	1 300	1 310	1 264	1 186
Return on allocated capital (ROAC, Basel II)	46%	30%	32%	27%	42%	42%	38%	33%
Cost/income ratio, banking	43%	46%	46%	49%	44%	44%	46%	54%
Combined ratio, non-life insurance	87%	91%	97%	84%	91%	94%	99%	95%

Income statement, Slovakia, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	48	46	48	51	46	44	45	46
Earned premiums, insurance (before reinsurance)	19	20	16	15	18	21	17	21
Technical charges, insurance (before reinsurance)	-13	-14	-9	-6	-10	-14	-10	-14
Ceded reinsurance result	-1	0	-1	-1	-1	0	-1	0
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	3	1	-3	-7	10	4	8	6
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	1
Net fee and commission income	11	10	9	10	9	9	10	11
Other net income	2	4	1	1	2	2	1	2
Total income	70	67	60	64	75	67	71	72
Operating expenses	-40	-42	-39	-36	-44	-44	-45	-53
Impairment	-1	-8	-5	0	-3	-2	-4	-9
Of which on loans and receivables	-1	-7	-3	1	-3	-2	-4	-2
Of which on available-for-sale assets	0	0	-2	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	29	17	16	27	28	21	22	11
Income tax expense	-5	0	-4	-4	-5	-5	-5	3
Result after tax	24	18	13	23	23	16	18	13
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**24**	**18**	**13**	**23**	**23**	**16**	**18**	**13**
banking	19	15	13	20	19	14	15	11
insurance	6	3	0	4	4	3	3	2
Risk-weighted assets, group (end of period, Basel II)	4 208	4 382	4 435	4 261	4 102	4 034	4 028	4 092
of which banking	4 038	4 205	4 258	4 084	3 926	3 855	3 849	3 913
Allocated capital (end of period, Basel II)	347	361	365	352	339	333	333	338
Return on allocated capital (ROAC, Basel II)	23%	16%	9%	24%	22%	15%	16%	11%
Cost/income ratio, banking	61%	63%	65%	58%	60%	66%	64%	73%
Combined ratio, non-life insurance	85%	88%	89%	67%	52%	85%	84%	103%

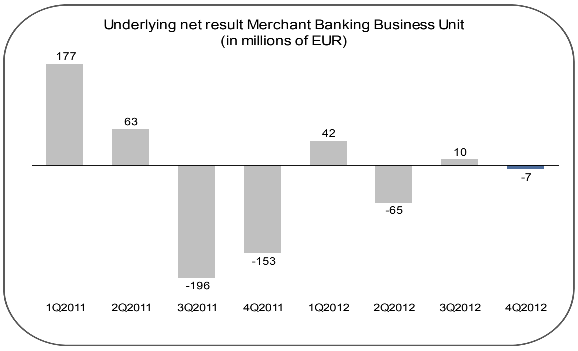
Income statement, Hungary, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	103	100	95	83	70	65	66	66
Earned premiums, insurance (before reinsurance)	22	23	23	20	19	17	19	19
Technical charges, insurance (before reinsurance)	-11	-17	-18	-16	-15	-13	-12	-11
Ceded reinsurance result	-1	-1	-1	-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	4	12	12	13	15	21	26	28
Net realised result from available-for-sale assets	0	0	0	2	0	0	0	1
Net fee and commission income	24	25	25	24	22	22	23	26
Other net income	1	2	1	0	-2	1	-1	1
Total income	143	143	138	125	109	113	120	128
Operating expenses	-130	-71	-68	0	-122	-64	-65	-73
Impairment	-29	-19	-126	-117	-29	-4	-7	-10
Of which on loans and receivables	-28	-18	-126	-116	-28	-3	-6	-8
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	1
Result before tax	-15	54	-56	8	-41	45	49	46
Income tax expense	-1	-13	6	-1	5	-10	-13	-7
Result after tax	-16	40	-50	7	-36	35	36	39
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-16**	**40**	**-50**	**7**	**-36**	**35**	**36**	**39**
banking	-19	38	-50	5	-35	33	34	36
insurance	3	2	0	2	-1	2	2	3
Risk-weighted assets, group (end of period, Basel II)	6 666	6 587	6 505	6 123	5 759	5 413	5 472	5 301
of which banking	6 424	6 335	6 253	5 834	5 513	5 178	5 238	5 068
Allocated capital (end of period, Basel II)	548	542	536	507	475	447	452	438
Return on allocated capital (ROAC, Basel II)	-18%	24%	-41%	-1%	-35%	24%	25%	27%
Cost/income ratio, banking	93%	49%	48%	2%	112%	57%	53%	57%
Combined ratio, non-life insurance	74%	92%	109%	109%	98%	103%	92%	89%

Income statement, Bulgaria, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	12	10	8	9	10	9	10	10
Earned premiums, insurance (before reinsurance)	23	25	24	25	25	24	21	20
Technical charges, insurance (before reinsurance)	-15	-14	-16	-19	-18	-15	-15	-10
Ceded reinsurance result	-2	-1	-1	1	0	0	-1	-2
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	0	0
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	1	0	1	0	0	1	1	0
Other net income	0	0	0	0	1	1	0	1
Total income	19	21	17	17	19	21	17	20
Operating expenses	-14	-14	-14	-15	-14	-14	-12	-15
Impairment	-4	-3	-2	-8	-2	-1	-2	-2
Of which on loans and receivables	-4	-3	-2	-6	-2	-1	-2	-1
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	2	4	1	-6	3	6	3	4
Income tax expense	0	0	0	0	0	0	0	0
Result after tax	2	5	1	-6	3	6	3	4
attributable to minority interests	0	0	0	-1	0	0	0	0
attributable to equity holders of the parent	**2**	**4**	**1**	**-5**	**3**	**6**	**3**	**4**
banking	0	0	1	-5	2	3	3	2
insurance	1	4	1	0	1	3	0	1
Risk-weighted assets, group (end of period, Basel II)	846	867	750	848	808	817	808	804
of which banking	628	643	523	604	593	614	614	610
Allocated capital (end of period, Basel II)	81	83	74	82	77	78	76	76
Return on allocated capital (ROAC, Basel II)	-17%	-15%	-13%	-49%	-10%	6%	-4%	28%
Cost/income ratio, banking	66%	74%	82%	83%	69%	71%	61%	68%
Combined ratio, non-life insurance	107%	83%	104%	107%	110%	99%	111%	94%

Income statement, CEE – other*, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	-36	-36	-31	-31	-29	-29	-33	-34
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	0	-1	-1
Technical charges, insurance (before reinsurance)	0	0	0	0	1	0	0	1
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	-11	-3	0	0	0	-2	0
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	-2	2	-1	0	0	0	0	0
Other net income	2	1	2	2	0	1	2	1
Total income	-38	-45	-34	-30	-29	-28	-33	-34
Operating expenses	-9	-11	-8	-9	-9	-8	-9	-15
Impairment	0	-1	-95	4	0	0	0	2
Of which on loans and receivables	0	0	-96	4	0	0	0	2
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	-47	-57	-136	-35	-38	-36	-43	-47
Income tax expense	3	34	17	7	11	9	12	12
Result after tax	-43	-23	-120	-28	-27	-27	-31	-34
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-43**	**-23**	**-120**	**-28**	**-27**	**-27**	**-31**	**-34**
banking	-36	-19	-118	-25	-25	-24	-27	-32
insurance	-7	-5	-2	-3	-3	-3	-3	-3

* includes, among other things, funding costs of goodwill and certain other items allocated from KBC Bank Belgium and KBC Insurance.

Analysis of the underlying results, Merchant Banking Business Unit



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

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	147	148	125	125	144
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	4	2	0	0	1	5	0
Net result from financial instruments at fair value through profit or loss	213	87	9	97	239	45	171	124
Net realised result from available-for-sale assets	2	11	0	22	-1	5	1	8
Net fee and commission income	51	53	43	55	56	46	47	50
Other net income	22	17	-117	2	-17	27	34	21
Total income	469	340	105	323	425	248	383	348
Operating expenses	-152	-142	-143	-132	-147	-148	-147	-141
Impairment	-57	-112	-215	-384	-205	-166	-180	-200
on loans and receivables	-57	-95	-205	-368	-203	-152	-165	-183
on available-for-sale assets	0	-1	-2	-3	0	0	0	-1
on goodwill	0	0	0	0	0	0	0	0
other	0	-16	-7	-13	-1	-14	-14	-16
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	259	86	-253	-193	74	-66	57	7
Income tax expense	-78	-21	61	44	-27	3	-43	-11
Result after tax	182	65	-192	-149	46	-63	14	-4
attributable to minority interests	5	2	4	4	4	2	3	3
attributable to equity holders of the parent	**177**	**63**	**-196**	**-153**	**42**	**-65**	**10**	**-7**
Banking	176	62	-197	-154	41	-66	9	-8
Insurance	1	1	1	1	1	1	1	1
Risk-weighted assets, group (end of period, Basel II)	45 945	42 446	39 736	42 126	40 319	40 884	38 028	36 970
of which banking	45 945	42 446	39 736	42 126	40 319	40 884	38 028	36 970
Allocated capital (end of period, Basel II)	3 676	3 396	3 179	3 370	3 225	3 271	3 042	2 958
Return on allocated capital (ROAC, Basel II)	19%	6%	-25%	-19%	6%	-7%	3%	0%
Cost/income ratio, banking	32%	42%	138%	41%	35%	60%	38%	40%

The underlying figures exclude exceptional and non-operating items.
The following table is a reconciliation of the underlying result and the result according to IFRS.

	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	177	63	-196	-153	42	-65	10	-7
+ MTM of derivatives for ALM hedging	9	-7	-31	-28	-24	0	-20	-3
+ gains/losses on CDOs	18	18	-13	-30	-1	1	-1	0
+ impairment on goodwill	0	-5	-4	-8	0	-1	0	0
+ results on divestments	-1	0	-10	-6	0	0	2	-48
Result after tax, attributable to equity holders of the parent: IFRS	203	69	-255	-225	17	-65	-8	-58

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of -7 million, an improvement on the -42 million average for the four preceding quarters. The quarter under review was characterised by higher net interest income, slightly negative credit value adjustments and satisfactory dealing room results, a recovery of amounts from the 2010 KBC Lease UK fraud case, lower costs and higher loan loss provisions. The underlying result for 4Q2012 breaks down as follows: 28 million for market activities and -35 million for corporate banking activities (24 million excluding KBC Bank Ireland).

Total income down 9% quarter-on-quarter, but up 8% year-on-year

Total income for this business unit amounted to 348 million in the quarter under review.

Trading and fair value income (recorded under ‘Net result from financial instruments at fair value through profit or loss’) amounted to a 124 million in the quarter under review, somewhat lower than the average of 138 million for the four preceding quarters. The quarter under review included satisfactory dealing room income, offset by slightly negative credit value adjustments (significant positive credit value adjustments were recorded in the previous quarter recorded , due partly to a change in methodology).

Net interest income stood at 144 million in 4Q2012, up by 15% on 3Q2012 attributable partly to lower funding costs for investments, but down 2% on the year-earlier figure. The 2% year-on-year decline was due in part to the reduction in the (high-yield) GIIPS government bonds portfolio and declining interest rates, which led to lower reinvestment yields. The total credit portfolio of the Merchant Banking Business Unit decreased by 2% in the quarter under review and by 6% year-on-year, entirely as a result of a decline in the non-core international loan book. Customer deposits went up by 2% in the quarter under review, and by 23% compared to a year ago (as 4Q11 was hit by the downgrade of the group’s short-term rating by Standard & Poor’s and the risk aversion towards the European market in general).

The other income components totalled 80 million in the quarter under review and included net fee and commission income of 50 million (in between the figures for the reference quarters), a net realised result from available-for-sale assets of 8 million (compared with an average of 7 million in the four preceding quarters) which included the sale of bonds at KBC Bank, and other net income of 21 million. Other net income included the recovery of 41 million in relation to the 2010 fraud case at KBC Lease UK (whereas the previous quarter included a recovery of 44 million for the same file).

Costs decline by 4% quarter-on-quarter

Operating expenses in the quarter under review amounted to 141 million, down 4% quarter-on-quarter and up 6% year-on-year (mainly due to the higher bank tax and ICT costs). The underlying cost/income ratio stood at 40% in 4Q2012, leading to a ratio of 42% for FY2012, an improvement on the 46% recorded for FY2011.

Somewhat higher loan loss provisions in the quarter under review

Impairment on loans and receivables (loan loss provisions) amounted to 183 million in the quarter under review, a slight increase on the 165 million recognised in the previous quarter, but still sharply down on the high 368 million recorded in the year-earlier quarter. The quarter under review included increased loan loss provisions for branches abroad and a loan loss provision of 87 million at KBC Bank Ireland (down on the 129 million posted in 3Q2012 and significantly below the 228 million recognised in 4Q2011). Consequently, the credit cost ratio for FY2012 for the Merchant Banking Business Unit came to 142 basis points, in line with the 136 basis points recorded for FY2011. Excluding Ireland*, the credit cost ratio for FY2012 would have come to 48 basis points, an improvement on the 59 basis points recorded for FY2011. At the end of December 2012, approximately 9.8% of the Merchant Banking Business Unit’s loan book was non-performing, down on the 10.1% recorded three months earlier. Excluding Ireland*, non-performing loans accounted for 3.3% of the unit’s loan book at the end of 2012 (4.1% three months earlier), thanks mainly to the restructuring of one large file.

Other impairment charges for this business unit amounted to 17 million in the quarter under review, related primarily to real estate investments.

Breakdown by corporate banking activities and market activities

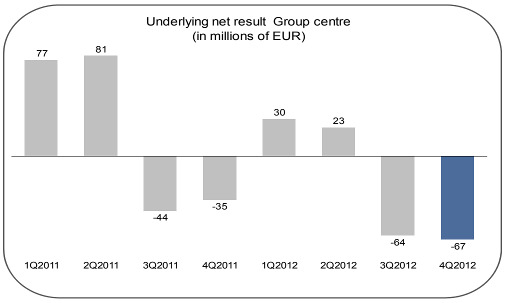
The underlying figures for the Merchant Banking Business Unit are broken down into ‘Corporate Banking’ (mainly lending and banking services to large SMEs and corporate customers) and ‘Market Activities’ (sales and trading on money and capital markets, corporate finance, etc.) on the next page.

* The annualised credit cost ratio for KBC Bank Ireland stood at 334 basis points for FY2012, compared to 301 basis points for FY2011 (which included two quarters of relatively low impairment charges), while the non-performing loan ratio rose to 23.3% at the end of 4Q2012, up from 22.5% three months earlier.

Income statement, Corporate Banking, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	148	148	125	125	144
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	4	2	0	0	1	5	0
Net result from financial instruments at fair value through profit or loss	10	-25	-48	0	41	-50	74	27
Net realised result from available-for-sale assets	2	11	0	22	-1	5	1	8
Net fee and commission income	26	29	26	36	36	30	33	31
Other net income	22	24	21	37	61	27	55	38
Total income	242	210	169	242	286	138	293	248
Operating expenses	-87	-88	-90	-86	-92	-102	-98	-99
Impairment	-72	-100	-208	-385	-202	-172	-199	-201
Of which on loans and receivables	-72	-83	-200	-368	-201	-157	-184	-184
Of which on available-for-sale assets	0	-1	-1	-3	0	0	0	-2
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	83	23	-130	-229	-8	-136	-4	-52
Income tax expense	-28	-6	19	53	-10	28	-20	20
Result after tax	55	17	-111	-176	-18	-108	-24	-32
attributable to minority interests	4	3	4	3	4	2	3	3
attributable to equity holders of the parent	**51**	**14**	**-115**	**-179**	**-22**	**-110**	**-27**	**-35**
Banking	50	13	-116	-180	-23	-111	-28	-36
Insurance	1	1	1	1	-1	1	1	1
Risk-weighted assets, group (end of period, Basel II)	32 176	30 934	30 733	31 065	31 300	31 226	30 710	30 528
of which banking	32 176	30 934	30 733	31 065	31 300	31 226	30 710	30 528
Allocated capital (end of period, Basel II)	2 574	2 475	2 459	2 485	2 504	2 498	2 457	2 442
Return on allocated capital (ROAC, Basel II)	7%	2%	-19%	-30%	-3%	-16%	-3%	-5%
Cost/income ratio, banking	36%	42%	54%	36%	32%	75%	34%	40%

Income statement, Market Activities, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	0	0	0	0	0	0	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	203	112	57	96	198	95	97	98
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	0
Net fee and commission income	25	25	17	19	19	16	15	19
Other net income	0	-8	-138	-35	-78	0	-21	-16
Total income	227	129	-64	80	139	110	91	100
Operating expenses	-65	-53	-53	-46	-55	-46	-48	-42
Impairment	15	-12	-6	1	-2	5	19	1
Of which on loans and receivables	15	-12	-5	0	-2	5	19	0
Of which on available-for-sale assets	0	0	-1	1	0	0	0	1
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	177	63	-123	36	82	70	61	59
Income tax expense	-50	-15	42	-9	-17	-25	-23	-31
Result after tax	127	48	-81	27	64	45	38	29
attributable to minority interests	1	-1	0	1	0	0	0	0
attributable to equity holders of the parent	**126**	**48**	**-81**	**26**	**65**	**45**	**38**	**28**
banking	126	48	-81	26	65	45	38	28
insurance	0	0	0	0	0	0	0	0
Risk-weighted assets, group (end of period, Basel II)	13 769	11 512	9 003	11 061	9 018	9 658	7 318	6 441
of which banking	13 769	11 512	9 003	11 061	9 018	9 658	7 318	6 441
Allocated capital (end of period, Basel II)	1 102	921	720	885	721	773	585	515
Return on allocated capital (ROAC, Basel II)	46%	18%	-41%	14%	34%	26%	26%	22%
Cost/income ratio, banking	29%	41%	-	57%	39%	41%	53%	41%

Analysis of the underlying results, Group Centre



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

Income statement, Group Centre, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	242	261	205	190	121	117	82	64
Earned premiums, insurance (before reinsurance)	284	299	317	341	222	216	-2	-2
Technical charges, insurance (before reinsurance)	-234	-221	-245	-283	-157	-149	-2	-3
Ceded reinsurance result	-4	-3	-2	9	-3	9	2	3
Dividend income	2	6	2	3	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	-11	-14	6	16	11	18	23
Net realised result from available-for-sale assets	22	3	-2	2	3	9	7	9
Net fee and commission income	86	77	72	70	-4	-3	29	27
Other net income	2	9	4	11	5	0	9	5
Total income	404	420	338	348	204	212	144	126
Operating expenses	-296	-265	-269	-305	-156	-154	-120	-126
Impairment	19	-51	-81	-97	-17	-14	-77	-91
on loans and receivables	21	-11	-26	-58	-14	-13	-76	-74
on available-for-sale assets	-2	-29	-38	-21	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	-1	-12	-17	-18	-3	-1	-1	-17
Share in results of associated companies	1	0	-23	-35	-10	-10	-13	0
Result before tax	127	104	-35	-89	20	34	-67	-90
Income tax expense	-42	-19	-6	58	12	-9	9	28
Result after tax	85	85	-41	-32	32	25	-58	-62
attributable to minority interests	8	3	3	3	3	2	6	5
attributable to equity holders of the parent	**77**	**81**	**-44**	**-35**	**30**	**23**	**-64**	**-67**
Banking	86	57	-19	-29	17	13	-52	-47
Insurance	20	26	-10	3	12	22	-5	-1
Holding company	-29	-2	-16	-9	1	-12	-7	-20
Risk-weighted assets, group (end of period, Basel II)	30 933	29 959	25 693	29 149	27 429	25 258	22 097	15 091
of which banking	27 732	26 637	22 347	25 814	25 850	25 033	21 880	14 874
Allocated capital (end of period, Basel II)	2 628	2 556	2 216	2 491	2 283	2 028	1 775	1 214

The underlying figures exclude exceptional and non-operating items.
The following table is a reconciliation of the underlying result and the result according to IFRS.

	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	77	81	-44	-35	30	23	-64	-67
+ MTM of derivatives for ALM hedging	8	-13	-2	0	1	0	-1	0
+ gains/losses on CDOs	47	-102	-447	169	-4	-37	220	-17
+ impairment on goodwill and other	0	-11	0	-8	0	0	0	0
+ fair value changes of own debt outstanding	-16	-25	185	215	-340	41	-144	-87
+ legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	6	7
+ results on divestments	-38	-12	-581	14	80	-868	20	58
Result after tax, attributable to equity holders of the parent: IFRS	92	-39	-885	342	-246	-849	37	-107

The Group Centre's net result amounted to -67 million in 4Q2012. As mentioned before, this includes a number of group items and the results of the companies that are earmarked for divestment, whose combined net result came to -31 million in 4Q2012, compared to -47 million in 3Q2012.

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

- Formerly recognised under the Belgium Business Unit: zero (the planned divestments for this business unit – Centea and Fidea – have been completed).
- Formerly recognised under the CEE Business Unit: 22 million, compared with 12 million in the previous quarter. The difference is due primarily to the deconsolidation of NLB.
- Formerly recognised under the Merchant Banking Business Unit: -31 million, compared with -37 million in the previous quarter. 4Q2012 included lower loan loss provisions at KBC Finance Ireland (project finance), but higher loan loss provisions at KBC Bank Deutschland.
- Formerly recognised under the European Private Banking Business Unit: zero (KBL epb has been excluded from the underlying results since the beginning of the year and the agreement to sell it was finalised at the end of July 2012).
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment: -22 million, in line with the previous quarter.

KBC Group

Consolidated financial statements

according to IFRS

4Q and FY2012

Unaudited

Consolidated income statement

In millions of EUR	Note	4Q 2011	3Q 2012	4Q 2012	2011	2012
Net interest income	3	1 337	1 097	1 121	5 479	4 669
Interest income		2 732	2 493	2 382	11 883	10 134
Interest expense		- 1 395	- 1 396	- 1 261	- 6 404	- 5 465
Earned premiums, insurance (before reinsurance)	9	1 033	578	623	4 119	2 975
Earned premiums, Non-Life		466	307	313	1 861	1 500
Earned premiums, Life		567	271	310	2 258	1 475
Technical charges, insurance (before reinsurance)	9	- 877	- 499	- 584	- 3 541	- 2 593
Technical charges, Non-life		- 258	- 150	- 252	- 996	- 878
Technical charges, Life		- 618	- 350	- 332	- 2 545	- 1 714
Ceded reinsurance result	9	- 1	- 12	13	- 44	- 13
Dividend income		15	13	5	85	45
Net result from financial instruments at fair value through profit or loss		436	275	42	- 178	420
Net realised result from available-for-sale assets	6	83	56	85	169	181
Net fee and commission income	7	287	343	360	1 164	1 315
Fee and commission income		514	494	541	2 043	2 005
Fee and commission expense		- 227	- 151	- 181	- 878	- 690
Other net income	8	3	106	187	56	734
TOTAL INCOME		2 317	1 954	1 854	7 310	7 733
Operating expenses	12	- 1 043	- 1 003	- 1 081	- 4 344	- 4 248
Staff expenses		- 631	- 634	- 636	- 2 569	- 2 543
General administrative expenses		- 332	- 292	- 371	- 1 449	- 1 396
Depreciation and amortisation of fixed assets		- 80	- 77	- 74	- 326	- 310
Impairment	14	- 746	- 302	- 463	- 2 123	- 2 511
on loans and receivables		- 599	- 283	- 330	- 1 333	- 1 072
on available-for-sale assets		- 71	- 4	- 11	- 417	- 95
on goodwill		- 41	0	- 8	- 120	- 421
on other		- 35	- 15	- 114	- 253	- 923
Share in results of associated companies		- 35	- 6	1	- 58	2
RESULT BEFORE TAX		492	644	310	786	976
Income taxes	16	- 75	- 103	- 56	- 320	- 362
Net post-tax result from discontinued operations	46	26	0	- 6	- 419	27
RESULT AFTER TAX		443	540	249	47	641
Attributable to minority interest		6	9	9	34	29
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**437**	**531**	**240**	**13**	**612**
of which relating to discontinued operations		*26*	*0*	*- 6*	*- 419*	*27*
Earnings per share (in EUR)						
Basic		0,63	1,16	-0,97	-1,93	-1,09
Diluted		0,63	1,16	-0,97	-1,93	-1,09

Dividend proposal for FY2012: the board of directors will propose to the general meeting of shareholders that a gross dividend of 1.0 euros be paid out per share entitled to dividend. The total dividend to be paid amounts to 417 million euros. The payment of a coupon on the non-voting core capital securities sold to the Belgian and Flemish government is related to the payment of a dividend on the ordinary shares: if a dividend is paid on the ordinary shares, also a payment is due on the non-voting core capital securities. Related to 2012, consequently 543 million euros (8,5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012) will be paid to the concerned governments. The accounting treatment of these coupon payments in IFRS is identical to ordinary dividends (via deduction in shareholders' equity).

Consolidated statement of comprehensive income (condensed)

In millions of EUR	4Q2011	3Q2012	4Q2012	2011	2012
RESULT AFTER TAX	443	540	249	47	641
attributable to minority interest	6	9	9	34	29
attributable to equity holders of the parent	437	531	240	13	612
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	66	- 46	31	- 162	- 25
Net change in revaluation reserve (AFS assets) - Bonds	- 391	467	173	- 32	1 465
Net change in revaluation reserve (AFS assets) - Other	0	0	0	- 1	0
Net change in hedging reserve (cash flow hedge)	- 72	- 44	- 68	- 150	- 235
Net change in translation differences	- 50	37	- 28	- 154	59
Other movements	0	- 1	0	1	- 2
TOTAL COMPREHENSIVE INCOME	- 5	954	357	- 451	1 903
attributable to minority interest	5	17	- 9	21	30
attributable to equity holders of the parent	- 9	937	366	- 471	1 874

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2011	31-12-2012
Cash and cash balances with central banks		6 218	4 426
Financial assets	18	249 439	236 898
Held for trading		26 936	21 159
Designated at fair value through profit or loss		13 940	16 295
Available for sale		39 491	30 622
Loans and receivables		153 894	139 225
Held to maturity		14 396	28 510
Hedging derivatives		782	1 088
Reinsurers' share in technical provisions		150	137
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		197	204
Tax assets		2 646	2 188
Current tax assets		201	174
Deferred tax assets		2 445	2 014
Non-current assets held for sale and assets associated with disposal groups	46	19 123	7 138
Investments in associated companies		431	8
Investment property		758	638
Property and equipment		2 651	2 581
Goodwill and other intangible assets		1 898	1 328
Other assets		1 871	1 341
TOTAL ASSETS		285 382	256 886

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2011	31-12-2012
Financial liabilities	18	225 804	213 265
Held for trading		27 355	19 459
Designated at fair value through profit or loss		28 678	20 563
Measured at amortised cost		167 842	170 813
Hedging derivatives		1 929	2 430
Technical provisions, before reinsurance		19 914	19 205
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		4	69
Tax liabilities		545	647
Current tax liabilities		255	192
Deferred tax liabilies		290	455
Liabilities associated with disposal groups	46	18 132	3 739
Provisions for risks and charges		889	526
Other liabilities		3 322	3 474
TOTAL LIABILITIES		268 611	240 925
Total equity	39	16 772	15 961
Parent shareholders' equity	39	9 756	12 099
Non-voting core-capital securities	39	6 500	3 500
Minority interests		516	362
TOTAL LIABILITIES AND EQUITY		285 382	256 886

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments were moved from various balance sheet lines towards the lines 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups'. Note that reference figures were not adjusted (not required by IFRS 5), however for the financial assets and liabilities pro forma figures for 31 December 2011 are shown in note 18. More information on divestments and all data required by IFRS 5 can be found in a separate note (note 46).

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

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
31-12-2011											
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
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 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							
31-12-2012											
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	6 831	- 422	9 756	6 500	516	16 772
Net result for the period	0	0	0	0	0	612	0	612	0	29	641
Other comprehensive income for the period	0	0	0	1 440	- 235	- 2	59	1 262	0	0	1 262
Total comprehensive income	**0**	**0**	**0**	**1 440**	**- 235**	**610**	**59**	**1 874**	**0**	**30**	**1 903**
Dividends	0	0	0	0	0	- 599	0	- 599	0	0	- 599
Capital increase	205	1 048	0	0	0	- 14	0	1 239	0	0	1 239
Repayment of non-voting core-capital securities	0	0	0	0	0	- 450	0	- 450	- 3 000	0	- 3 450
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	1 527	0	0	- 1 179	0	349	0	0	349
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	- 36	- 36
Change in scope	0	0	0	- 60	- 6	0	3	- 63	0	- 147	- 210
Total change	**205**	**1 048**	**1 527**	**1 380**	**- 241**	**- 1 639**	**62**	**2 343**	**- 3 000**	**- 154**	**- 811**
Balance at the end of the period	**1 450**	**5 388**	**- 1**	**1 263**	**- 834**	**5 192**	**- 360**	**12 099**	**3 500**	**362**	**15 961**
of which revaluation reserve for shares				206							
of which revaluation reserve for bonds				1 057							
of which revaluation reserve for other assets than bonds and shares				0							

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

In the fourth quarter of 2012, KBC sold its 18.2 million treasury shares resulting in an increase of parent shareholder's equity by 349 million euros. KBC Group furthermore issued and placed approximately 59 million ordinary shares related to the on 10 December 2012 announced capital increase which further strengthened the parent shareholders' equity by 1 236 million euros. On top of this there is also a separate contribution for 3 million euros of 0.2 million shares related to the yearly increase specifically targeting personnel.

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

Consolidated cash flow statement

Table available in the annual report FY2012 only.

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

With regard to Kredyt Bank, the planned sale of KBC's stake in the merged entity (Bank Zachodni WBK) is expected to generate a positive impact of approximately 0.8 billion euros on cash flows.

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011. Note that, the Group's annual financial statements as at 31 December 2012 will be available from 2 April 2013.

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

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

Notes on segment reporting

Segment reporting[1] according to the management structure of the group (note 2a in the annual accounts 2011)

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

For reporting purposes, the business units hence are:

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

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

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

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

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

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

[1] Note that, on 8 October 2012 KBC announced an updated strategy which amongst other things includes a change in segmentation into business units. This updated segmentation is implemented from 1 January 2013 onward. For more information see www.kbc.com.

realise these trading gains are recognised respectively under ‘net interest income’ and ‘net fee and commission income’. Moreover, part of the ‘dividend income’, ‘net realised result on available-for-sale assets’ and ‘other net income’ are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under ‘net result from financial instruments at fair value’, without any impact on net profit.

- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the ‘underlying figures’.
- In the IFRS accounts, discontinued operations (this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P/L lines towards one line 'Net post-tax result from discontinued operations', as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P/L lines relating to the divestment or discontinued operation are moved to Group Centre). No results of KBL EPB have been included anymore in the underlying results as of 1 January 2012. The sale was closed on 31 July 2012.

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

Reconciliation between underlying result and result according to IFRS * KBC Group, in millions of EUR	4Q 2011	3Q 2012	4Q 2012	FY 2011	FY 2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	161	406	309	1 098	1 542
+ MTM of derivatives for ALM hedging	-46	-33	-30	-273	-46
+ gains and losses on CDOs	154	274	40	-468	431
+ impairment on goodwill (excluding divestments)	-41	0	-8	-115	-24
+ result on legacy structured derivative business (KBC FP)	-12	6	7	50	-6
+ change in fair value of own debt instruments (due to own credit risk)	215	-144	-87	359	-531
+ Results on divestments (including impairment on goodwill on divestments)	8	23	10	-640	-754
Result after tax, attributable to equity holders of the parent: IFRS	437	531	240	13	612

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

Gains and losses on CDO’s: In the last quarter of 2012, 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, the related fee and the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which was increased to 80% from 70%). Remark that in January 2012, KBC collapsed two CDOs which on the one hand reduced the total nominal value of the CDO portfolio at that time by 1.7 billion euros and on the other hand resulted in a negative P/L impact of approximately 0.1 billion euros.

Changes in fair value of own debt instruments: The negative impact on the results of the fourth quarter of 2012 can be explained by a decrease of the senior and subordinated credit spreads of KBC, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss. Remark that over full year 2012, the credit spreads of KBC decreased substantially.

Results on divestments: In the fourth quarter of 2012, the positive result was mainly driven by positive results related to the divestment of Kredyt Bank offset by a negative result on divesting NLB.

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding intersegment eliminations	Intersegment eliminations	KBC Group
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	- 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**
UNDERLYING INCOME STATEMENT - 2012						
Net interest income	2 219	1 389	542	384	0	4 534
Earned premiums, insurance (before reinsurance)	1 763	778	0	460	- 27	2 975
Non-life	916	331	0	280	- 26	1 500
Life	847	447	0	181	0	1 475
Technical charges, insurance (before reinsurance)	- 1 694	- 588	0	- 318	7	- 2 593
Non-life	- 541	- 178	0	- 167	8	- 878
Life	- 1 153	- 410	0	- 151	- 1	- 1 714
Ceded reinsurance result	- 11	- 13	0	1	10	- 13
Dividend income	33	1	6	1	0	41
Net result from financial instruments at fair value through profit or loss	55	214	579	68	0	917
Net realised result from available-for-sale assets	101	7	13	28	0	150
Net fee and commission income	782	298	199	50	0	1 328
Other net income	83	42	65	19	1	209
TOTAL INCOME	**3 330**	**2 129**	**1 405**	**694**	**- 8**	**7 549**
Operating expenses	- 1 768	- 1 278	- 581	- 565	8	- 4 184
Impairment	- 102	- 142	- 751	- 200	0	- 1 195
on loans and receivables	- 67	- 123	- 704	- 177	0	- 1 072
on available-for-sale assets	- 35	- 1	- 1	0	0	- 37
on goodwill	0	0	0	0	0	0
on other	0	- 18	- 46	- 22	0	- 86
Share in results of associated companies	0	2	0	- 33	0	- 31
RESULT BEFORE TAX	**1 460**	**710**	**72**	**- 103**	**0**	**2 139**
Income tax expense	- 440	- 89	- 79	41	0	- 567
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**1 020**	**621**	**- 7**	**- 62**	**0**	**1 572**
attributable to minority interests	1	0	13	16	0	30
attributable to equity holders of the parent	**1 019**	**621**	**- 19**	**- 78**	**0**	**1 542**

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31-12-2011					
Total loans to customers	55 254	25 648	43 832	13 550	138 284
Of which mortgage loans	29 417	10 533	12 288	5 194	57 431
Of which reverse repos	0	16	1 413	0	1 429
Customer deposits	71 156	38 216	46 168	9 687	165 226
Of which repos	0	3 209	12 633	0	15 841
Balance sheet information 31-12-2012					
Total loans to customers	58 080	27 365	41 522	1 525	128 492
Of which mortgage loans	30 847	11 394	11 594	27	53 862
Of which reverse repos	53	54	1 874	0	1 981
Customer deposits	74 770	40 532	43 527	804	159 632
Of which repos		3 741	2 437	0	6 178

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

In millions of EUR	Belgium	Central and Eastern Europe	Rest of the world	KBC Group
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
2012				
Total income from external customers (underlying)	4 283	2 442	827	7 552
31-12-2012				
Total assets (period-end)	177 578	55 396	23 912	256 886
Total liabilities (period-end)	169 543	49 895	21 486	240 925

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

Other notes

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total	**1 337**	**1 097**	**1 121**	**5 479**	**4 669**
Interest income	**2 732**	**2 493**	**2 382**	**11 883**	**10 134**
Available-for-sale assets	406	277	265	1 791	1 203
Loans and receivables	1 656	1 469	1 458	6 600	6 047
Held-to-maturity investments	165	259	269	633	941
Other assets not at fair value	9	7	6	34	28
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 235*	*2 012*	*1 998*	*9 059*	*8 218*
Financial assets held for trading	228	300	228	1 779	1 185
Hedging derivatives	131	143	129	528	569
Other financial assets at fair value through profit or loss	138	39	27	517	162
Interest expense	**- 1 395**	**- 1 396**	**- 1 261**	**- 6 404**	**- 5 465**
Financial liabilities measured at amortised cost	- 805	- 769	- 751	- 3 235	- 3 058
Other	- 6	- 2	- 2	- 12	- 10
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	*- 811*	*- 770*	*- 753*	*- 3 247*	- 3 068
Financial liabilities held for trading	- 299	- 356	- 290	- 2 026	- 1 419
Hedging derivatives	- 185	- 220	- 190	- 788	- 799
Other financial liabilities at fair value through profit or loss	- 100	- 50	- 28	- 344	- 179

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total	83	56	85	169	181
Breakdown by portfolio					
Fixed-income securities	47	- 4	77	59	22
Shares	35	60	8	110	160

In the first three quarters of 2012, KBC mainly reduced its Spanish, Italian and Portuguese government bonds, which led to net realised losses (before tax) from available for sale assets in total to the tune of -87 million euros. These were partly compensated by gains on the sale of other securities.

Moreover, in the first quarter the finalisation of the exchange operation regarding Greek bonds resulted in a -39 million euros net realised loss from available for sale assets (before tax)

In the last quarter, KBC sold all its remaining Greek bonds, which resulted in a net gain (before tax) from available for sale assets to the tune of 10 million euros.

More information is presented in note 47.

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total	287	343	360	1 164	1 315
Fee and commission income	514	494	541	2 043	2 005
Securities and asset management	217	214	230	898	847
Margin on deposit accounting (life insurance investment contracts without DPF)	15	24	43	50	124
Commitment credit	86	71	74	302	291
Payments	161	146	149	577	570
Other	34	39	45	215	173
Fee and commission expense	- 227	- 151	- 181	- 878	- 690
Commission paid to intermediaries	- 114	- 71	- 85	- 470	- 361
Other	- 113	- 80	- 96	- 408	- 329

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total	3	106	187	56	734
Of which net realised result following					
The sale of loans and receivables	- 7	- 22	- 22	- 29	- 96
The sale of held-to-maturity investments	- 1	2	0	- 14	- 7
The repurchase of financial liabilities measured at amortised cost	- 2	0	0	- 3	- 1
Other: of which:	13	126	210	102	837
KBC Lease UK	13	44	41	15	126
Income concerning leasing at the KBC Lease-group	30	23	23	96	86
Income from consolidated private equity participations	10	5	0	48	15
Income from Group VAB	15	15	15	65	63
5/5/5 loans	- 71	0	0	- 334	- 56
Realised gains or losses on divestments	0	20	136	68	562

In 1Q 2012:

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

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

In 3Q 2012, KBC recorded further recuperations to the tune of 44 million euros before tax in light of the fraud case at KBC Lease UK.

In 4Q 2012:

- there was significant impact in realised gains or losses on divestments. This results mainly from closing the divestment of Kredyt Bank, which resulted in a gain of 136 million euros at that time
- further recuperations to the tune of 41 million euros before tax in light of the fraud case at KBC Lease UK were recorded. However, the net proceeds for KBC Group are 31 million euros based on 10 million euros retained risk at KBC Group Re.

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
2011				
Technical result	- 401	499	42	140
Earned premiums, insurance (before reinsurance)	2 262	1 880	-	4 142
Technical charges, insurance (before reinsurance)	- 2 548	- 1 007	-	- 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	-	- 92
Administration costs related to acquisitions	- 53	- 108	-	- 161
Administration costs	- 87	- 187	-	- 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
2012				
Technical result	- 319	355	77	113
Earned premiums, insurance (before reinsurance)	1 477	1 521	-	2 998
Technical charges, insurance (before reinsurance)	- 1 710	- 887	-	- 2 597
Net fee and commission income	- 85	- 267	77	- 274
Ceded reinsurance result	- 1	- 12	0	- 13
Financial result	739	141	459	1 339
Net interest income			834	834
Dividend income			31	31
Net result from financial instruments at fair value			381	381
Net realised result from AFS assets			93	93
Allocation to the technical accounts	739	141	- 880	0
Operating expenses	- 137	- 287	- 5	- 429
Internal costs claim paid	- 8	- 68	-	- 76
Administration costs related to acquisitions	- 39	- 82	-	- 121
Administration costs	- 90	- 137	-	- 227
Management costs investments			- 5	- 5
Other net income			381	381
Impairments*			- 166	- 166
Share in results of associated companies			0	0
RESULT BEFORE TAX	282	210	747	1 238
Income tax expense				- 236
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				1 003
attributable to minority interest				1
attributable to equity holders of the parent				1 001

* Impairments on available for sale and held to maturity assets are included in the financial results allocation to the technical accounts.

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2011 annual report).

Operating expenses (note 12 in the annual accounts 2011)

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

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

The 2012 results also include the new Belgian banking tax which is composed of mainly the following two elements which are taken up in the results: the contribution to the deposit guarantee scheme (62 million euros) and the financial stability contribution (38 million euros).

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total	- 746	- 302	- 463	- 2 123	- 2 511
Impairment on loans and receivables	- 599	- 283	- 330	- 1 333	- 1 072
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 613	- 304	- 328	- 1 316	- 1 113
Provisions for off-balance-sheet credit commitments	3	- 17	- 17	17	- 39
Portfolio-based impairments	10	38	15	- 33	81
Breakdown by business unit					
Belgium	- 23	- 12	- 42	- 59	- 67
Central and Eastern Europe	- 151	- 29	- 30	- 477	- 123
Merchant Banking	- 368	- 165	- 183	- 725	- 704
Group Centre	- 58	- 76	- 74	- 71	- 177
Impairment on available-for-sale assets	- 71	- 4	- 11	- 417	- 95
Breakdown by type			0		
Shares	- 8	- 4	- 12	- 114	- 45
Other	- 63	0	0	- 303	- 50
Impairment on goodwill	- 41	0	- 8	- 120	- 421
Impairment on other	- 35	- 15	- 114	- 253	- 923
Intangible assets, other than goodwill	- 7	0	0	- 7	0
Property and equipment and investment property	- 18	- 15	- 33	- 30	- 62
Held-to-maturity assets	- 16	0	- 2	- 66	- 2
Associated companies	0	0	- 99	0	- 433
Other	7	0	20	- 150	- 425

In 2Q 2012:

- The impairment on other available for sale assets(-75 million euros, of which -50 million euros related to an impairment on NLB) includes the impairment on subordinated securities of NLB, which were repurchased by NLB at the beginning of July 2012 at 45% of their nominal value. Remark that the share in results of associated companies of 2Q 2012 includes +26 million euros which are also related to repurchases of subordinated securities at NLB
- The impairment on goodwill (-414 million euros) includes for a large part impairments booked on companies included in the scope of IFRS 5 as at 30 June 2012 (see further note 46).
- The impairment on associated companies (-334 million euros) is calculated as the difference between the carrying amount of the shares in NLB (using the equity method) and the estimated recoverable amount. The recoverable amount is based on the fair value used in the most recent capital increase. Previously, the recoverable value was based on a value-in-use calculation, but considering the lack of reliable business plans available to KBC and taking into account the uncertainty of the future stake of KBC in NLB (given NLB has issued a substantial convertible loan towards the Republic of Slovenia), a value-in-use calculation is no longer considered appropriate.
- The impairment on other (other) (-438 million euros) includes – as is the case for the impairment on goodwill - for a large part impairments booked on companies included in the scope of IFRS 5 as at 30 June 2012 (see further note 46).

In 4Q 2012, an additional impairment on loans and receivables for the business unit Merchant Banking, includes an impairment on loans and receivables in Ireland of -87 million euros in 4Q 2012 (-547 million euros for full year 2012). In 4Q 2012 an impairment on associated companies was recorded for -99 million euros upon signing the sales agreement related to NLB,

Income tax expense (note 16 in the annual accounts 2011)

In the fourth quarter results of 2012, the income tax expense is negatively impacted by EUR 43 million due to the revision of the notional interest legislation which was passed in Belgian parliament at the end of 2012.

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

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	*Total excluding IFRS 5 companies and divestments in 2012**
FINANCIAL ASSETS, 31-12-2011									
Loans and advances to credit institutions and investment firms [a]	4 600	305	0	14 253	-	-	-	19 158	*18 700*
Loans and advances to customers [b]	203	1 879	0	136 201	-	-	-	138 284	*126 323*
Excluding reverse repos								*136 855*	*124 894*
Discount and acceptance credit	0	0	0	137	-	-	-	137	*136*
Consumer credit	0	0	0	3 910	-	-	-	3 910	*3 268*
Mortgage loans	0	178	0	57 253	-	-	-	57 431	*52 265*
Term loans	203	1 531	0	61 880	-	-	-	63 614	*59 340*
Finance leasing	0	11	0	4 647	-	-	-	4 658	*4 173*
Current account advances	0	0	0	4 876	-	-	-	4 876	*3 598*
Securitised loans	0	0	0	0	-	-	-	0	*0*
Other	0	159	0	3 499	-	-	-	3 659	*3 543*
Equity instruments	1 028	28	1 446	-	-	-	-	2 501	*2 491*
Investment contracts (insurance)		7 652	-	-	-	-	-	7 652	*7 652*
Debt instruments issued by	4 286	3 997	37 299	2 890	14 063	-	-	62 535	*59 822*
Public bodies	3 101	3 594	29 183	224	13 365	-	-	49 467	*47 122*
Credit institutions and investment firms	647	204	3 862	211	491	-	-	5 415	*5 078*
Corporates	538	199	4 255	2 455	207	-	-	7 653	*7 621*
Derivatives	16 750	-	-	-	-	624	-	17 375	*17 096*
Total carrying value excl. accrued intrest income	26 867	13 861	38 745	153 345	14 063	624	0	247 505	*232 083*
Accrued interest income	69	79	746	549	334	158	0	1 934	*1 824*
Total carrying value incl. accrued interest income	26 936	13 940	39 491	153 894	14 396	782	0	249 439	*233 907*
[a] *Of which reverse repos*								*5 982*	*5 982*
[b] *Of which reverse repos*								*1 429*	*1 429*
FINANCIAL ASSETS, 31-12-2012									
Loans and advances to credit institutions and investment firms [a]	3 802	916	0	11 363	-	-	-	16 081	
Loans and advances to customers [b]	600	2 197	0	125 695	-	-	-	128 492	
Excluding reverse repos								*126 510*	
Discount and acceptance credit	0	0	0	131	-	-	-	131	
Consumer credit	0	0	0	3 364	-	-	-	3 364	
Mortgage loans	0	184	0	53 678	-	-	-	53 862	
Term loans	600	2 013	0	56 794	-	-	-	59 407	
Finance leasing	0	0	0	4 110	-	-	-	4 110	
Current account advances	0	0	0	3 291	-	-	-	3 291	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	0	0	4 327	-	-	-	4 327	
Equity instruments	451	53	1 931	-	-	-	-	2 435	
Investment contracts (insurance)		11 847	-	-	-	-	-	11 847	
Debt instruments issued by	4 210	1 282	28 691	2 167	28 510	-	-	64 860	
Public bodies	3 390	811	19 929	190	27 346	-	-	51 666	
Credit institutions and investment firms	361	199	3 335	158	670	-	-	4 724	
Corporates	459	272	5 427	1 819	494	-	-	8 471	
Derivatives	12 095	-	-	-	-	1 088	-	13 183	
Total carrying value excl. accrued interest income	21 159	16 295	30 622	139 225	28 510	1 088	0	236 898	
Accrued interest income	0	0	0	0	0	0	0	0	
Total carrying value incl.accrued interest income	21 159	16 295	30 622	139 225	28 510	1 088	0	236 898	
[a] *Of which reverse repos*								*5 160*	
[b] *Of which reverse repos*								*1 981*	

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

In 2012, a total amount of 4.6 billion euros of government securities were reclassified from available for sale to held to maturity.

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	*Total excluding IFRS 5 companies and divestments in 2012**
FINANCIAL LIABILITIES, 31-12-2011									
[a]	843	3 831	-	-	-	-	21 259	25 934	*24 828*
Deposits from customers and debt certificates [b]	4 288	17 565	-	-	-	-	143 373	165 226	*156 810*
Excluding repos								*149 385*	*140 969*
Deposits from customers	3 774	13 277	-	-	-	-	117 410	134 461	*126 119*
Demand deposits	0	0	-	-	-	-	37 472	37 472	*32 909*
Time deposits	3 774	13 277	-	-	-	-	42 010	59 061	*55 520*
Savings deposits	0	0	-	-	-	-	32 624	32 624	*32 624*
Special deposits	0	0	-	-	-	-	3 887	3 887	*3 886*
Other deposits	0	0	-	-	-	-	1 417	1 417	*1 180*
Debt certificates	514	4 288	-	-	-	-	25 963	30 766	*30 692*
Certificates of deposit	0	20	-	-	-	-	4 597	4 617	*4 617*
Customer savings certificates	0	0	-	-	-	-	710	710	*710*
Convertible bonds	0	0	-	-	-	-	0	0	*0*
Non-convertible bonds	514	4 167	-	-	-	-	12 694	17 375	*17 316*
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	*0*
Non-convertible subordinated liabilities	0	101	-	-	-	-	7 961	8 063	*8 048*
Liabilities under investment contracts	-	7 014	-	-	-	-	0	7 014	*7 014*
Derivatives	21 699	0	-	-	-	1 601	-	23 300	*23 060*
Short positions	497	0	-	-	-	-	-	497	*497*
in equity instruments	4	0	-	-	-	-	-	4	*4*
in debt instruments	493	0	-	-	-	-	-	493	*493*
Other	0	173	-	-	-	-	2 408	2 581	*2 581*
Total carrying value excl. accrued interest expense	27 327	28 584	-	-	-	1 601	167 041	224 553	*214 791*
Accrued interest expense	27	94	-	-	-	328	801	1 251	*1 222*
Total carrying value incl. accrued interest expense	27 355	28 678	-	-	-	1 929	167 842	225 804	*216 013*
[a] Of which repos								*6 574*	*6 563*
[b] Of which repos								*15 841*	*15 841*
FINANCIAL LIABILITIES, 31-12-2012									
Deposits from credit institutions and investment firms [a]	375	884	-	-	-	-	21 660	22 919	
Deposits from customers and debt certificates [b]	4 161	8 782	-	-	-	-	146 689	159 632	
Excluding repos								*153 454*	
Deposits from customers	3 776	3 420	-	-	-	-	121 062	128 258	
Demand deposits	0	0	-	-	-	-	37 477	37 477	
Time deposits	3 776	3 336	-	-	-	-	43 491	50 602	
Savings deposits	0	0	-	-	-	-	34 904	34 904	
Special deposits	0	0	-	-	-	-	3 941	3 941	
Other deposits	0	84	-	-	-	-	1 250	1 334	
Debt certificates	385	5 362	-	-	-	-	25 627	31 373	
Certificates of deposit	0	27	-	-	-	-	6 209	6 236	
Customer savings certificates	0	0	-	-	-	-	522	522	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	385	4 705	-	-	-	-	12 914	18 003	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	630	-	-	-	-	5 982	6 612	
Liabilities under investment contracts	-	10 853	-	-	-	-	0	10 853	
Derivatives	14 432	0	-	-	-	2 430	-	16 861	
Short positions	491	0	-	-	-	-	-	491	
in equity instruments	17	0	-	-	-	-	-	17	
in debt instruments	475	0	-	-	-	-	-	475	
Other	0	44	-	-	-	-	2 465	2 509	
Total carrying value excl. accrued interest expense	19 459	20 563	-	-	-	2 430	170 813	213 265	
Accrued interest expense	0	0	-	-	-	0	0	0	
Total carrying value incl. accrued interest expense	19 459	20 563	-	-	-	2 430	170 813	213 265	
[a] Of which repos								*1 589*	
[b] Of which repos								*6 178*	

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

Additional information on quarterly time series

Total customer loans excluding reverse repo

In millions of EUR	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total	136 855	131 940	127 321	126 276	126 510
Breakdown per business unit					
Belgium	55 254	55 776	56 798	57 274	58 026
Central and Eastern Europe	25 632	26 220	26 164	26 841	27 311
Merchant Banking	42 419	42 561	42 540	40 437	39 648
Group Centre (*)	13 550	7 383	1 819	1 724	1 525

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

Total mortgage loans

In millions of EUR	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total	57 431	53 951	52 884	53 617	53 862
Breakdown per business unit					
Belgium	29 417	29 703	30 131	30 646	30 847
Central and Eastern Europe	10 533	10 871	10 791	11 183	11 394
Merchant Banking	12 288	12 093	11 933	11 760	11 594
Group Centre (*)	5 194	1 284	29	28	27

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

Total customer deposits excluding repos

In millions of EUR	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total	149 385	149 685	150 328	150 397	153 454
Breakdown per business unit					
Belgium	71 156	71 324	73 761	73 805	74 770
Central and Eastern Europe	35 007	35 874	35 121	35 954	36 791
Merchant Banking	33 535	39 548	40 912	40 246	41 090
Group Centre (*)	9 687	2 940	534	391	804

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

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-12-2011		31-03-2012		30-06-2012		30-09-2012		31-12-2012	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 891	7 936	16 296	8 820	15 651	9 595	15 481	10 684	15 065	11 848
Breakdown per business unit										
Belgium	15 414	6 859	15 240	7 713	14 784	8 687	14 604	9 741	14 195	10 917
Central and Eastern Europe	836	742	859	796	835	853	844	887	836	872
Group Centre	2 641	335	197	311	32	56	33	56	34	59

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Provisions for risks and charges (note 36 in the annual accounts 2012)

When Lehman Brothers went bankrupt in September 2008, KBC Bank NV had outstanding derivative transactions with **Lehman Brothers Finance AG** ("LBF") under an ISDA Master Agreement. This bankruptcy triggered an event of default and early termination of all outstanding derivative transactions. LBF contests amongst others the valuation methodology applied by KBC Bank and asserts, in a letter of claim dated 21 December 2012, that the net amount due under the ISDA Master Agreement is 58 million USD payable to LBF, plus interests to the tune of 53 million euros as of September 2008. KBC Bank esteems that it has several arguments to defend the applied valuation methodology. In addition it firmly disputes the interest rate applied by LBF. KBC Bank will determine its position on basis of the findings of further enquiry into the valuation of the terminated transactions and legal analysis.
KBC Diversified Fund, a segregated portfolio of KBC AIM Master Fund spc, filed a derivatives claim of 44 million USD against **Lehman Brothers International Europe** ("LBIE"). This amount has been fully provided. Without prejudice negotiations with LBIE's administrator on the valuation of some of the terminated transactions are ongoing.

KBC Bank NV calculated an ISDA close-out amount of 29 million USD payable by **Lehman Brothers Special Financing Inc.** ("LBSF") to KBC. This amount is the result of an inter-affiliate set-off and has been fully provided. LBSF's administrator contests the valuation of some of the derivative trades. An initial meeting for discussing this valuation dispute on a without prejudice basis has taken place on 17 December 2012 and the administrator has requested further information on KBC's valuation process.

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

in number of shares	31-12-2011	31-12-2012
Ordinary shares	357 980 313	416 967 355
of which ordinary shares that entitle the holder to a dividend payment	*344 619 736*	*416 967 355*
of which treasury shares	*18 169 054*	*302*
Non-voting core-capital securities	220 338 982	118 644 067
Other information		
Par value per ordinary share (in euros)	3,48	3,48
Number of shares issued but not fully paid up	0	0

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

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. On 16 October 2012 KBC sold its 18.2 million treasury shares. This represents all treasury shares previously owned by KBC Group and KBC Bank 302 shares owned by other group companies were not sold.

On 10 December 2012, KBC Group furthermore issued and placed approximately 59 million ordinary shares related to the on 10 December 2012 announced capital increase. On top of this there is also a separate contribution of 0.2 million shares related to the yearly increase specifically targeting personnel.

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (pari passu) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual report 2011. On 2 January 2012, KBC made a first repayment to the Belgian State of 0.5 billion euros plus a 15% penalty (recognised in the balance sheet at year-end 2011). On 17 December 2012, KBC made a further and final repayment to the Belgian State of 3.0 billion euros plus a 15% penalty (recognised in the balance sheet at year-end 2012). This is evidenced in the number of non-voting core-capital securities as presented in the table above.

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

During 2012, there was no significant change in related parties compared to the end of 2011.

In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. The pro rata amount of the commitment fee in 2012 equals 30 million euros pre tax (120 million euros pre tax), which is recognised in 'Net result from financial instruments at fair value through profit or loss'. On 20 December 2012, KBC and the Belgian Federal Government agreed on a revision of this guarantee agreement. Additional clauses have been added to the revised agreement that grant KBC a conditional discount on the outstanding premiums (under certain strict conditions and limited to a set maximum amount). In other words, the government has included an incentive for KBC if KBC succeeds in significantly reducing the government's exposure. Any future impact on results of KBC will depend on market conditions and opportunities that arise going forward.

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

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

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
		2011	2012	
Additions				
None				
Exclusions				
Centea NV	Full	------	------	Sold in 3Q 2011
Fidea NV	Full	100,00%	------	Sold in 1Q 2012
KBC Clearing NV	Full	100,00%	------	Deconsolidated in 2Q12 due to immateriality
TUIR WARTA SA	Full	100,00%	------	Deconsolidated on 30 June 2012 due to sale
KBL EPB (Group)	Full	100,00%	------	Sold in 3Q 2012
Kredyt Bank SA	Full	100,00%	------	Deconsolidated on 31 December 2012 due to sale
Name Changes				
None				
Changes in ownership percentage and internal mergers				
Groep VAB NV	Full	74,81%	79,81%	Increase with 5% (2Q 2012)
KBC Real Estate NV	Full	100,00%	------	Merger with KBC Bank on 1 July 2012
Nova Ljubljanska banka d.d. (group)	Equity	25,00%	22,04%	Decrease with 2,96% (3Q 2012)

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

Situation as at 31 December 2012

On 31 December 2012, following planned divestments fulfill the criteria of IFRS 5:

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

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

In the second quarter of 2012, mainly Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka were added to the scope of IFRS 5 based on:

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

Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 31 December 2012

Absolut Bank:

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

Nova Ljubljanska banka (NLB):

Activity:	Banking
Segment:	Group Centre
Other information:	On 28 December 2012, KBC has reached an agreement with the Republic of Slovenia regarding the sale of KBC's 22% stake in NLB. KBC will sell this stake to the Republic of Slovenia for a total consideration of 3 million euros, which represents 1 euro per share. This transaction gave rise to a negative impact on KBC's 4Q 2012 earnings of -99 million euros, whilst the impact on KBC's capital is negligible. Completion of the agreement is expected early 2013 after the approval of the Slovenian Competition Authority has been obtained.

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

In millions of EUR	4Q 2011	3Q 2012	4Q 2012	2011	2012
A: DISCONTINUED OPERATIONS					
Income statement KBL EPB (including Vitis Life)					
Net interest income	39	0	0	151	55
Net fee and commission income	77	0	0	349	167
Other income	50	0	0	63	34
Total income	166	0	0	563	257
Operating expenses	- 117	0	0	- 437	- 220
Impairment	- 79	0	0	- 107	- 22
Share in results of associated companies	0	0	0	1	0
Result before tax	- 29	0	0	19	15
Income tax expense	19	0	0	6	- 8
Result after tax	**- 10**	**0**	**0**	**25**	**7**
Result of sale of KBL EPB (including Vitis Life)					
Impairment loss recognised on the remeasurement to fair value less costs to sell	36	0	0	- 444	25
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0
Result of sale after tax	36	0	0	- 444	25
Net post-tax result from discontinued operations	**26**	**0**	**0**	**- 419**	**32**
Cashflow statement KBL EPB (including Vitis Life)					
Net cash from (used in) operating activities				2 200	- 1 612
Net cash from (used in) investing activities				- 8	8
Net cash from (used in) financing activities				- 569	6
Net cash outflow/inflow				**1 623**	**- 1 597**

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

	31-12-2011	*of which: Discon-tinued operations*	31-12-2012	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	1 076	*1 076*	484	*0*
Financial assets	16 797	*12 523*	6 407	*0*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	12	*12*	0	*0*
Tax assets	110	*95*	83	*0*
Investments in associated companies	13	*13*	3	*0*
Investment property and property and equipment	278	*224*	113	*0*
Goodwill and other intangible assets	352	*196*	14	*0*
Other assets	485	*103*	35	*0*
Total assets	19 123	*14 242*	7 138	*0*
Liabilities				
Financial liabilities	12 901	*12 710*	3 657	*0*
Technical provisions insurance, before reinsurance	4 533	*424*	0	*0*
Tax liabilities	38	*6*	12	*0*
Provisions for risks and charges	30	*22*	9	*0*
Other liabilities	631	*304*	61	*0*
Total liabilities	18 132	*13 466*	3 739	*0*
Other comprehensive income				
Available-for-sale reserve	- 81	*- 72*	101	*78*
Deferred tax on available-for-sale reserve	29	*20*	- 27	*- 22*
Cash flow hedge reserve	0	*0*	7	*0*
Translation differences	7	*7*	55	*- 4*
Total other comprehensive income	- 45	*- 46*	136	*52*

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

Sovereign bonds on selected European countries, in millions of euros (carrying amounts), 31-12-2012								
	Portfolio breakdown					Maturity breakdown		
	AFS*	HTM*	FIV*	Trading book	Total	Maturity date in 2013	Maturity date in 2014	Maturity date in & after 2015
Greece	0	0	0	0	0	0	0	0
Portugal	38	56	0	0	94	0	0	94
Spain	229	0	0	1	230	12	0	218
Italy	732	152	0	27	911	62	13	837
Ireland	137	314	0	0	452	0	0	452
Total	1 137	522	0	29	1 687	74	13	1 600

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

Evolution of Sovereign bond portfolio on selected European countries, banking and insurance (carrying amount in billions of EUR)					
	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Greece	0.2	0.0	0.0	0.0	0.0
Portugal	0.1	0.1	0.1	0.1	0.1
Spain	1.9	1.9	0.3	0.2	0.2
Italy	2.1	2.0	1.4	0.8	0.9
Ireland	0.4	0.4	0.4	0.4	0.5
Total	4.8	4.4	2.3	1.6	1.7

During the first quarter of 2012, KBC took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31.5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange end of March 2012 leading to a limited remaining carrying value of 43 million euro and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 42 million euros.

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

- KBC reduced its Spanish sovereign bond exposure by selling all its HTM positions (-0.2 billion euros) as well as a large portion of its AFS bonds (approximately -1.0 billion euros). Moreover, about 0.4 billion euros of Spanish sovereign bonds matured. KBC furthermore decided to sell all its Spanish regional government bonds.
- Also Italian sovereign bonds were sold. KBC Group's total exposure on Italian sovereign bonds decreased by a total carrying amount of approx. -1.0 billion euros.
- The sovereign exposure is partially affected by the sale of KBL EPB and Vitis. This resulted in a reduction of sovereign bonds from Italy and Spain for an amount of -0.1 billion euros for each.

During the last quarter of 2012, the carrying amount of GIIPS sovereign bonds increased slightly with almost 0.1 billion euro mainly because of the higher fair value of the AFS bonds, while the limited remaining Greek bond portfolio was sold.

At 31 December 2012, the carrying amounts of the AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets for a total amount before tax of -37 million euros (Spain: -27 million, Italy: -11 million, Ireland: +3 million, Portugal: -3 million).

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

Significant event between the balance sheet date (31 December 2012) and the publication of this report (14 February 2013):

On 18 January 2013. KBC Bank NV placed 1 billion USD of tier-2 contingent capital notes which was targeted at institutional and high-net-worth investors.

On 25 January 2013, KBC has decided to repay its three-year Long-Term Refinancing Operation (LTRO) to the European Central Bank (ECB) in the first quarter 2013, for an amount totaling 8.3 billion euros.

KBC Group

Risk and capital management 4Q and FY2012

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2011)'. Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures: Kredyt Bank as from 31-03-2012 (meanwhile deconsolidated as per 31-12-2012); Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

Credit risk: loan portfolio overview	31-12-2011	*31-12-2011 (pro forma)[1]*	31-12-2012
Total loan portfolio (in billions of EUR)			
Amount granted	186	*169*	167
Amount outstanding[2]	156	*142*	141
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)			
Belgium	34%	*37%*	39%
CEE	19%	*21%*	22%
Merchant Banking	37%	*40%*	37%
Group Centre	10%	*1%*	1%
Total	100%	*100%*	100%
Impaired loans (in millions of EUR or %)			
Amount outstanding	11 234	*9 992*	10 757
Specific loan impairments	4 870	*4 152*	4 614
Portfolio-based loan impairments	371	*317*	244
Credit cost ratio, per business unit			
Belgium	0.10%	*0.10%*	0.11%
CEE	1.59%	*1.59%*	0.40%
Czech Republic	0.37%	*0.37%*	0.31%
Slovakia	0.25%	*0.25%*	0.25%
Hungary	4.38%	*4.38%*	0.78%
Bulgaria	14.73%	*14.73%*	0.94%
Merchant Banking	1.36%	*1.36%*	1.42%
Group Centre	0.36%	0.36%[3]	1.44%[3]
Total	0.83%	0.83%[3]	0.71%[3]
Non-performing (NP) loans (in millions of EUR or %)			
Amount outstanding	7 580	*6 754*	7 397
Specific loan impairments for NP loans	3 875	*3 263*	3 626
Non-performing ratio, per business unit			
Belgium	1.5%	*1.5%*	1.6%
CEE	5.6%	*5.6%*	5.2%
Merchant Banking	7.8%	*7.8%*	9.8%
Group Centre	5.5%	*2.2%*	6.1%
Total	4.9%	*4.8%*	5.3%
Cover ratio			
Specific loan impairments for NP loans / Outstanding NP loans	51%	*48%*	49%
Idem, excluding mortgage loans	62%	*60%*	63%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	69%	*66%*	66%
Idem, excluding mortgage loans	89%	*88%*	91%

1. Figures as from 31-12-2011 excluding entities marked as 'disposal groups' under IFRS 5 on 31 December 2012 (Kredyt Bank meanwhile deconsolidated).
2. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
3. CCR including IFRS 5 entities. Excluding IFRS 5 entities the CCR per 31/12/2012 would be 3.42% for Group Centre and 0.69% for the Total.

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

Legend:

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

Loan portfolio Business Unit Belgium 31-12-2012, in millions of EUR		**Belgium**	
Total outstanding amount	58.994		
Counterparty break down		*% outst.*	
SME / corporate	1.548	*2,6%*	
retail	57.446	*97,4%*	
o/w private	32.008	*54,3%*	
o/w companies	25.438	*43,1%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	30.762	*52,1%*	63%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	3.979	*6,7%*	-
o/w LTV > 100%	2.440	*4,1%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	46.729	*79,2%*	
medium risk (pd 5-7; 0.80%-6.40%)	8.616	*14,6%*	
high risk (pd 8-10; 6.40%-100.00%)	2.715	*4,6%*	
non-performing loans (pd 11 - 12)	931	*1,6%*	
unrated	4	*0,0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	931	*1,6%*	
provisions for NPL	474		
all provisions (specific + portfolio based)	565		
cover NPL by all provisions (specific + portfolio)	61%		
2011 Credit cost ratio (CCR)	0,10%		
YTD 2012 CCR	0,11%		

Remark

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

* Following entities have been recognised as ‘disposal groups’ under IFRS 5 and have been excluded from the figures: Kredyt Bank as from 31-03-2012 (meanwhile deconsolidated as per 31-12-2012); Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

Loan portfolio Business Unit Central & Eastern Europe

31-12-2012, in millions of EUR	Czech republic			Slovakia			Hungary			Bulgaria			Total CEE	
Total outstanding amount	20.785			4.499			5.120			706			31.109	
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.
SME / corporate	6.545	31,5%		2.329	51,8%		2.608	50,9%		295	41,9%		11.778	37,9%
retail	14.239	68,5%		2.169	48,2%		2.512	49,1%		410	58,1%		19.331	62,1%
o/w private	10.723	51,6%		1.835	40,8%		2.104	41,1%		250	35,4%		14.912	47,9%
o/w companies	3.516	16,9%		334	7,4%		408	8,0%		161	22,7%		4.419	14,2%
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.
total	7.202	34,7%	68%	1.531	34,0%	58%	1.873	36,6%	83%	119	16,8%	62%	10.724	34,5%
o/w FX mortgages	0	0,0%	-	0	0,0%	-	1.505	29,4%	91%	76	10,8%	58%	1.581	5,1%
o/w vintage 2007 and 2008	1.914	9,2%	-	272	6,0%	-	971	19,0%	-	50	7,1%	-	3.207	10,3%
o/w LTV > 100%	450	2,2%	-	0	0,0%	-	575	11,2%	-	14	1,9%	-	1.038	3,3%
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.
low risk (pd 1-4; 0.00%-0.80%)	13.169	63,4%		2.745	61,0%		2.057	40,2%		9	1,2%		17.980	57,8%
medium risk (pd 5-7; 0.80%-6.40%)	5.898	28,4%		1.105	24,6%		1.786	34,9%		310	43,9%		9.099	29,2%
high risk (pd 8-10; 6.40%-100.00%)	997	4,8%		287	6,4%		693	13,5%		104	14,7%		2.082	6,7%
non-performing loans (pd 11 - 12)	665	3,2%		145	3,2%		583	11,4%		218	30,8%		1.610	5,2%
unrated	56	0,3%		216	4,8%		1	0,0%		66	9,4%		339	1,1%
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.
outstanding non-performing loans (NPL)	665	3,2%		145	3,2%		583	11,4%		218	30,8%		1.610	5,2%
provisions for NPL	406			82			323			102			912	
all provisions (specific + portfolio based)	498			112			392			117			1.118	
cover NPL by all provisions (specific + portfolio)	75%			77%			67%			54%			69%	
2011 Credit cost ratio (CCR)	0,37%			0,25%			4,38%			14,73%			1,59%	
YTD 2012 CCR (local currency) (2)	0,31%			0,25%			0,78%			0,94%			0,40%	

Remarks

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

(2) individual CCR's in local currencies.

Loan portfolio Business Unit Merchant Banking 31-12-2012, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Other			Credit Investments			Total Merchant Banking	
Total outstanding amount	20.825			19.998			15.963			2.309			800			2.163			2.608			48.702	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	20.825	*100,0%*		7.552	*37,8%*		3.517	*22,0%*		2.309	*100,0%*		800	*100,0%*		2.163	*100,0%*		2.608	*100,0%*		36.257	*74,4%*
retail	0	*0,0%*		12.445	*62,2%*		12.445	*78,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.445	*25,6%*
o/w private	0	*0,0%*		12.445	*62,2%*		12.445	*78,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.445	*25,6%*
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%*	-	12.445	*62,2%*	126%	12.445	*78,0%*	126%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12.445	*25,6%*
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%*	-	4.589	*22,9%*	-	4.589	*28,7%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4.589	*9,4%*
o/w LTV > 100%	0	*0,0%*	-	8.430	*42,2%*	-	8.430	*52,8%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	8.430	*17,3%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	12.731	*61,1%*		7.854	*39,3%*		5.950	*37,3%*		1.813	*78,5%*		475	*59,4%*		893	*41,3%*		1.171	*44,9%*		24.938	*51,2%*
medium risk (pd 5-7; 0.80%-6.40%)	5.049	*24,2%*		3.356	*16,8%*		2.410	*15,1%*		272	*11,8%*		288	*36,0%*		871	*40,3%*		1.094	*42,0%*		10.931	*22,4%*
high risk (pd 8-10; 6.40%-100.00%)	1.198	*5,8%*		4.821	*24,1%*		3.888	*24,4%*		144	*6,2%*		16	*2,0%*		232	*10,7%*		343	*13,1%*		6.753	*13,9%*
non-performing loans (pd 11 - 12)	595	*2,9%*		3.941	*19,7%*		3.715	*23,3%*		72	*3,1%*		21	*2,7%*		167	*7,7%*		0	*0,0%*		4.795	*9,8%*
unrated	1.252	*6,0%*		26	*0,1%*		0	*0,0%*		8	*0,3%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		1.286	*2,6%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	595	*2,9%*		3.941	*19,7%*		3.715	*23,3%*		72	*3,1%*		21	*2,7%*		167	*7,7%*		0	*0,0%*		4.795	*9,8%*
provisions for NPL	505			1.529			1.401			67			14			100			0			2.215	
all provisions (specific + portfolio based)	726			2.010			1.720			79			20			161			1			3.023	
cover NPL by all provisions (specific + portfolio)	122%			51%			46%			111%			96%			97%			-			63%	
2011 Credit cost ratio (CCR)	n.a.			n.a.			3,01%			n.a.			n.a.			n.a.			0,02%			1,36%	
YTD 2012 CCR	n.a.			n.a.			3,34%			n.a.			n.a.			n.a.			-0,67%			1,42%	

Remarks

Belgium = Belgian Corporate Branches, KBC Lease (Belgium), KBC Commercial Finance
Western Europe = Foreign branches in Western Europe (UK, France, Netherlands); KBC Bank Ireland (incl. former Homeloans), KBC Lease UK
Ireland = KBC Bank Ireland (incl. former KBC Homeloans)
USA = foreign branch in USA
Southeast Asia = Foreign branches in Asia (Hong Kong, Singapore, China)
Other = Real estate, (international) Trade finance, Specialised finance and Syndicated loans
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 31-12-2012, in millions of EUR	Total Group Centre (mainly KBC Finance Ireland)			for information: Russia (included in IFRS5 scope)		
Total outstanding amount	1.928			2.095		
Counterparty break down		*% outst.*			*% outst.*	
SME / corporate	1.928	*100,0%*		1.033	*49,3%*	
retail	0	*0,0%*		1.063	*50,7%*	
o/w private	0	*0,0%*		986	*47,1%*	
o/w companies	0	*0,0%*		76	*3,6%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	0	*0,0%*	-	838	*40,0%*	52%
o/w FX mortgages	0	*0,0%*	-	148	*7,1%*	46%
o/w vintage 2007 and 2008	0	*0,0%*	-	330	*15,7%*	-
o/w LTV > 100%	0	*0,0%*	-	3	*0,1%*	-
Probability of default (PD)		*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	693	*35,9%*		1.005	*48,0%*	
medium risk (pd 5-7; 0.80%-6.40%)	729	*37,8%*		872	*41,6%*	
high risk (pd 8-10; 6.40%-100.00%)	445	*23,1%*		53	*2,5%*	
non-performing loans (pd 11 - 12)	60	*3,1%*		97	*4,6%*	
unrated	0	*0,0%*		69	*3,3%*	
Other risk measures		*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	60	*3,1%*		97	*4,6%*	
provisions for NPL	24			75		
all provisions (specific + portfolio based)	106			101		
cover NPL by all provisions (specific + portfolio)	175%			104%		
2011 Credit cost ratio (CCR)	0,70%			-1,99%		
YTD 2012 CCR (local currency)	3,42%			-0,85%		

Outstanding structured credit exposure (banking and insurance activities)

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

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

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

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

KBC investments in structured credit products (CDOs and other ABS), in billions of EUR	31-12-2012
Total nominal amount	17.1
o/w CDO exposure protected with MBIA	10.1
o/w other CDO exposure	5.4
o/w other ABS exposure	1.6
Cumulative value markdowns (mid 2007 to date)*	-4,1
Value markdowns	-3.6
for *other CDO exposure*	*-3.4*
for *other ABS exposure*	*-0.1*
Credit value adjustment (CVA) on MBIA cover	-0.5

* 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 2012, there was a total notional reduction in KBC's CDO and ABS exposure of 0.3 billion euros bringing the total notional reduction over 2012 to 3.3 billion euros.
These changes over the full year were mainly due to:
• the collapse of two CDOs, which reduced the outstanding notional amount by 1.7 billion euros.
• a 0.4-billion-euro reduction in 'other ABS exposure' due to the sale of KBL EPB being completed in the third quarter of 2012.
• a 1.2 billion-euro decrease in 'other ABS exposure' due to the sale and amortisation of ABS assets held by the KBC group.

The other outstanding CDO positions held by KBC have incurred net effective losses totalling -2.2 billion euros, caused by claimed credit events until 07 January 2013 in the lower tranches of the CDO structure. Of this figure, -2.1 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 the past.

Protection for CDO exposure

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

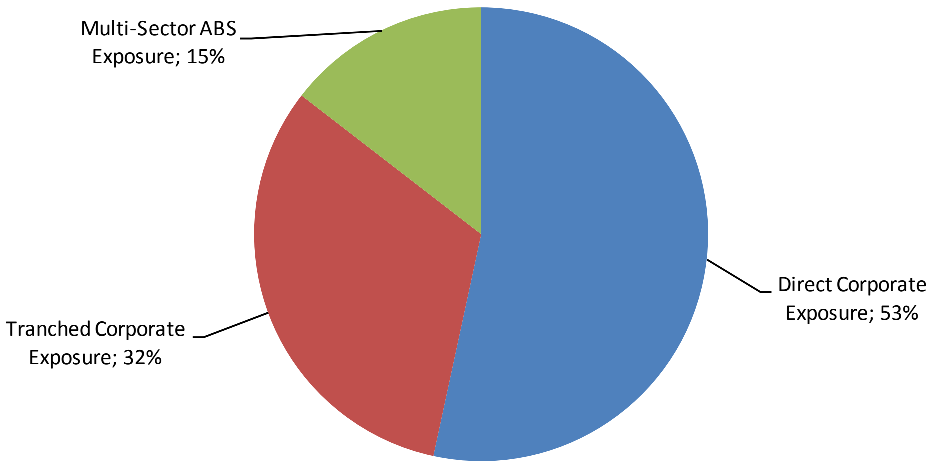
Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a nominal value of 12.2 billion euros of which 10.1 billion euros relates to the exposure insured by MBIA. The remaining 2.1 billion euros of exposure covered by the contract with the Belgian State relates to part of the 'other CDO exposure'. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR	31-12-2012
Total insured amount (notional amount of super senior swaps)[1]	10.1
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	0.6
- CVA for counterparty risk, MBIA	-0.5
(as a % of fair value of insurance coverage received)	80%

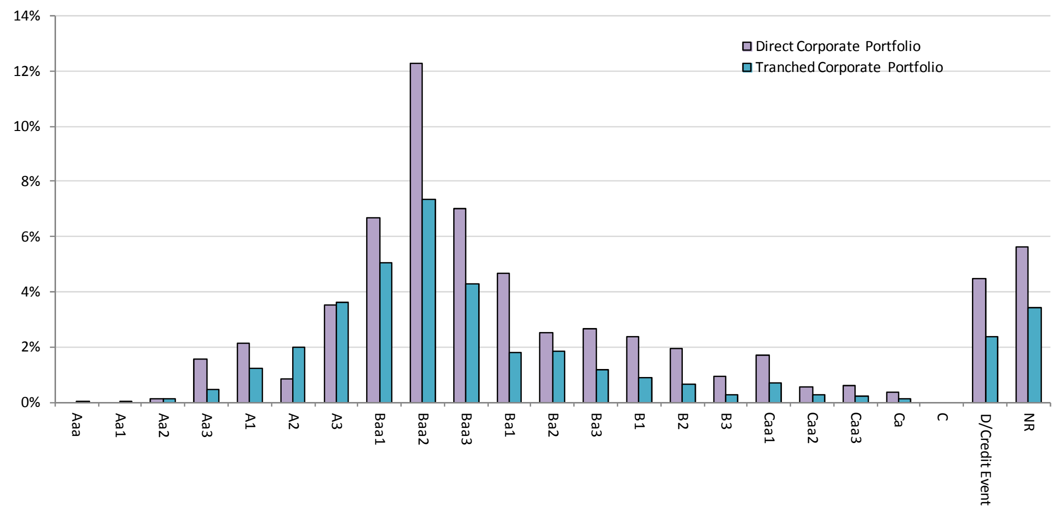
1 The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).

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

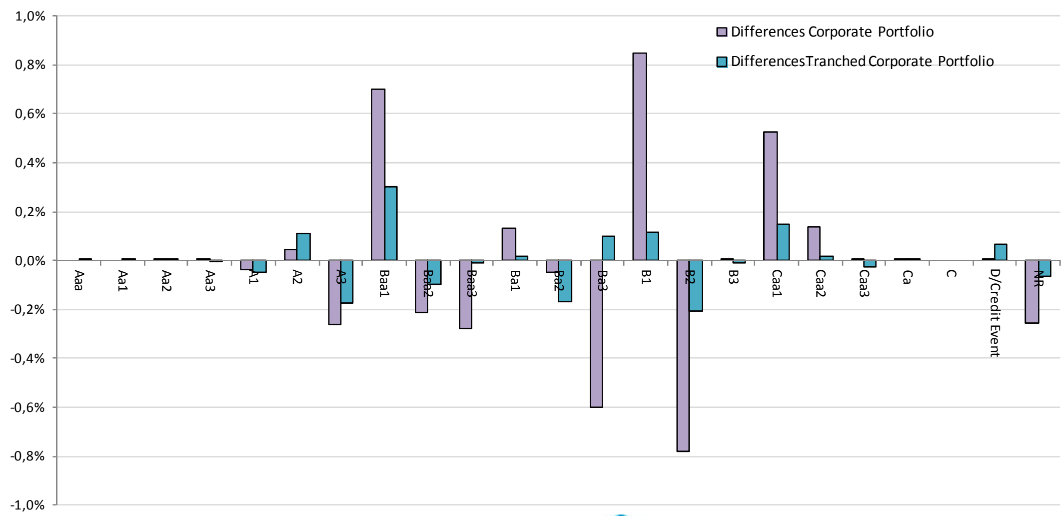
Overview of the portfolio
(Average % as of initial total deal notional exposure ; figures as of 7 January 2013)



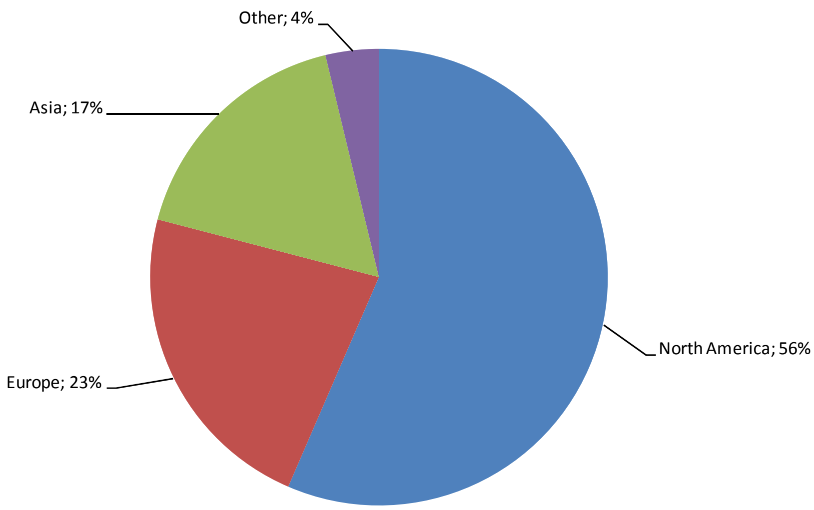
Corporate ratings distribution
(Figures as of 7 January 2013, based on Moody's Ratings Direct Corporate exposure as a % of the Direct Corporate Portfolio; Tranched Corporate exposure as a % of Tranched Corporate Portfolio)



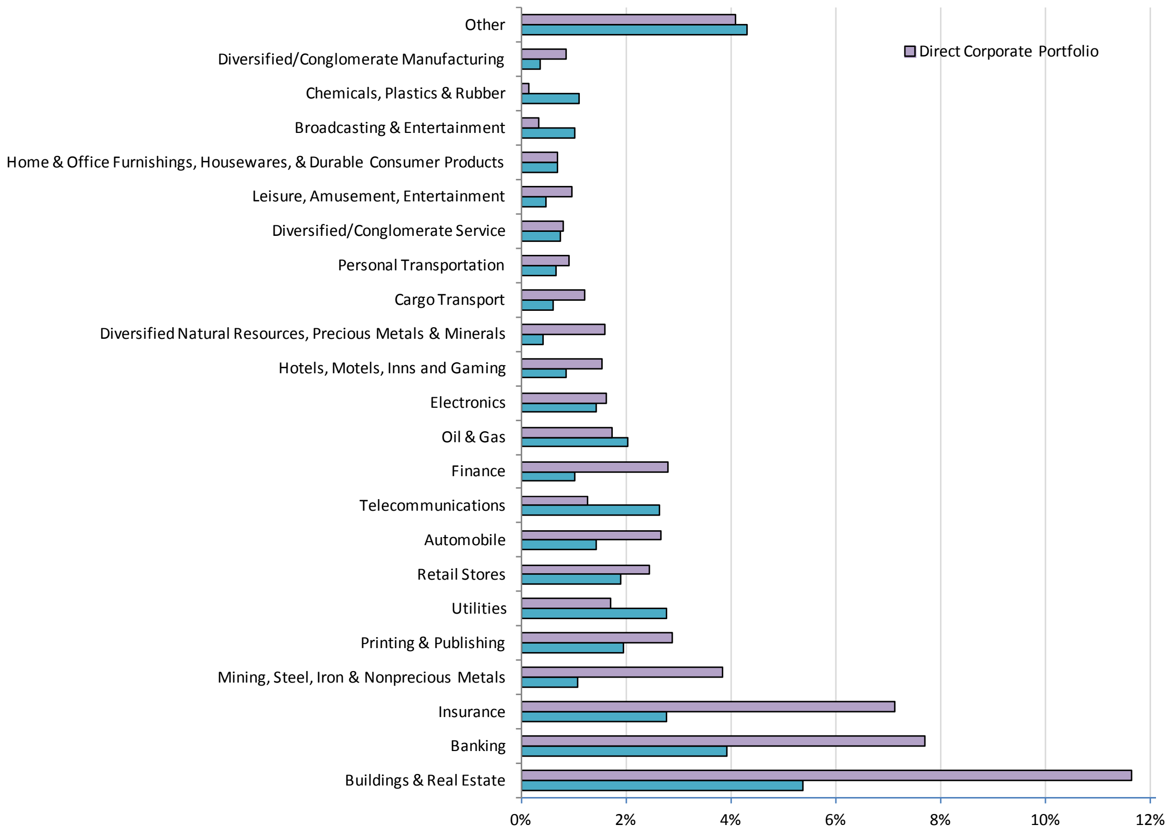
(Migration in Corporate ratings distribution, compared to situation 9 October 2012)



Corporate geographical distribution
(Total Corporate Portfolio - Direct and Inner Tranches ; figures as of 7 January 2013)



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 7 January 2013)

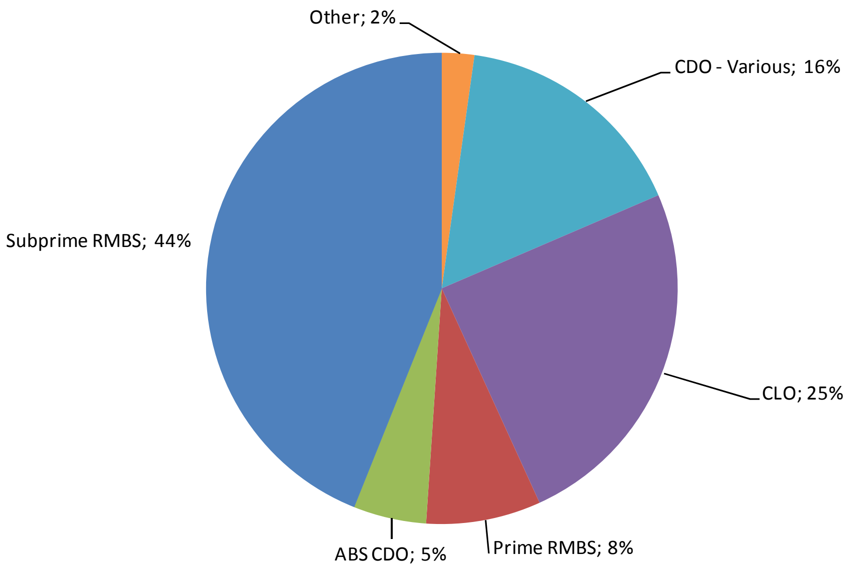


Breakdown towards multi-sector ABS portion

Ratings distribution

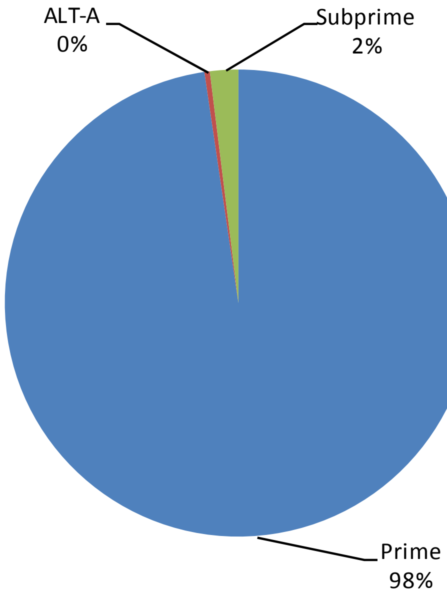
Based on Moody's ratings as of 9 October 2012 and 7 January 2013, for both period-ends just above 60% of the underlying assets are rated at 'C'. The remaining portion of the assets is percentage-wise approximately evenly distributed over the full rating range between Aaa and Ca.

Type distribution
(figures as of 7 January 2013)

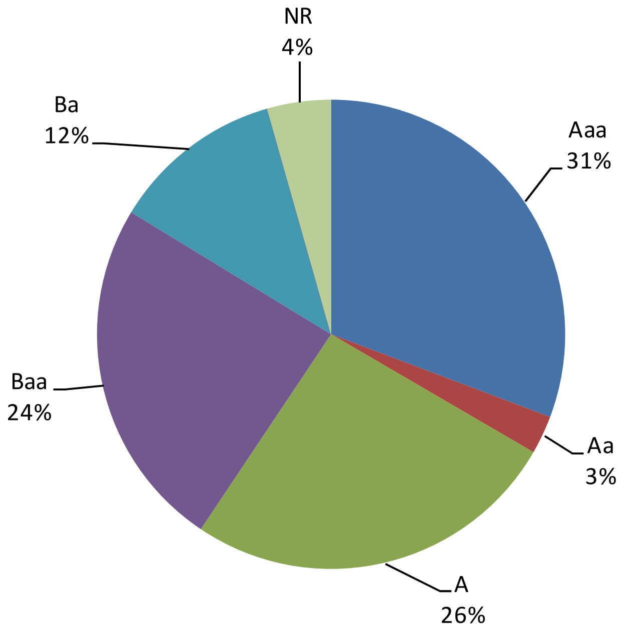


Details of the underlying assets of other ABS exposure

RMBS breakdown
(figures as of 31 December 2012)



Ratings Distribution
(based on Basel II-mapped Ratings; figures 31 December 2012)



Solvency

Solvency KBC Group

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

In millions of EUR	31-12-2011	31-12-2012
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	19 687	16 113
Tier-1 capital	15 523	14 062
Core Tier-1 capital	*13 413*	*11 951*
Parent shareholders' equity	9 756	12 099
Non-voting core-capital securities [(2)]	6 500	3 500
Intangible fixed assets (-)	- 446	- 356
Goodwill on consolidation (-)	- 1 804	- 987
Innovative hybrid tier-1 instruments [(2)]	420	419
Non-innovative hybrid tier-1 instruments [(2)]	1 690	1 692
Direct & indirect funding of investments in own shares		- 250
Minority interests	145	- 5
Equity guarantee (Belgian State)	564	276
Revaluation reserve available-for-sale assets (-)	117	- 1 263
Hedging reserve, cashflow hedges (-)	594	834
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 550	- 22
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	0
Equalization reserve (-)	- 139	- 111
Dividend payout (-) [(3)]	- 598	- 960
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 384	- 227
Items to be deducted [(1)] (-)	- 338	- 577
Tier-2 & 3 capital	4 164	2 051
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	0
Revaluation reserve, available-for-sale shares (at 90%)	246	185
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	403	130
Subordinated liabilities	3 778	2 268
Tier-3 capital	45	44
IRB provision shortfall (50%) (-)	0	0
Items to be deducted [(1)] (-)	- 338	- 577
Capital requirement		
Total weighted risks	126 333	102 148
Banking	110 355	89 532
Insurance	15 791	12 386
Holding activities	286	304
Elimination of intercompany transactions between banking and holding activities	- 100	- 74
Solvency ratios		
Tier-1 ratio	12,29%	13,77%
Core Tier-1 ratio	10,62%	11,70%
CAD ratio	15,58%	15,77%

[(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 (before 31-12-2012 mainly NLB, as of 31-12-2012 predominantly Bank Zachodni WBK).

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

[(3)] for 31/12/2011: includes 595 million euros coupon on non-voting core capital securities and 3 million euros dividend on ordinary shares; for 31/12/2012: includes 543 million euros coupon on non-voting core capital securities and 417 million euros dividend on ordinary sharesfor 2012.

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

The pro forma tier-1 ratio at 31 December 2012 including the impact of the sale of KBC's stake in Bank Zachodni WBK, Absolut Bank and NLB amounts to approximately 14.6%.

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

In May 2012 KBC received confirmation that it can shift as of 2Q 2012 reporting from the IRB Foundation approach under Basel II to the IRB Advanced approach for the (credit) portfolios of following entities: KBC Bank (incl. KBC Real Estate), CBC, KBC Lease Belgium, KBC Credit Investments and KBC Finance Ireland. In the third quarter of 2012, CSOB Czech Republic also moved from the IRB Foundation approach under Basel II to the IRB Advanced approach.

Basel II IRB, since its implementation in 2008, is the primary approach (used for somewhat more than 87% of the weighted credit risks, of which approx. 64% according to Advanced and approx. 23% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 13%) are calculated according to the Standardised approach.

Solvency banking and insurance activities separately

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

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2011	31-12-2012
Total regulatory capital, after profit appropriation	16 364	14 390
Tier-1 capital	12 346	12 235
Tier-2 and tier-3 capital	4 019	2 154
Total weighted risks	106 256	88 927
Credit risk	85 786	69 149
Market risk	9 727	8 733
Operational risk	10 744	11 045
Solvency ratios		
Tier-1 ratio	11,6%	13,8%
of which core tier-1 ratio	9,6%	11,4%
CAD ratio	15,4%	16,2%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2011	31-12-2012
Available capital	2 533	3 190
Required solvency margin (*)	1 263	991
Solvency ratio and surplus		
Solvency ratio (%)	201%	322%
Solvency surplus (in millions of EUR)	1 270	2 199

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

KBC Group
Analyst presentation 4Q2012

KBC Group

Analyst tele-conference

14 February 2013 - 9.30 AM CET

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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

Resilient business performance

- Underlying net group profit of 309m EUR for 4Q12, demonstrating resilience of commercial franchises despite some seasonal effects
- Loan loss provisions in Ireland: fully in line with our FY 2012 guidance, while our FY 2013 guidance is substantially lower at 300m-400m EUR

Refocus of KBC Group well-advanced

- Capital operations: capital increase of 1.25bn EUR and the sale of treasury shares (350m EUR)
- Repayment of 3.5bn EUR Belgian YES (+15% penalty) in 2012
- Sales of Absolut Bank and NLB have been announced, BZWBK merged with Kredyt Bank
- Updated strategy ‘KBC 2013 and beyond’ being implemented as of 1st January 2013

Solid capital and robust liquidity positions

- Pro-forma tier-1 ratio of 14.6% at the end of 2012 at KBC Group after proposed dividend, up from 12.3% at the end of 2011
- Estimated B3 CET at the end of 2013: 11.2% phased in (11.0% fully loaded), factoring in 1.17bn EUR repayment of Flemish YES instruments and after proposed dividend, well above our 10% internal target for fully loaded B3 CET ratio
- Continued strong liquidity position (78% LTD ratio). KBC is well ahead of its 2013 funding plan. Covered bonds will support funding mix diversification, which will reduce funding costs over time

Dividend proposal at the AGM

- Given strong solvency ratios, a gross dividend per share of 1.00 EUR will be proposed at the AGM for this year
- Intention not to pay dividend next year

Contents

Section 1

4Q 2012
Financial highlights

4Q 2012 financial highlights

Underlying results

- Continued good underlying net group profit of 309m EUR in 4Q12, as a result of strong commercial bank-insurance franchises in all our core markets and core activities
- Net interest income stabilised q-o-q as sound commercial margins and lower funding costs offset the negative impact of lower reinvestment yields
- Good growth in loan and deposit volumes in our core markets (+1% and +2% q-o-q, respectively)
- Net fee and commission income rose by 4% q-o-q and 8% y-o-y on a comparable basis
- Good sales of unit-linked life products. Performance in non-life insurance was negatively impacted by higher technical charges due to bad weather conditions, longevity reserves increase and new indicative tables for bodily injury claims
- Solid gains from financial instruments at fair value, thanks to good dealing room results
- The combined ratio (non-life) stood at a good 95% for FY 2012
- Underlying cost/income ratio of 57% for FY 2012
- Credit cost ratio at a low 0.71% for FY 2012. Excluding Ireland (in line with guidance), this ratio stands at 0.39%

Reported results

- Net reported profit of 240m EUR, as negative M2M on own credit risk was only partly offset by a slight increase in CDO valuations

Capital

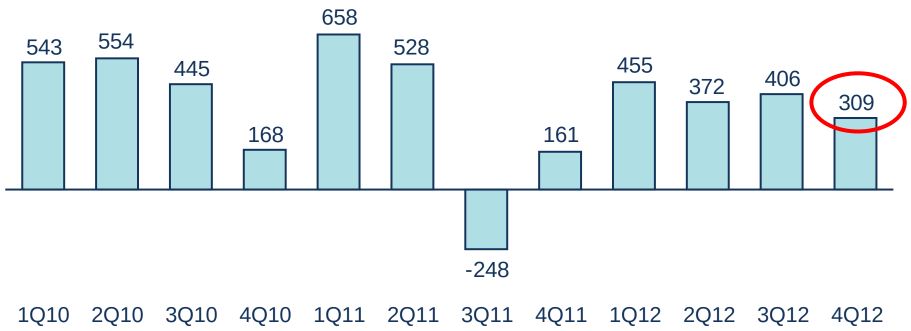
- Continued strong capital base: tier-1 ratio of 13.8% and pro forma tier-1 ratio at approx. 14.6% under Basel 2.5 (with core tier-1 ratio at 12.5%) after proposed dividend. Pro forma figures are including the impact of 1) the signed divestments of Absolut Bank, NLB and 2) the full exit of Kredyt Bank/BZWBK

Liquidity & Funding

- Strong liquidity position, with a loan-to-deposit ratio of 78% (82% at the end of 3Q12) Unencumbered assets are more than double the amount of short-term wholesale funding
- KBC is well ahead of its 2013 funding plan, thanks to the issuance of 0.75bn EUR covered bonds and 1bn USD contingent capital notes in January 2013
- Covered bonds will support funding mix diversification, which will reduce funding costs over time

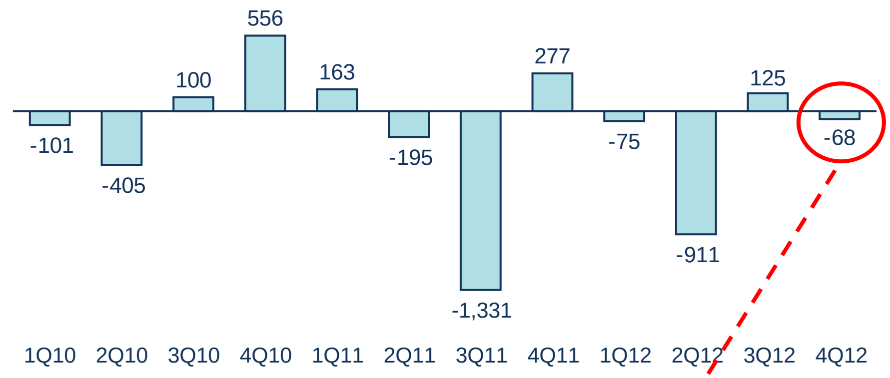
Earnings capacity

Underlying net profit *

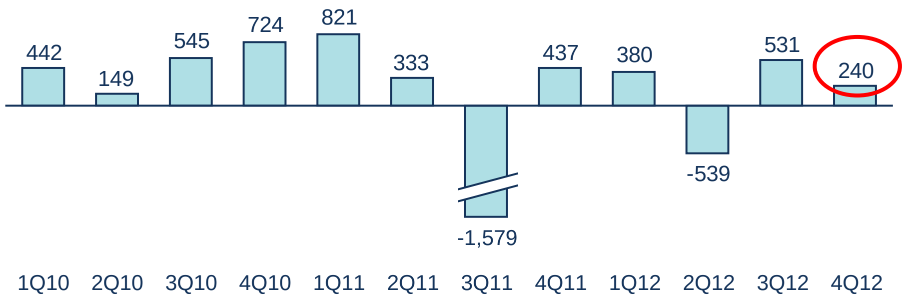


Including exceptional items

Exceptional items



Reported net profit *



Main exceptional item (post-tax)

• M2M of own credit risk	- 0.1bn EUR
• P&L gain from the Kredyt Bank divestment	+ 0.1bn EUR
• P&L loss from the sale of our stake in NLB	- 0.1bn EUR

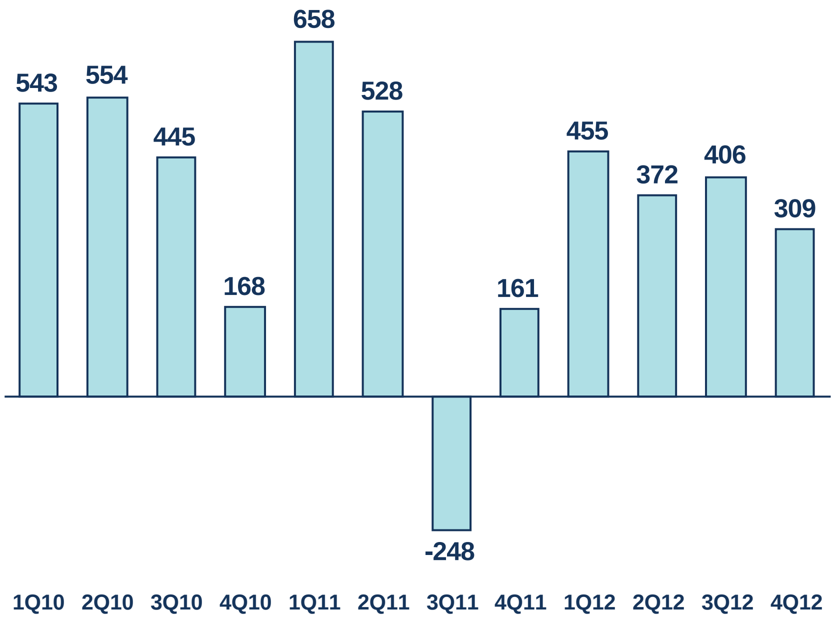
Amounts in m EUR

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

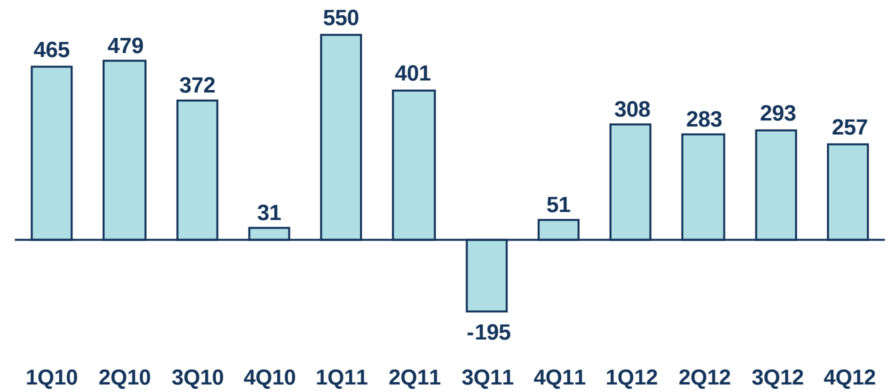
Underlying profit at KBC Group

Amounts in m EUR

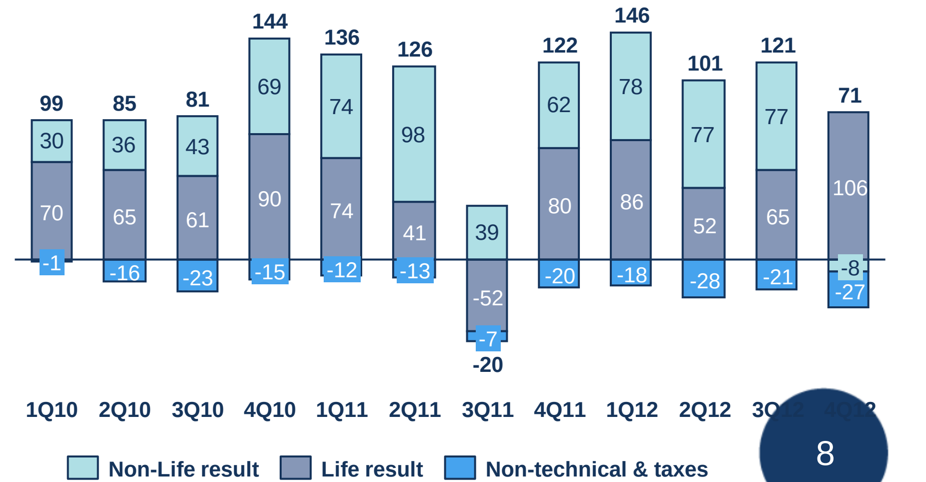
Underlying net profit at KBC Group *



Underlying net profit contribution of banking to KBC Group *



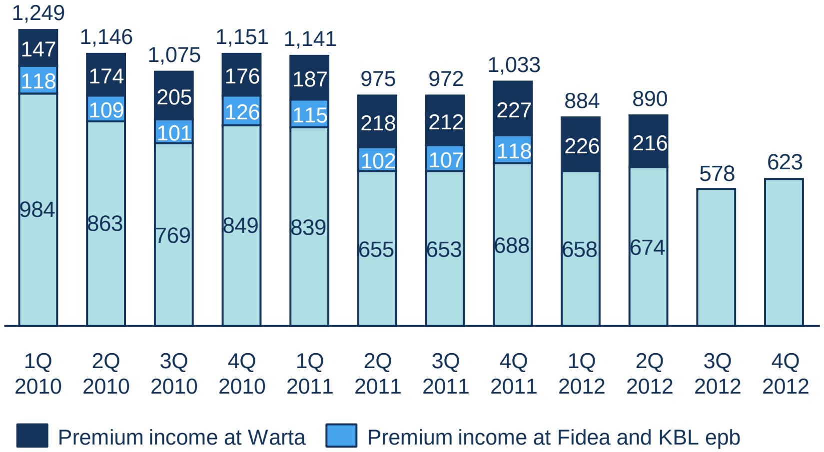
Underlying net profit contribution of insurance to KBC Group (excl. Vitis) *



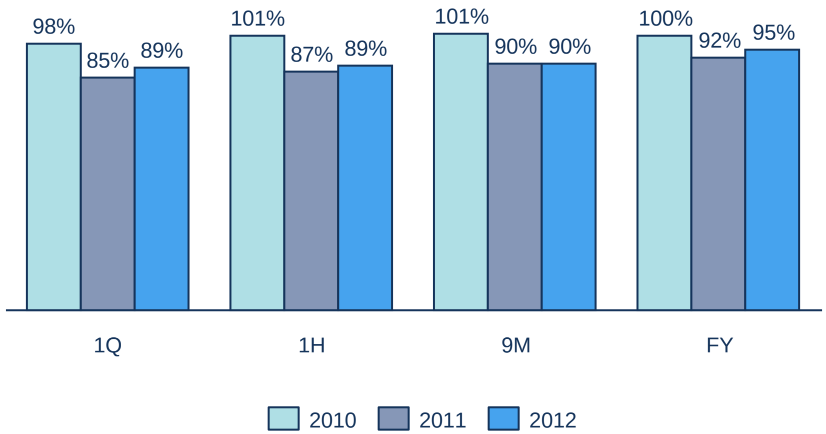
* Difference between underlying net profit at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items and Vitis

Underlying revenue trend - Group

Premium income (gross earned premium)



Combined ratio (Non-Life)

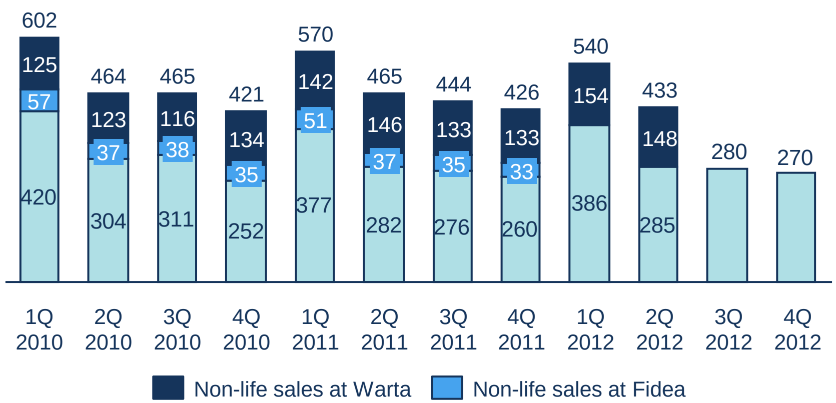


- Insurance premium income (gross earned premium) at 623m EUR
- Excluding deconsolidated entities,
  - Non-life premium income (313m) up 2% q-o-q and 5% y-o-y. The non-life combined ratio in FY 2012 stood at a good 95%
  - Life premium income (310m) up 14% q-o-q, but down 20% y-o-y

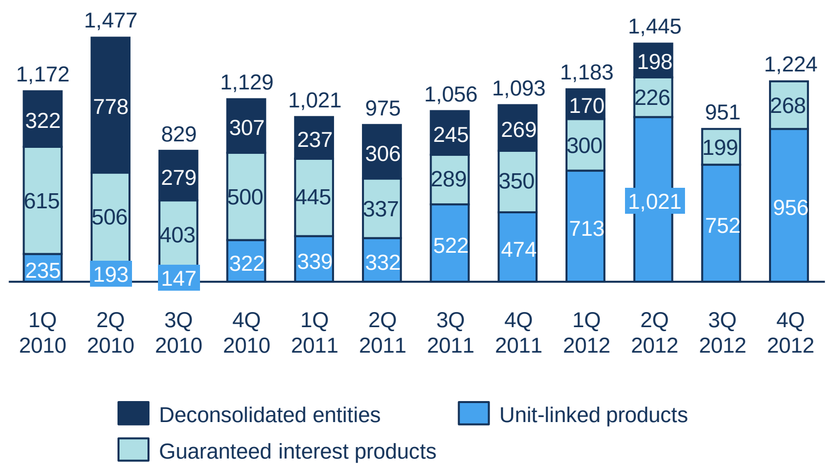
Amounts in m EUR

Underlying revenue trend - Group

Non-Life sales (gross written premium)



Life sales (gross written premium)

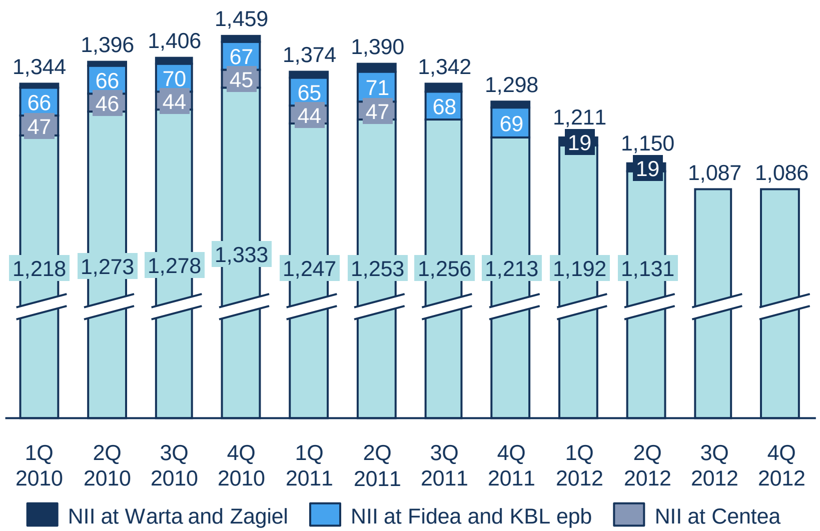


- Sales of Non-Life insurance products:
  - Up almost 4% y-o-y (excluding the divestment of Fidea and Warta) and down 4% q-o-q
- Sales of Life insurance products:
  - Up 29% q-o-q and 12% y-o-y (+29% and +49%, respectively, excluding deconsolidated entities)
  - The q-o-q sales increase of unit-linked products can be explained mainly by the successful saving campaign in October/ November and the exceptionally high level of sales in December, benefitting from the expected insurance tax increase as from January 2013, both in the Belgium BU
  - Sales of unit-linked products already account for 78% of total life insurance sales

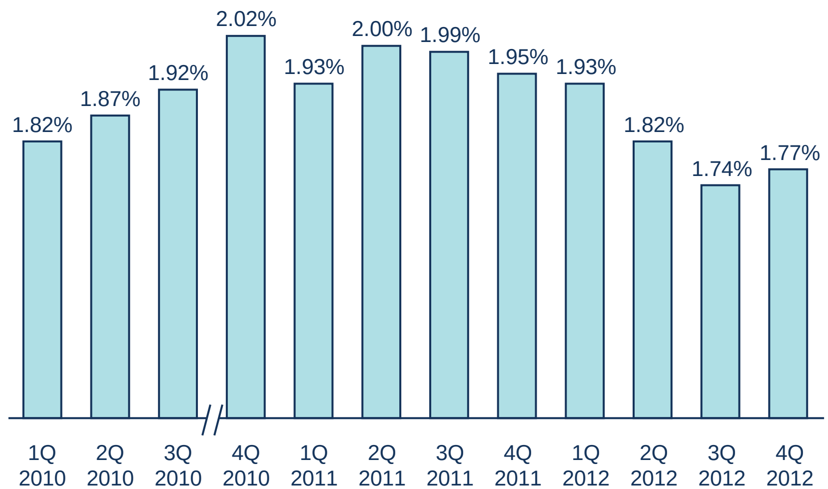
Amounts in m EUR

Underlying revenue trend - Group

NII



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



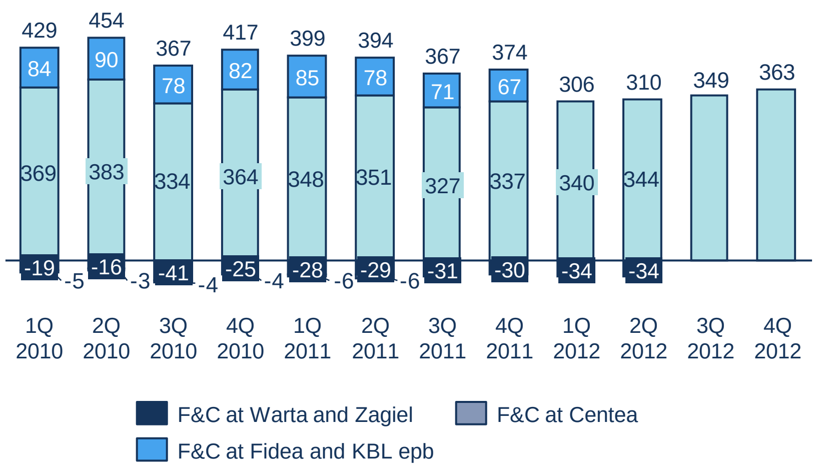
- Excluding deconsolidated entities, net interest income stabilised q-o-q, but fell by 10% y-o-y (across all BUs)
- Net interest margin (1.77%): -18bps y-o-y and +3bps q-o-q. The q-o-q increase can chiefly be explained by substantial lower funding costs and sound commercial margins. Both items offset the negative impact from lower reinvestment yields
  - NIM in Belgium rose by 1bp q-o-q to 1.16%, while NIM in Central & Eastern Europe fell by 14bps q-o-q to 2.89%
- On a comparable basis, loan volumes rose by 1% y-o-y, with continued growth in our home markets (+5% y-o-y in the BE BU and +4% y-o-y in the CEE BU), partly offset by a reduced corporate loan book in the MEB BU
- Deposit volumes went up by 9% y-o-y on a comparable basis: +5% in the BE BU, +2% in the CEE BU and +23% in the MEB BU

Amounts in m EUR

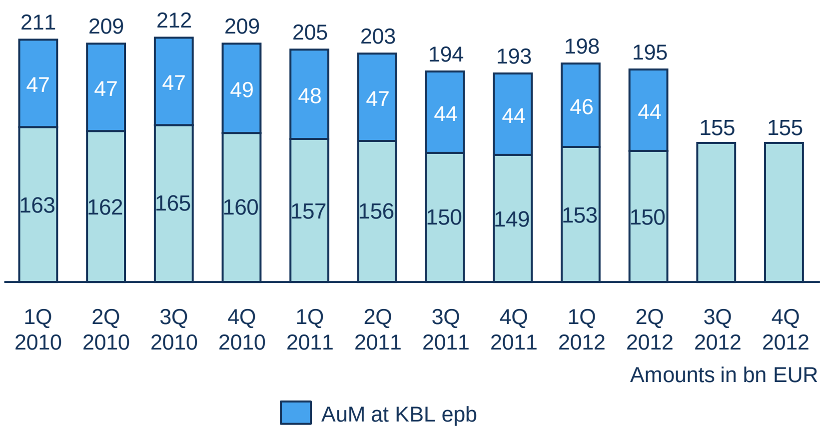
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Underlying revenue trend - Group

F&C



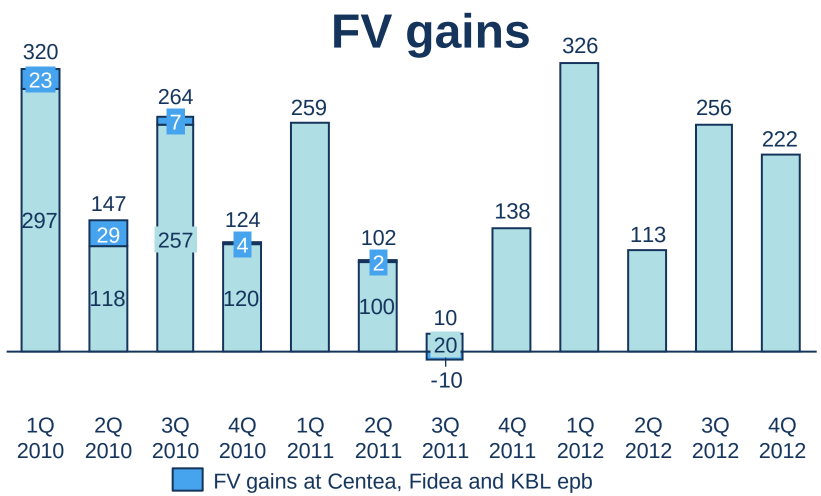
AUM

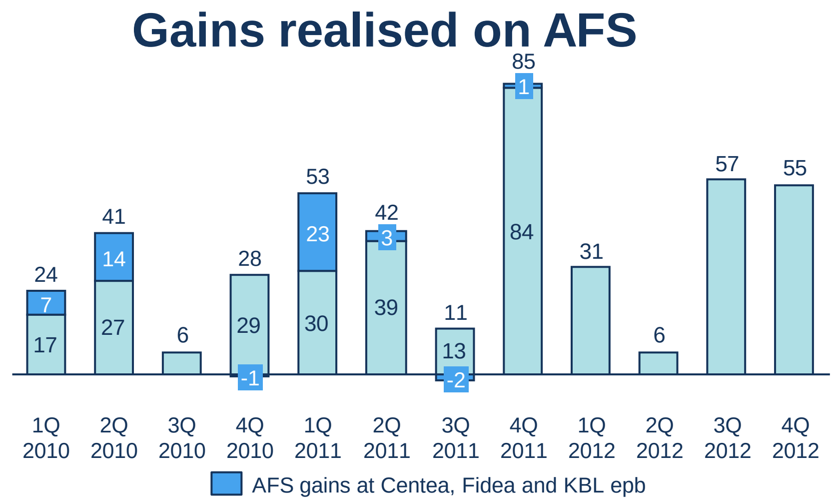


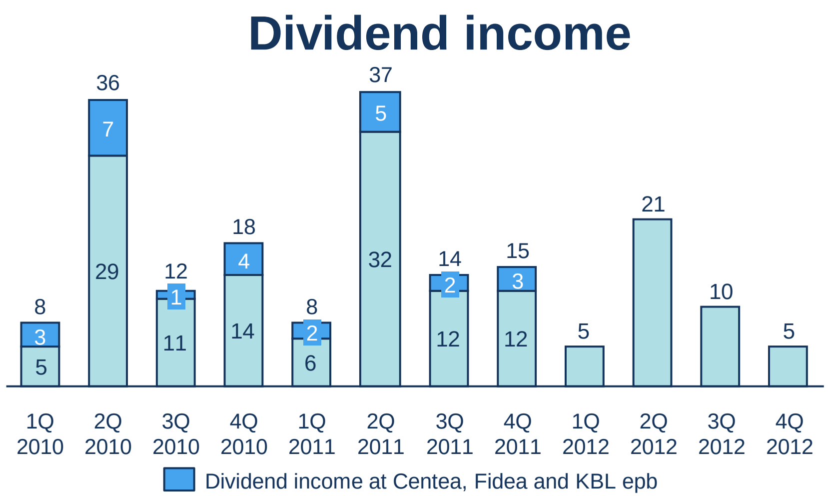
- Excluding deconsolidated entities, net fee and commission income:
  - increased 4% q-o-q, thanks chiefly to the successful savings campaign in the BE BU in 4Q12 (more entries in mutual funds and higher sales of unit-linked life insurance products)
  - rose by 8% y-o-y driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products. Note that 4Q11 benefitted from fee income stemming from the issuance of Belgian state notes)
- Assets under management stabilised q-o-q at 155bn EUR at the end of 2012 (positive price effect offset net outflows)

Amounts in m EUR

Underlying revenue trend - Group







Amounts in m EUR

- The lower q-o-q figure for net gains from financial instruments at fair value (222m EUR) was the result of a negative q-o-q change in credit value adjustments (CVA), despite a satisfactory dealing room performance
- Gains realised on AFS assets came to 55m EUR (mainly on Belgian government bonds at KBC Bank Belgium)
- Dividend income amounted to 5m EUR

Underlying operating expenses - Group

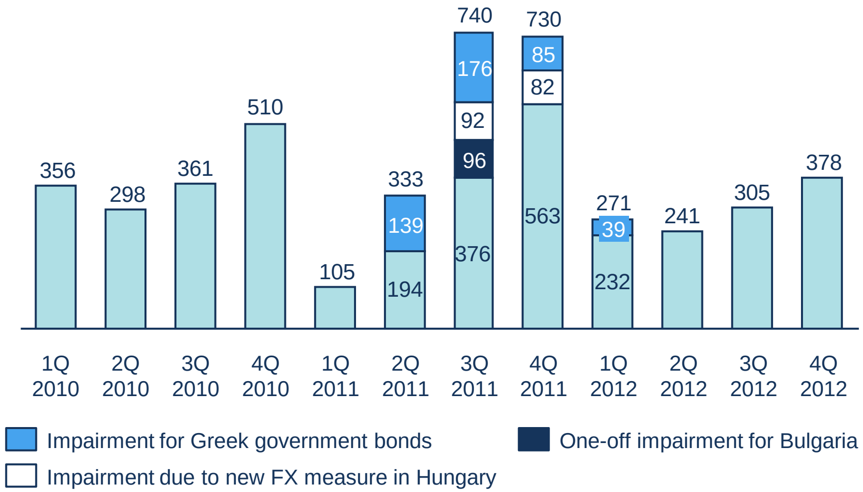
Operating expenses

- Excluding deconsolidated entities (KBL *epb*, Fidea and Warta), costs rose by 10% y-o-y and 8% q-o-q
  - Operating expenses rose by 10% y-o-y, almost entirely situated within the CEE BU as a result of 1) higher banking tax expenses (4Q11 included a positive impact of 55m EUR thanks to the deduction from the Hungarian banking tax related to the FX mortgage impairments), and 2) higher staff expenses
  - Operating expenses increased by 8% q-o-q in 4Q12 due partly to seasonal effects (roughly 50m EUR): 1) traditionally higher marketing , 2) some restructuring charges (in the CEE BU), and 3) ICT expenses
  - Underlying cost/income ratio for the banking business stood at 57% in 2012 (56% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

Amounts in m EUR

Underlying asset impairment - Group

Asset impairment



- Higher impairment charges (+74m EUR q-o-q to 378m EUR)
  - Q-o-q increase of 46m EUR in loan loss provisions, mainly for KBC Bank Belgium (retail part), KBC Bank Deutschland (which is up for sale) and the foreign branches, despite lower provisioning at KBC Bank Ireland (87m in 4Q12 compared with 129m EUR in 3Q12, fully in line with our previous guidance)
  - Compared with the very high level recorded in 4Q11 (599m EUR), loan loss provisions were down by 270m EUR, as 4Q11 included 228m EUR loan loss provisions at KBC Bank Ireland and a substantial impairment charge for Hungary (82m EUR related to FX mortgage relief measures). Furthermore, 4Q11 impairment charges also included an impairment of 85m EUR for Greek government bonds
  - Impairment of 4m EUR on AFS shares (mainly at KBC Insurance) and 45m EUR on investment property and ICT

Amounts in m EUR

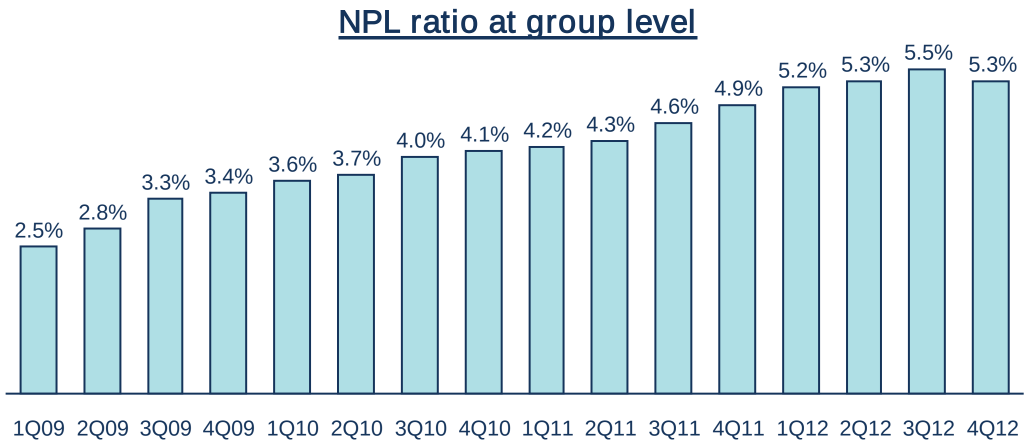
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.71% in 2012 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a low 0.39% in 2012. The NPL ratio amounted to 5.3%
- Credit cost ratio in Belgium remained at a (very) low level
- Loan losses in CEE stabilised q-o-q. As a result, the credit cost ratio in CEE remained at a low level (0.40%)
- Loan losses higher in Merchant Banking (+18m EUR q-o-q) due entirely to a higher level of provisioning for foreign branches in 4Q12 and an 18m reversal of loan impairment charges at KBC Credit Investments in 3Q12, partly offset by lower q-o-q loan losses in Ireland. Excluding Ireland, the CCR in Merchant Banking still amounted to just 48bps in 2012

Credit cost ratio (CCR)

	outstanding loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	2012 FY
			'Old' BU reporting			'New' BU reporting	
Belgium	**59bn**	0.13%	0.09%	0.17%	0.15%	0.10%	0.11%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.59%	0.40%
CEE (excl. one-off items in 2H11)						0.69%	
Merchant B. (incl. Ireland)	**49bn**	0.02%	0.48%	1.32%	1.38%	1.36%	1.42%
Merchant B. (excl. Ireland)	**33bn**	0.02%	0.53%	1.44%	0.67%	0.59%	0.48%
Ireland	**16bn**	0.03%	0.31%	0.96%	2.98%	3.01%	3.34%
Total Group	**141bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**	**0.71%**

NPL ratio at Group level

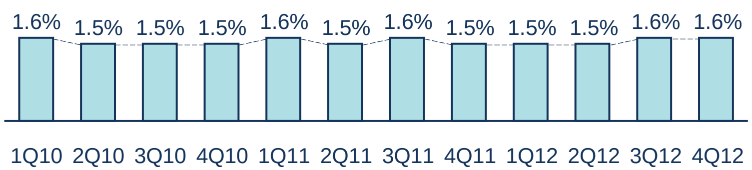


FY 2012	**Non-Performing Loans** (>90 days overdue)	**High risk, excl. restructured loans** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.6%	3.8%	0.8%
CEE BU	5.2%	4.4%	2.3%
MEB BU including Ireland	9.8%	8.4%	5.4%
MEB BU excluding Ireland	3.3%	7.8%	1.0%
Ireland	23.3%	9.8%	14.5%

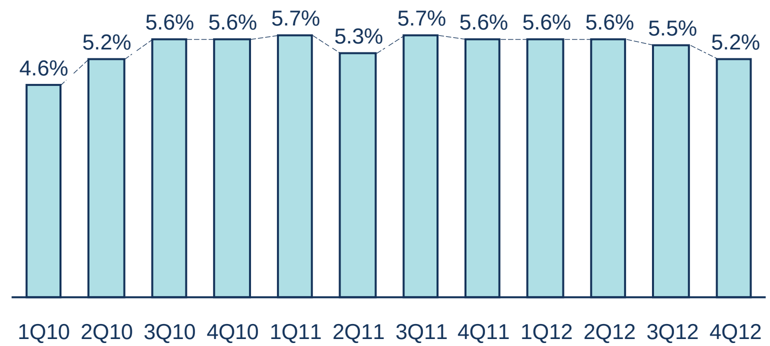
NPL ratios per business unit

BELGIUM BU

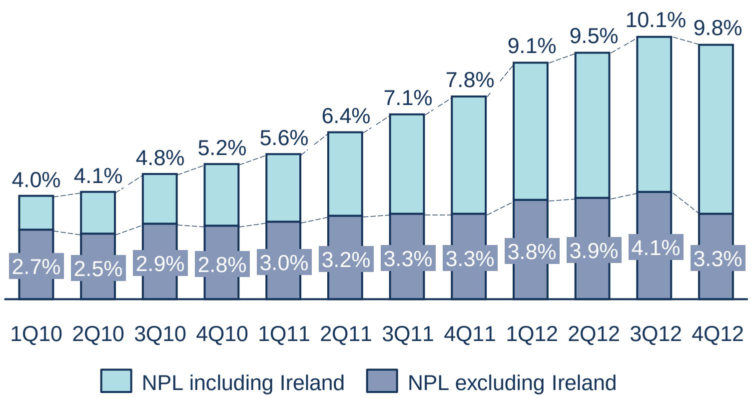
non-performing loan ratio



CEE BU



MEB BU



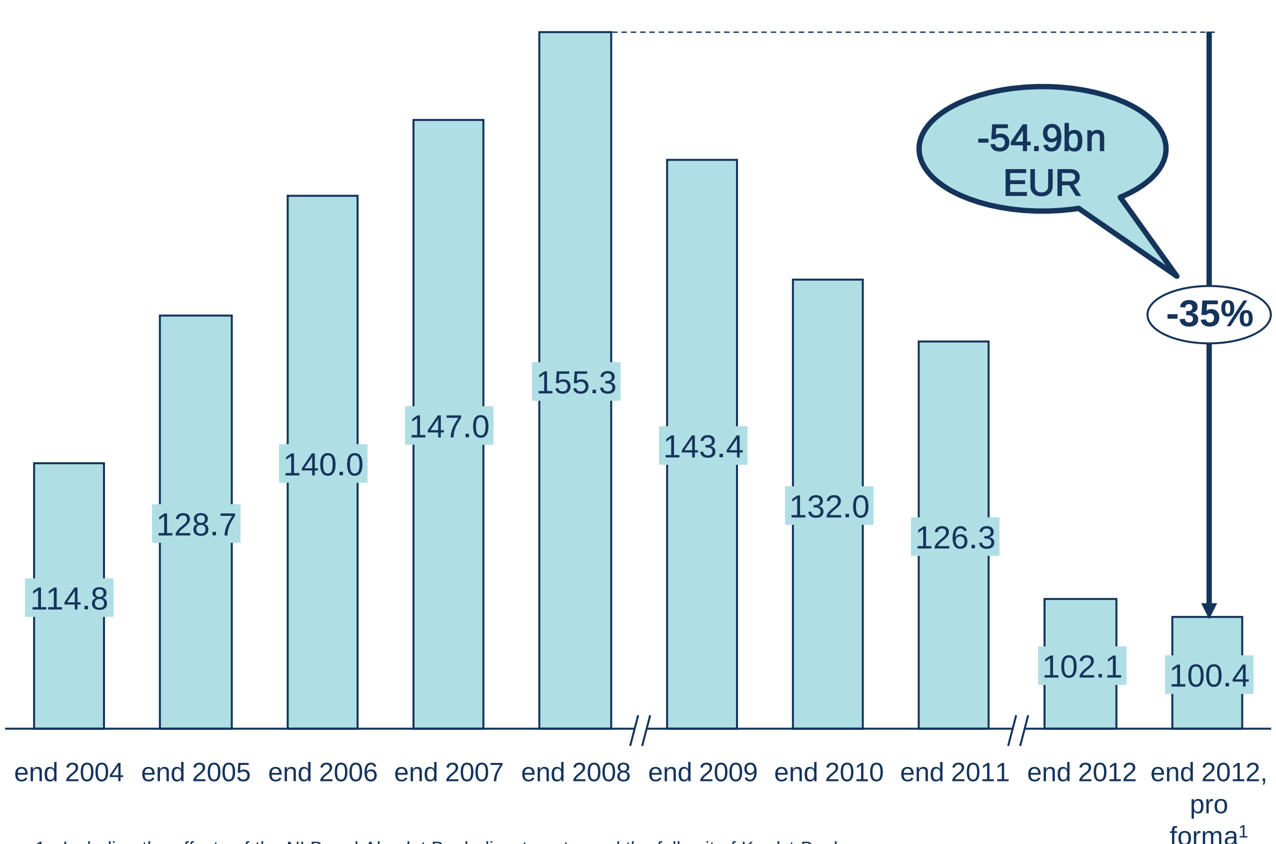
Section 2

Divestments and derisking

RWA reduced by more than initially planned

- 35% reduction in risk weighted assets between the end of 2008 and 2012 due mainly to divestment activities
  - Divestments of KBC companies have taken place on a large scale since 2009: >20 entities

KBC Group risk weighted assets (in bn EUR)



Selected Divestments

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

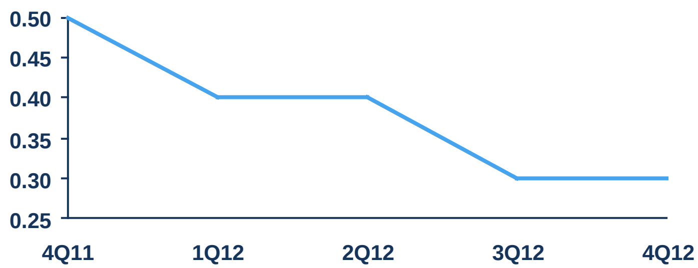
1. Including the effects of the NLB and Absolut Bank divestments, and the full exit of Kredyt Bank

Update on outstanding* CDO exposure at KBC (FY 2012)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- CDO exposure protected with MBIA - Other CDO exposure	10.1 5.4	-0.5 -3.4
TOTAL	15.5	-3.9

Amounts in bn EUR	Total
Outstanding value adjustments	-3.9
Claimed and settled losses	-2.2
- Of which impact of settled credit events	-2.1

Negative P&L impact** of a 50% widening in corporate and ABS credit spreads

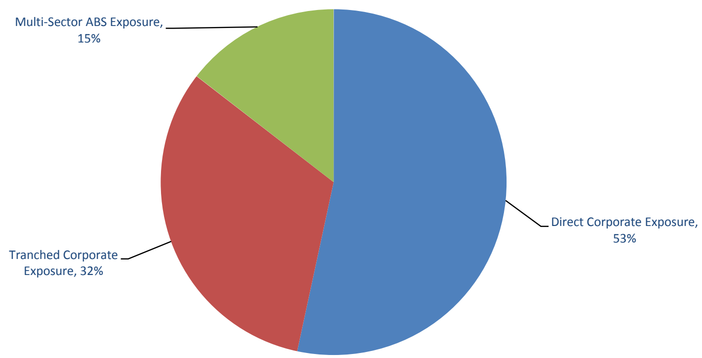


- The total notional amount remained stable throughout the last quarter. The outstanding markdowns decreased as a result of the credit spread tightening
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 8.9% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- P&L sensitivity significantly reduced thanks to derisking activities
- Reminder: CDO exposure largely written down or covered by a State guarantee

* Figures exclude all expired, unwound or terminated CDO positions
** Taking into account the guarantee transacted with the Belgian State and a provision rate for MBIA at 80%

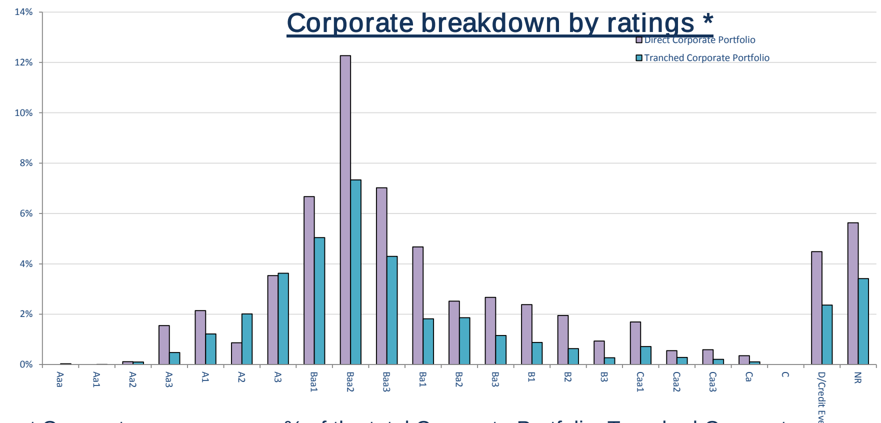
Breakdown of KBC's CDOs originated by KBC FP (figures as of 7 January 2013)

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



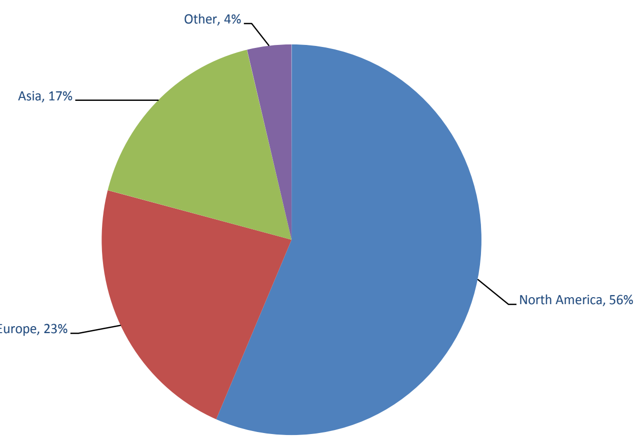
* % of total initial deal notional

Corporate breakdown by ratings *



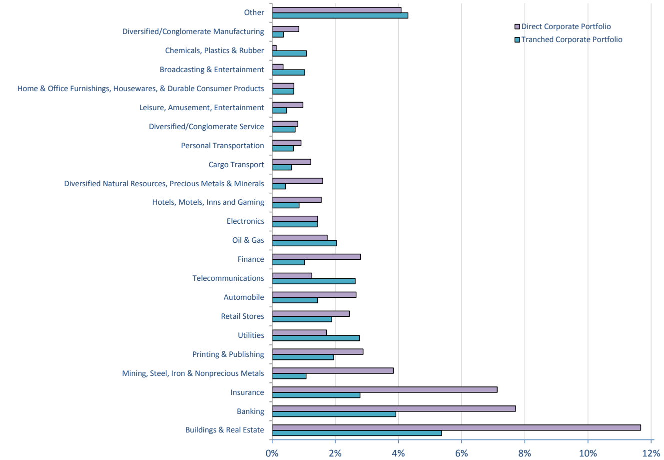
* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio; Figures based on Moody's Ratings

Corporate break down by region*



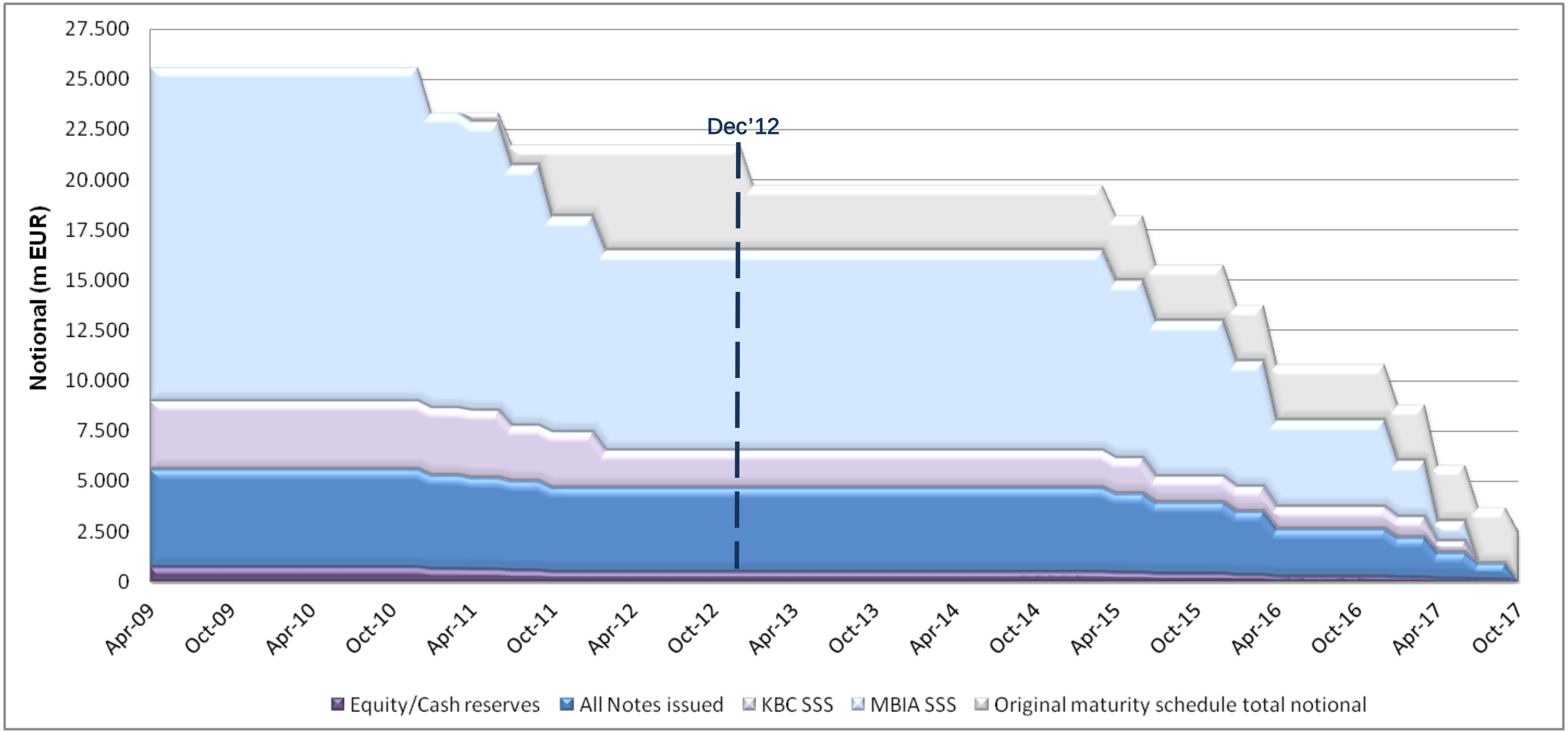
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio

Corporate breakdown by industry *



* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of the total Corporate Portfolio

Maturity schedule of the CDOs issued by KBC FP

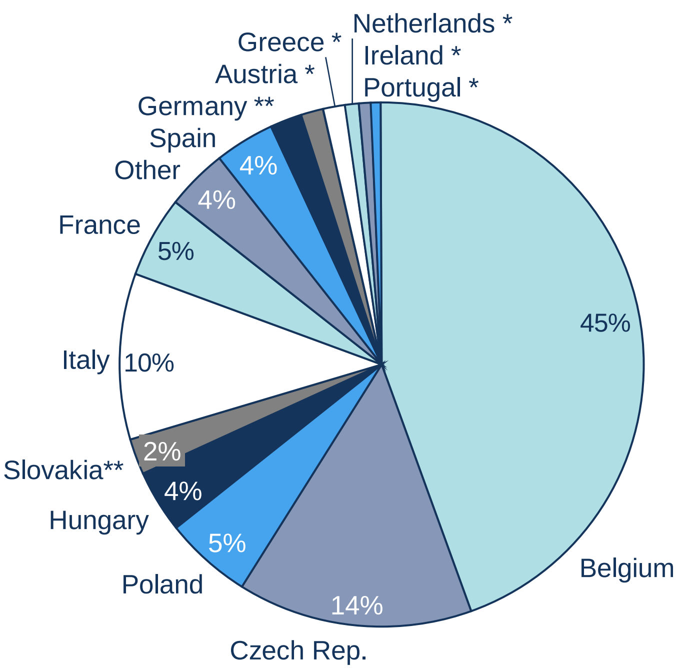


Government bond portfolio

- Notional investment of 47bn EUR in government bonds (excl. trading book) at end of 2012, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments
- GIIPS exposure down by 65% since the end of 2011, to 1.7bn EUR carrying value at the end of 2012

End 2010

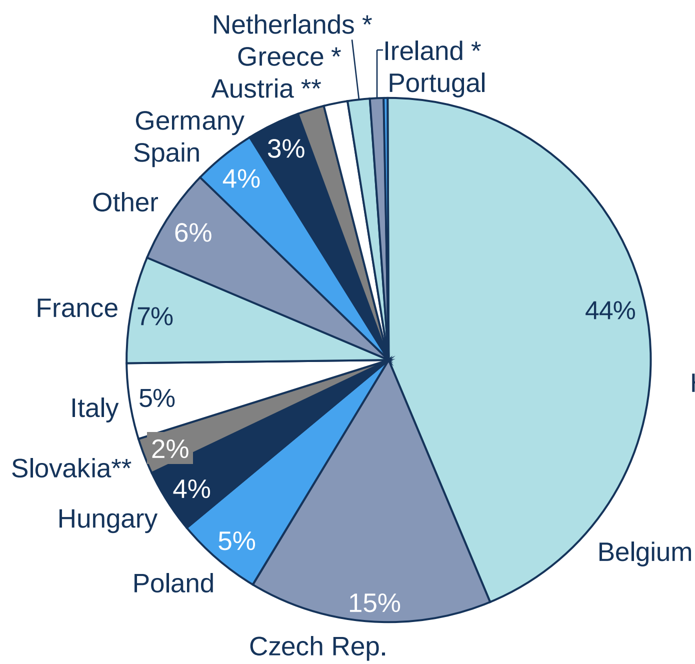
(60bn EUR notional)



(*) 1%, (**) 2%

End 2011

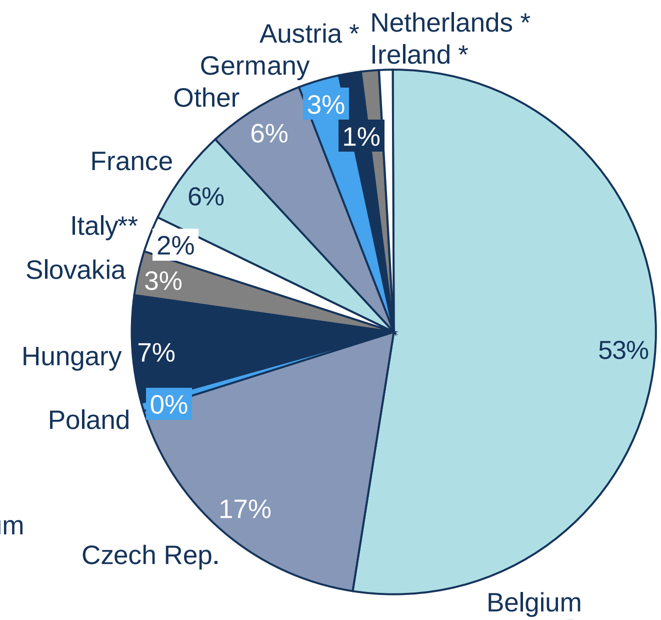
(51bn EUR notional)



(*) 1%, (**) 2%

End 2012

(47bn EUR notional)



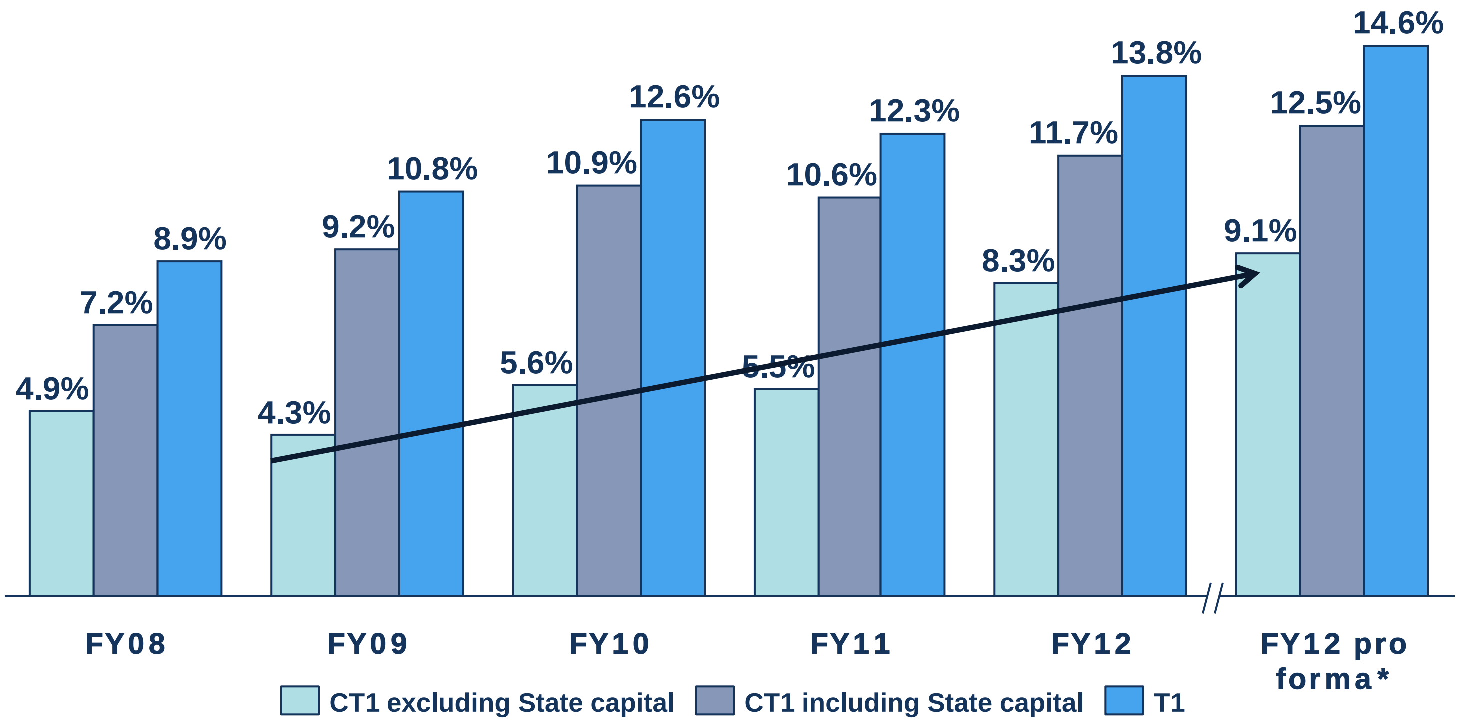
(*) 1%, (**) 2%

Section 3

Strong solvency and Solid liquidity

Strong capital position

- Strong tier-1 ratio of 13.8% (14.6% pro forma) at KBC Group as at end 2012, after proposed gross dividend of 1.00 EUR per share
- Pro forma core tier-1 ratio of 12.5% at KBC Group (including the impact of the signed divestments of Absolut Bank, NLB and a full exit of Kredyt Bank/BZWBK)



* FY12 pro forma CT1 includes the effects of 1) the signed divestments of Absolut Bank and NLB, and 2) a full exit of Kredyt Bank/BZWBK

Assessment of the State aid position repayment schedule

- KBC announced the accelerated full repayment of 3.0bn EUR of State aid to the Belgian Federal Government in December 2012, approved by the NBB, and its intention to accelerate repayment of 1.17bn EUR of State aid to the Flemish Regional Government in 1H13
- KBC is committed to repaying the remaining outstanding balance of 2.33bn EUR issued to the Flemish Regional Government in seven equal instalments of 0.33bn EUR (plus premium) over the 2014-2020 period (KBC however has the option to further accelerate these repayments)

		Jan 2012	Dec 2012	1H 2013	2014-2020
Total remaining amount	EUR 7.0bn	EUR 6.5bn	EUR 3.5bn	EUR 2.33bn	EUR 0
Belgian Federal Government	EUR 3.5bn	EUR 0.5bn[1] EUR 3.0bn	Full Repayment EUR 3.0bn[2]		
Flemish Regional Government	EUR 3.5bn	EUR 3.5bn	EUR 3.5bn	EUR 1.17bn[3] EUR 2.33bn	To be repaid in seven equal instalments of EUR 0.33bn (plus premium) EUR 2.33bn[4]

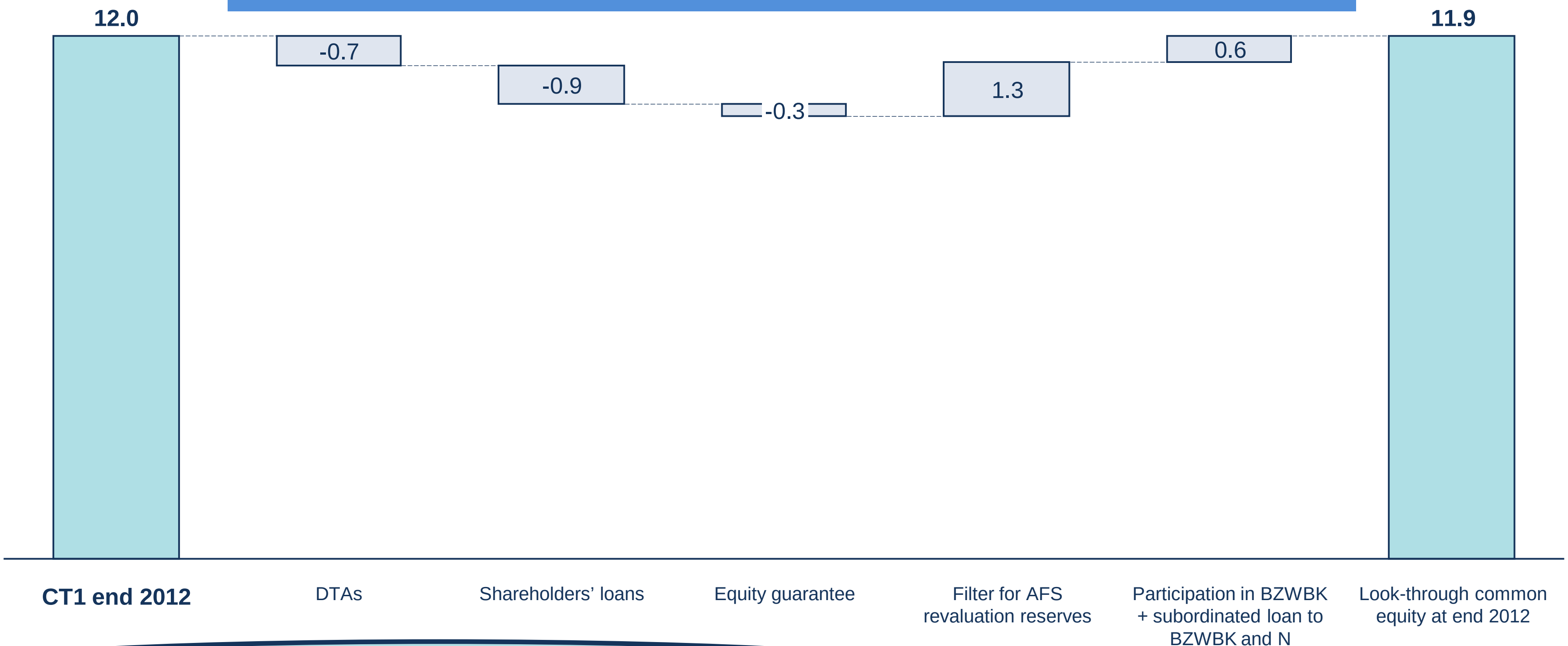
1. Plus 15% premium amounting to 75m EUR
2. Plus 15% premium amounting to 450m EUR
3. Plus 50% premium amounting to 583m EUR
4. Plus 50% premium amounting to 1,165m EUR

Look-through common equity at end 2012

From phased in to fully loaded B3 at numerator level

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

B3 impact at numerator level (bn EUR)



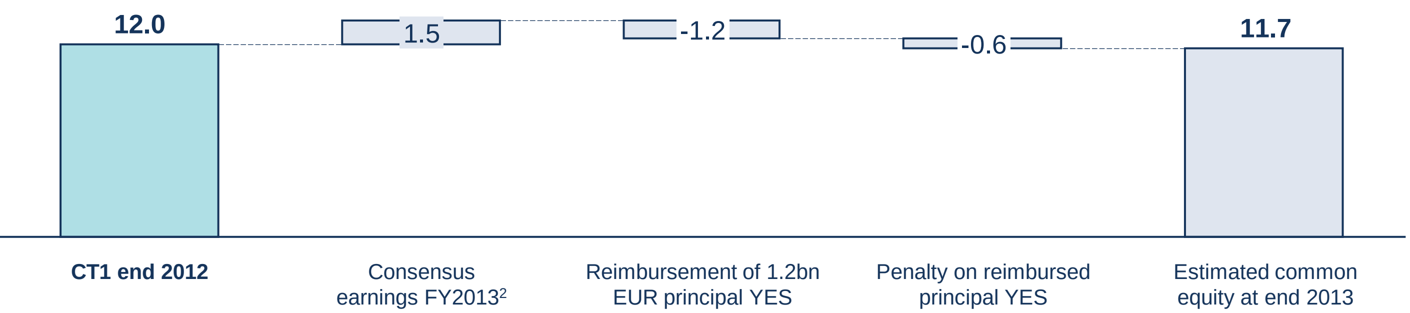
CoreTier 1 capital = phased in B3 Common Equity at end 2012 (numerator level)

Phased in B3 common equity ratio of approx. 11.2% at end 2012

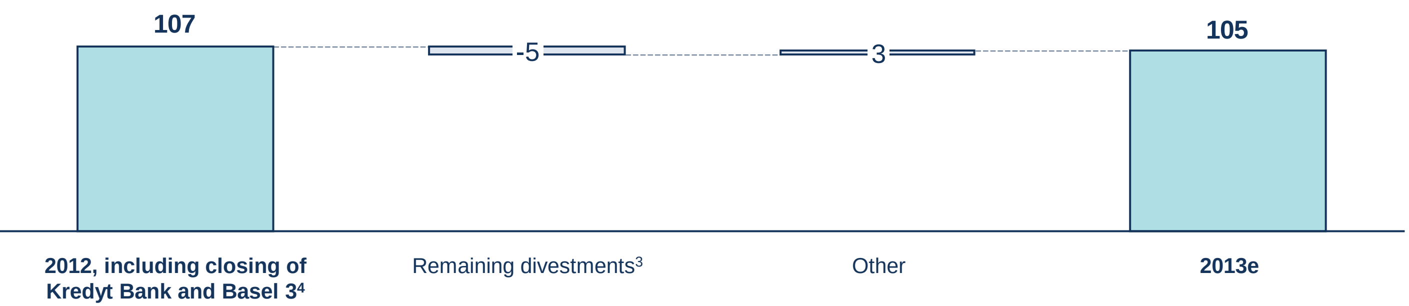
Fully loaded B3 common equity ratio of approx. 10.8% at end 2012

Estimated common equity at end 2013 Phased in B3[1]

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)

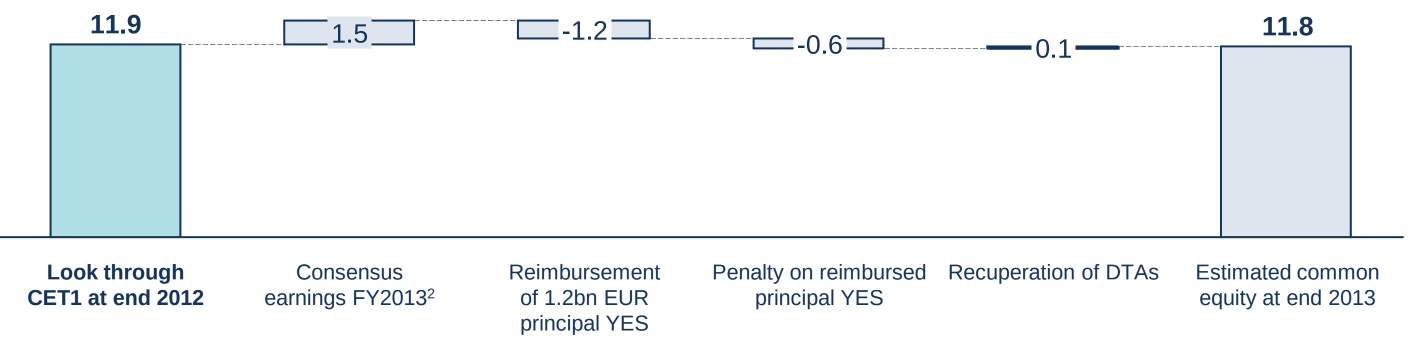


- Phased in B3 common equity ratio of approx. 11.2% at end 2012
- Phased in B3 common equity ratio of approx. 11.2% at end 2013

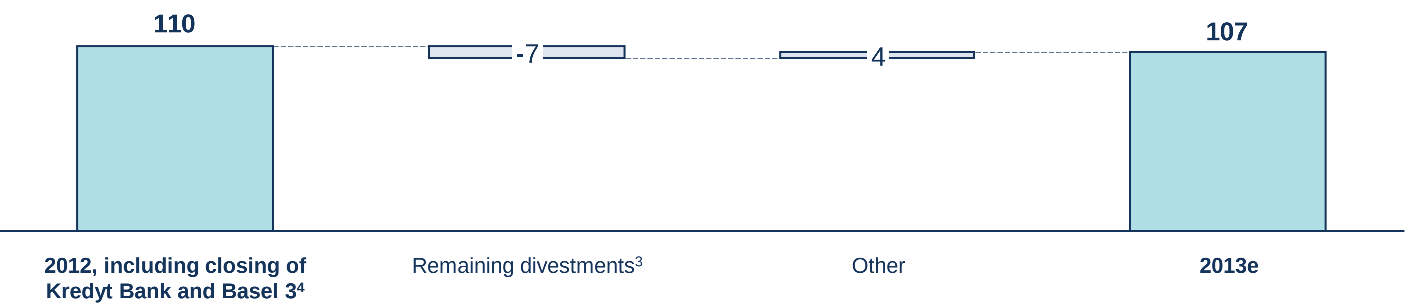
1. Given remaining State aid being part of CET1 as agreed with local regulator
2. Based on average earnings consensus estimates of 12 sell-side equity analysts collected by KBC during the period from 28 January 2013 to 1 February 2013 of 1,474m EUR for 2013
3. Remaining divestments include Absolut Bank, NLB, KBC Bank Deutschland, Antwerp Diamond Bank, KBC Banka
4. After a model refinement, the Basel 3 impact on RWA is 4.6bn EUR in a phased in scenario and 6.1bn EUR in a fully loaded scenario

Estimated common equity at end 2013
Fully loaded B3[1]

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



- Fully loaded B3 common equity ratio of approx. 10.8% at end 2012
- Fully loaded B3 common equity ratio of approx. 11.0% at end 2013
- Announced intention to maintain a fully loaded common equity ratio of 10% as of 01-Jan-2013

1. Given remaining State aid being part of CET1 as agreed with local regulator
2. Based on average earnings consensus estimates of 12 sell-side equity analysts collected by KBC during the period from 28 January 2013 to 1 February 2013 of 1,474m EUR for 2013
3. Remaining divestments include Absolut Bank, NLB, KBC Bank Deutschland, Antwerp Diamond Bank, KBC Banka and the stake in BZWBK
4. After a model refinement, the Basel 3 impact on RWA is 4.6bn EUR in a phased in scenario and 6.1bn EUR in a fully loaded scenario

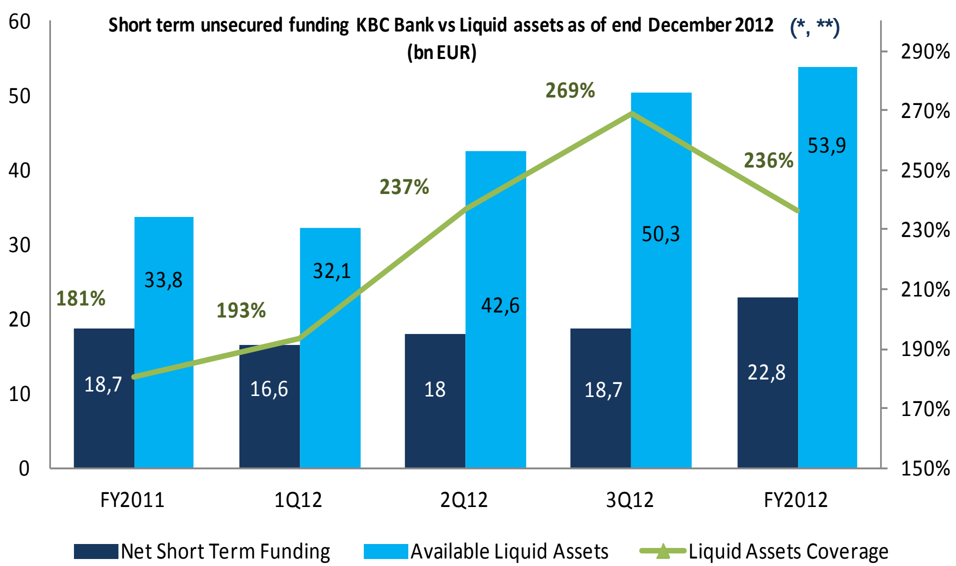
A solid liquidity position (1)

- KBC boasts excellent liquidity ratios as the liquid assets buffer covers over double the short term wholesale funding needs

- KBC's funding needs decreased further due to the recent divestments and the continued efforts to strengthen its client funding basis

- Following the successful issuance of an inaugural covered bond in the amount of 1.25bn EUR in December 2012, KBC also successfully issued a second covered bond of 750m EUR and a 1bn USD contingent capital note in January 2013. As a result, KBC is well ahead of its 2013 funding plan

A solid liquidity position (2)



* According to IFRS5, the situation at the end of 2012 excludes the divestments that have not yet been finalised (Absolut Bank, KBC Deutschland, KBC Banka, ADB)

** Graphs are based on Note 18 of KBC's quarterly report, except for the 'available liquid assets' and 'liquid assets coverage', which is based on the Treasury Management Report of KBC Group

The available liquid assets further increased in comparison with the end of September 2012, due to the following factors:

- Increased investments in highly liquid assets and positive MtM
- The automation of the credit claims pledging process allows KBC to pledge - if needed - an additional 3.7bn EUR's worth (after haircuts) of loans at NBB

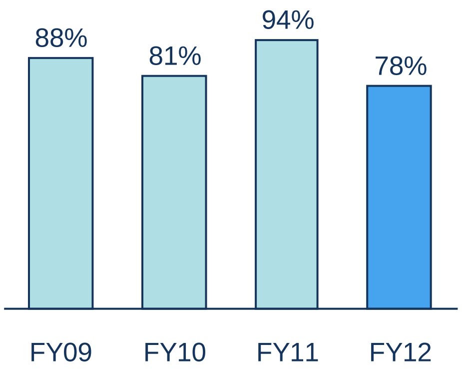
Therefore, the already very strong liquidity position remained at a comfortable level:

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

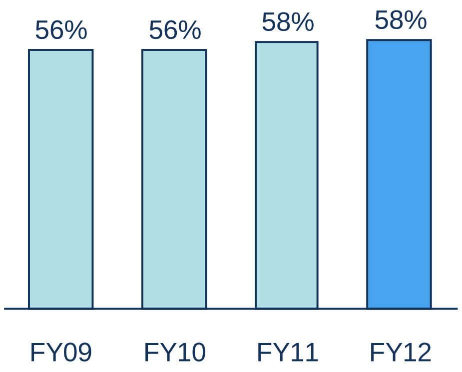
A solid liquidity position (3)

- LTD ratio of 78% at KBC Bank by the end of 2012
- The LTD decrease in 2012 is the result of 1) stronger deposit growth compared to loan growth, 2) the fierce contraction of ST deposits in 4Q11 and 3) a higher pool of pledgeable loans (e.g. securitised loans, covered bonds and ECB eligible loans)

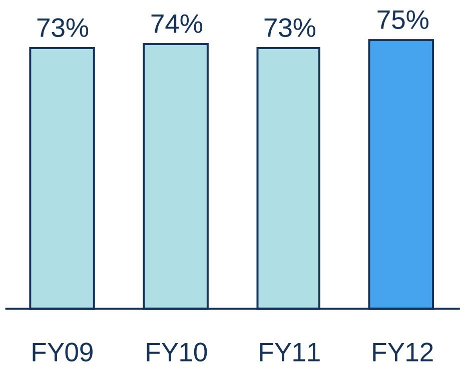
LTD ratio at KBC Bank*



LTD ratio at Belgium BU**



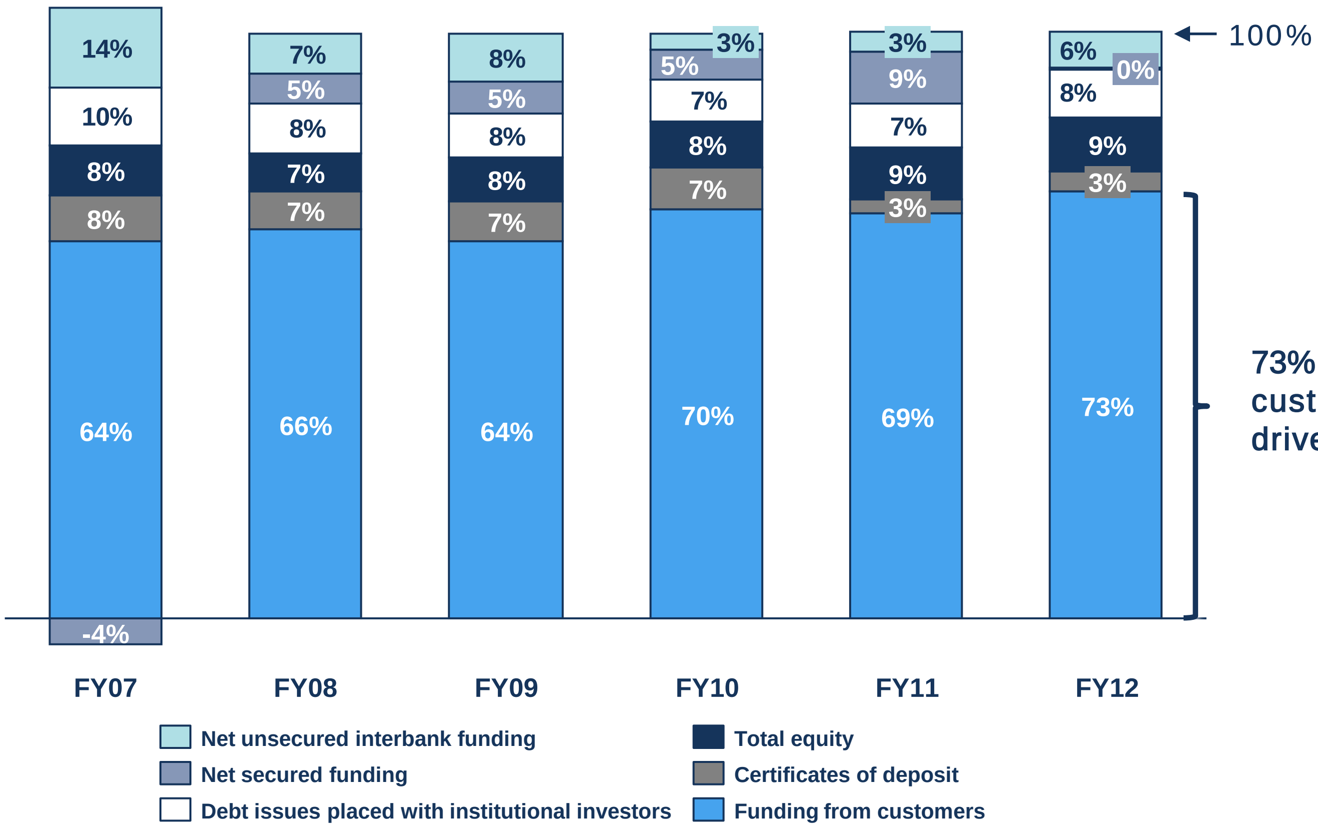
LTD ratio at CEE BU***

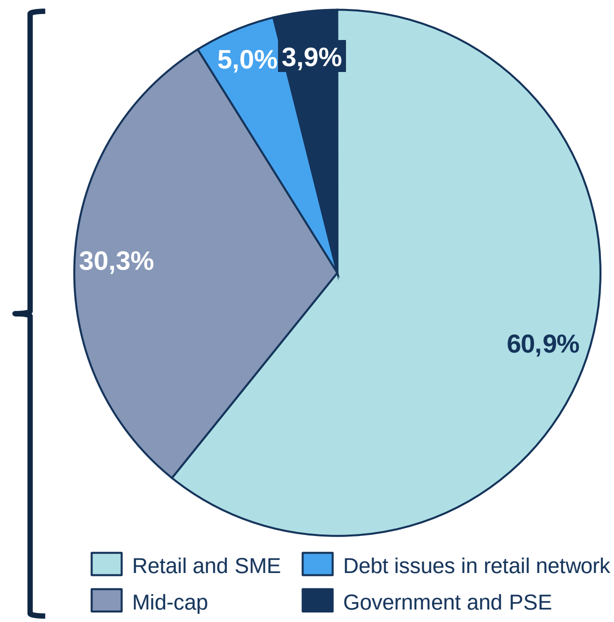


* Excluding all the entities earmarked for divestment in Group Centre: ADB, KBC Deutschland, KBC Banka and Absolut Bank
** Excluding Centea (retroactively adjusted)
*** Excluding Kredyt Bank and Absolut Bank

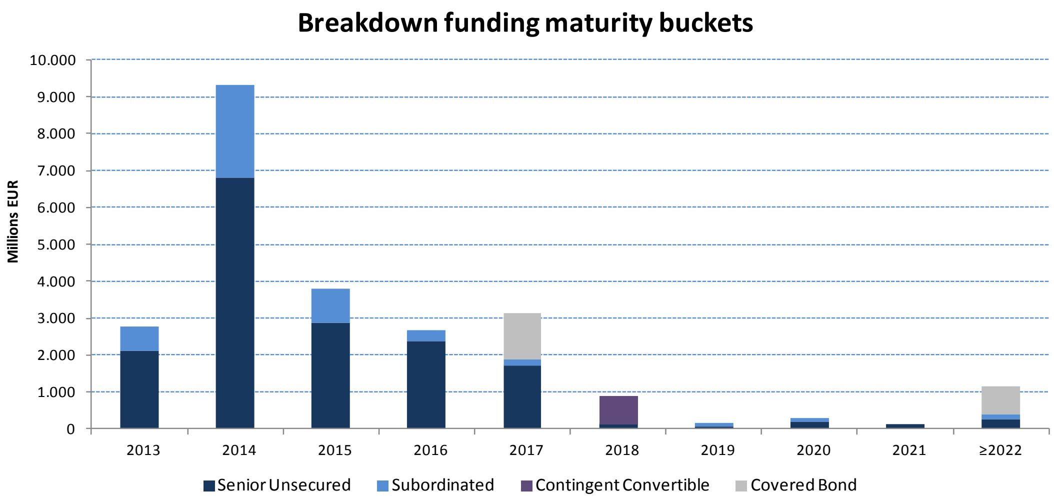
A solid liquidity position (4)

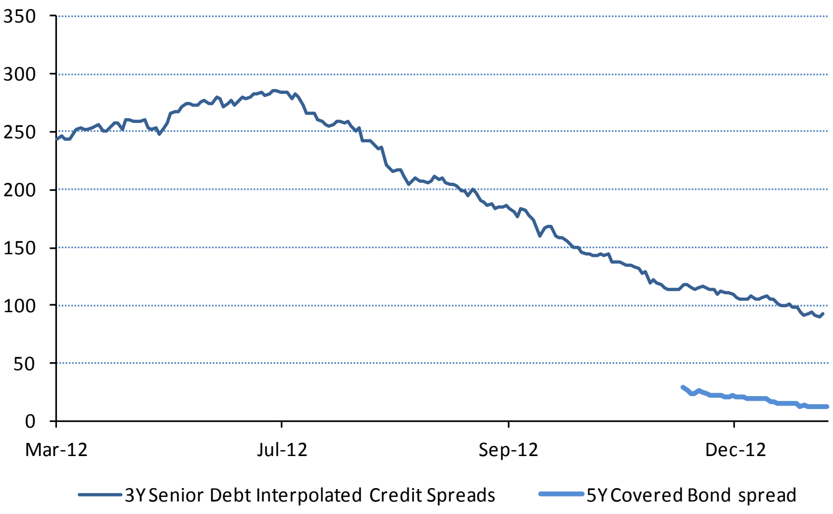
- KBC Bank continues to have a strong retail/mid-cap deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments & markets





Upcoming mid-term funding maturities





- Following the successful issuance of an inaugural covered bond in the amount of 1.25bn EUR in December 2012, KBC also successfully issued a second covered bond of 750m EUR and a 1bn USD contingent capital note in January 2013. As a result, KBC is well ahead of its 2013 funding plan
- KBC's credit spreads narrowed during 2H12
- KBC Bank has 5 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Covered bonds (which will support the funding mix diversification)

Section 4

Wrap up

Wrap up

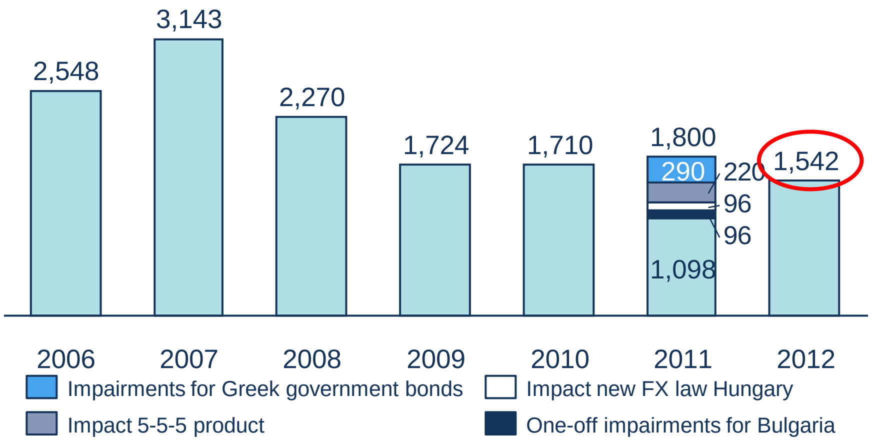
- Resilient business performance in core markets
- Refocus of KBC Group well-advanced
- Solid capital and robust liquidity positions
- Dividend proposal at the AGM

Annex 1

FY 2012
Financial highlights

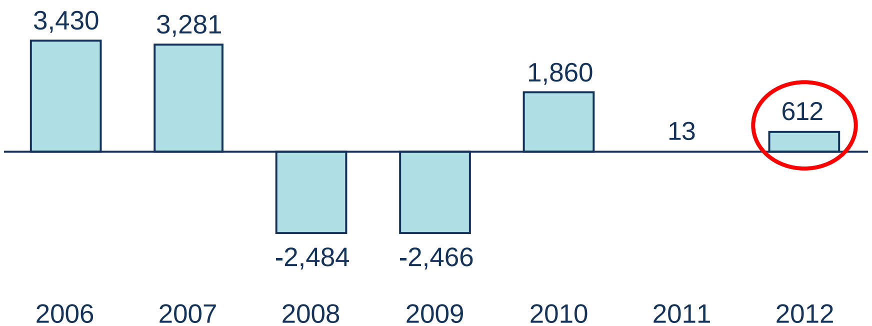
FY 2012 Group profit

Net underlying profit



Including exceptional items

Net reported profit



Amounts in m EUR

- Net underlying profit of 1.5bn EUR in 2012
  - Good revenue generation excluding deconsolidated entities (increase of net fee & commission income, net gains from FIFV and other income more than offset the decline in NII)
  - Strict cost management (+2% y-o-y, in line with inflation)
  - Significantly lower impairment charges
- Net reported profit in 2012 was negatively impacted by:
  - 0.8bn EUR net impact from divestments
  - 0.5bn EUR M2M losses on own credit risk

  partly offset by:
  - 0.4bn EUR unrealised gains on CDOs/MBIA

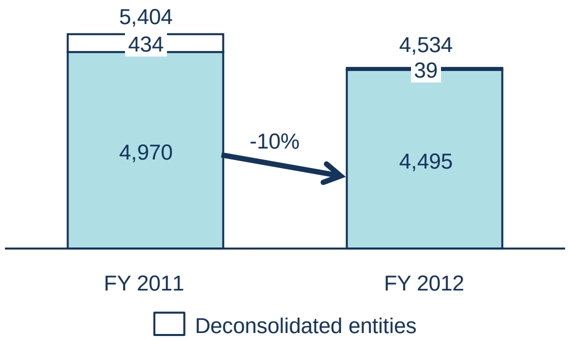
Highlights of underlying FY 2012 results

- Net underlying profit of 1.5bn EUR
- On a comparable basis:
  - Loan volumes rose by 1% y-o-y, while deposit volumes rose by 9% y-o-y
  - Net interest income decreased by 10% y-o-y due to a lower net interest margin (1.81% in 2012 compared to 1.96% in 2011).
  - Sharply higher sales of unit-linked products, only partly offset by lower sales of 'guaranteed interest' products. Gross earned premiums for non-life increased by 4% y-o-y. Good combined ratio at 95%
  - Net fee and commission income slightly up by 2% y-o-y
  - 78% higher trading and fair value income
  - Operating expenses rose by 2% y-o-y, which is to a large extent related to higher banking tax expenses and higher staff expenses
  - Significantly lower loan loss provisions, due in part to 'one-off' impairment charges for Hungary (FX law) and Bulgaria and impairment charges for Greek government bonds in 2011. FY2012 credit cost ratio stood at a satisfactory 0.71% (0.39% excluding Ireland)
- Consistently strong liquidity with a solid loan-to-deposit ratio of 78%
- Solvency: strong capital base: pro forma tier-1 ratio – including the effect of divestments, which have been signed, but not yet closed – at 14.6% (with a core tier-1 ratio of 12.5%). Basel 3 common equity ratio (fully loaded) well above the 10% target
- Given strong solvency ratios, a gross dividend per share of 1.00 EUR will be proposed at the AGM for this year

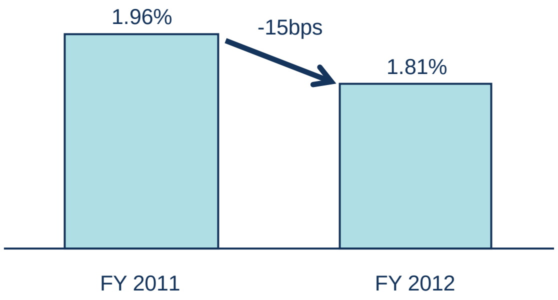
Lower net interest income

Underlying performance on a comparable basis

Net Interest Income



Net Interest Margin



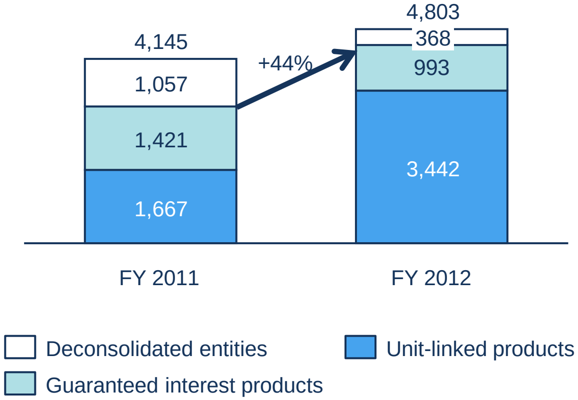
- On a comparable basis (excluding divestments), net interest income fell 10% y-o-y due to lower reinvestment yields (mainly due to reduced GIIPS exposure and declining interest rates) and higher senior debt costs. However, commercial margins remained sound
- On a comparable basis, loan volumes rose by 1% y-o-y, with continued growth in our home markets (+5% y-o-y in the BE BU and +4% y-o-y in the CEE BU), partly offset by a reduced corporate loan book in the MEB BU
- Deposit volumes rose by 9% y-o-y on a comparable basis: +5% in the BE BU, +2% in the CEE BU and +23% in the MEB BU

Amounts in m EUR

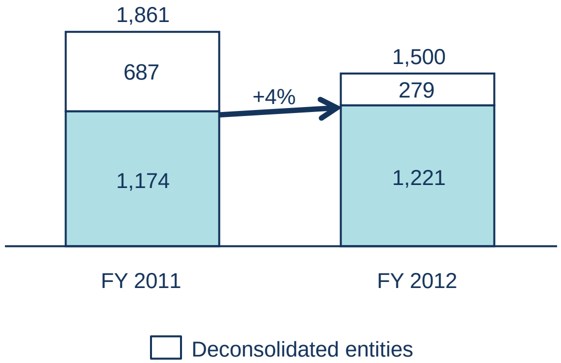
Insurance business – premium trend

Underlying performance on a comparable basis

Sales – Life (gross written premium)



Gross Earned Premium – Non-Life



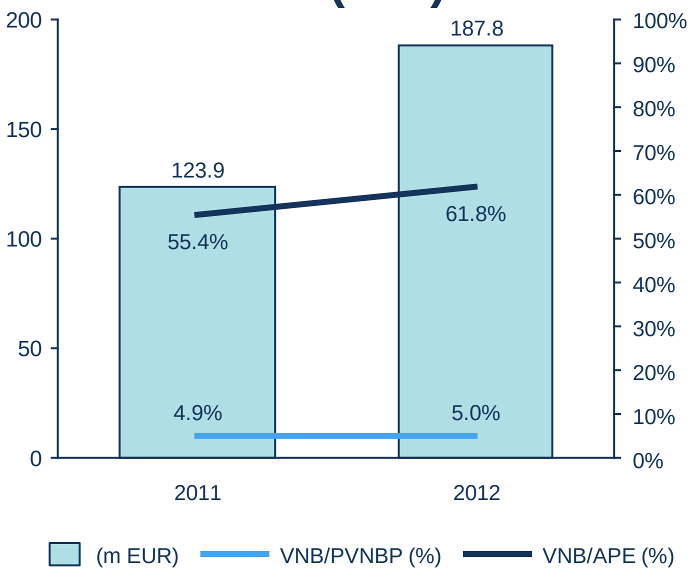
- On a comparable basis, life insurance sales rose by 44% y-o-y: sharply higher sales of unit-linked products (+106% y-o-y), only partly offset by lower sales of ‘guaranteed interest’ products (-30% y-o-y)
- Gross earned premiums for non-life increased by 4% y-o-y on a comparable basis

Amounts in m EUR

Good combined ratio and VNB

Combined ratio (Non-Life)

VNB (Life)*



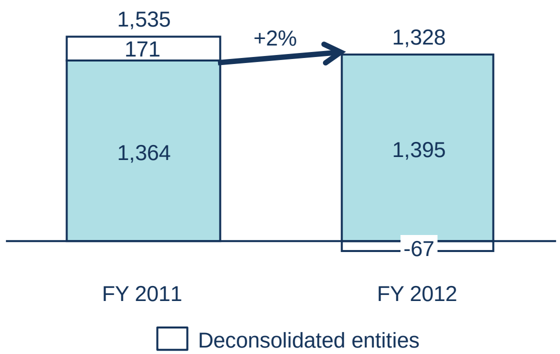
- The non-life combined ratio for the full year 2012 stood at a good 95%
- VNB rose by 52% y-o-y to 188m EUR thanks to more profitable business such as unit-linked and term insurance contracts

* Around 25% of the total VNB is generated through the inclusion of the expected future profits arising from 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

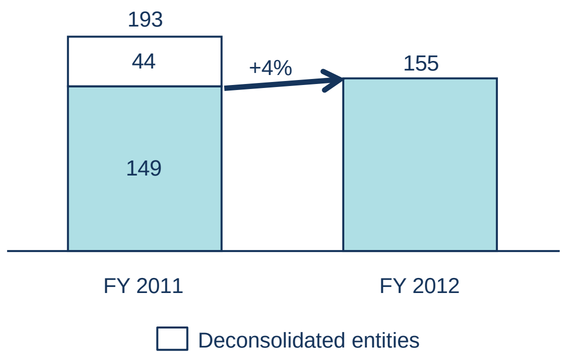
Higher net F&C income

Net Fee & Commission Income



Assets Under Management

Amounts in bn EUR

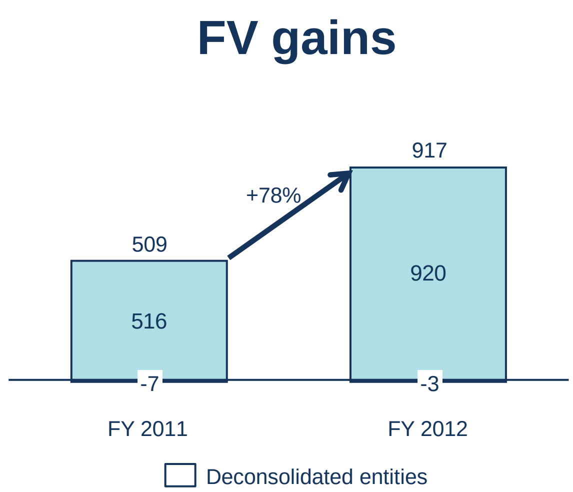


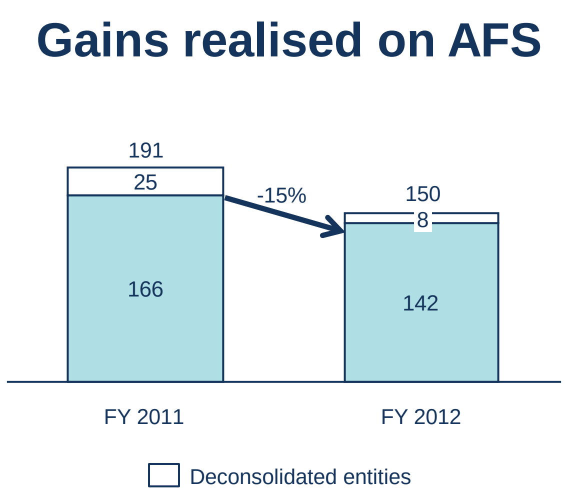
- On a comparable basis, net fee and commission income increased slightly by 2% y-o-y, mainly thanks to the sharply higher sales of unit-linked products
- Assets under management at 155bn EUR (+4% y-o-y, due entirely to a positive price trend, offsetting slightly net outflows): 144bn EUR in Belgium and 11bn EUR in CEE

Amounts in m EUR

Higher trading and fair value income

Underlying performance on a comparable basis





- Trading and fair value income 78% higher y-o-y, driven mainly by satisfactory dealing room results and a positive CVA (Counterparty Value Adjustment)

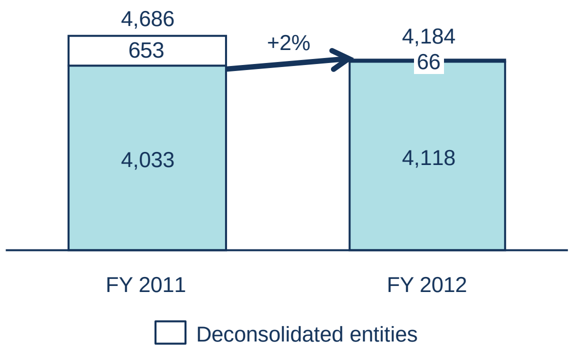
- 15% y-o-y lower realised gains on available-for-sale investments, partly due to realised losses related to the sale of GIIPS government bonds

Amounts in m EUR

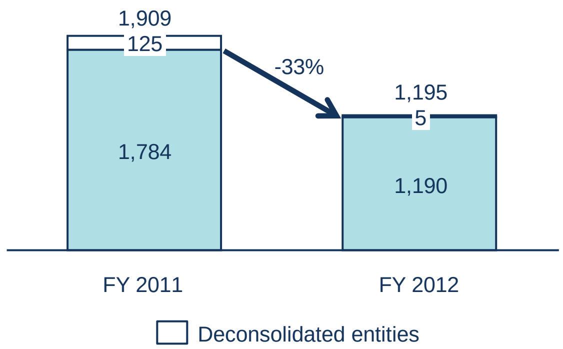
Costs under control, significantly lower impairments

Underlying performance on a comparable basis

Operating expenses



Asset impairment



- Operating expenses rose by 2% y-o-y, which is to a large extent related to higher banking tax expenses and higher staff expenses (inflation-linked in Belgium). Underlying cost/income ratio for the banking business stood at 57% in 2012 (56% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

- Significantly lower impairment charges (-33% y-o-y), as the 2011 impairment level was very high mainly due to the impairment charges on Greek government bonds and the one-off impairment charges in Bulgaria and Hungary

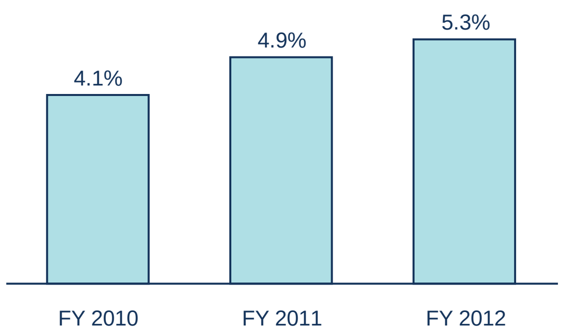
Amounts in m EUR

Credit cost ratio and NPL ratio

- Credit cost ratio fell to 0.71% (compared to 0.82% in 2011)

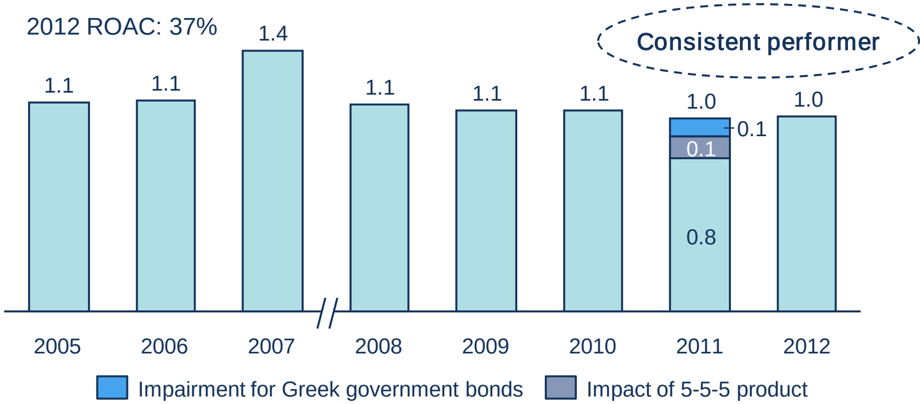
	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	2012 FY
			'Old' BU reporting			'New' BU reporting	
Belgium	**59bn**	0.13%	0.09%	0.17%	0.15%	0.10%	0.11%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.59%	0.40%
CEE (excl. 2H11 one-offs)						0.69%	
Merchant B. **(incl. Ireland)**	**49bn**	0.02%	0.48%	1.32%	1.38%	1.36%	1.42%
Merchant B. **(excl. Ireland)**	**33bn**	0.02%	0.53%	1.44%	0.67%	0.59%	0.48%
Total Group	**141bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**	**0.71%**

- The NPL ratio amounted to 5.3%

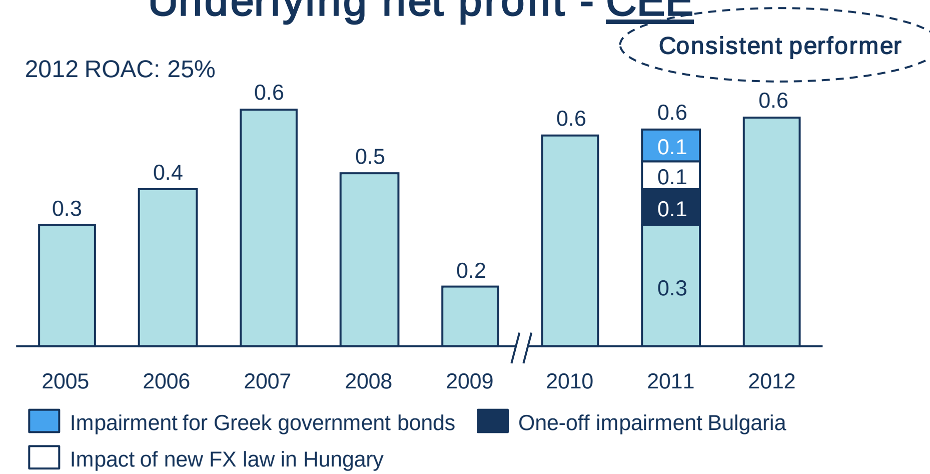


Satisfactory FY results in home markets

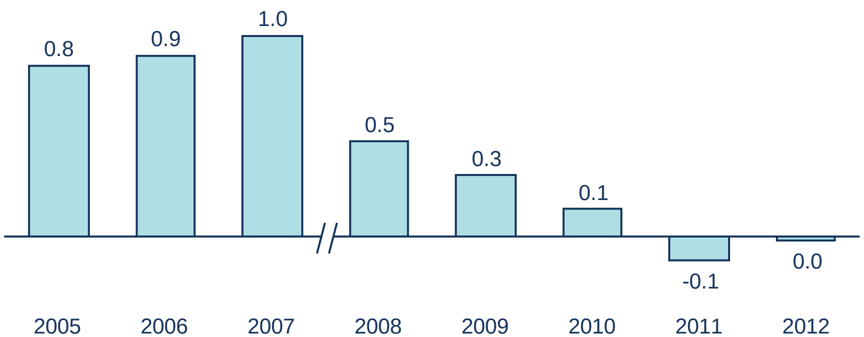
Underlying net profit - Belgium (retail)



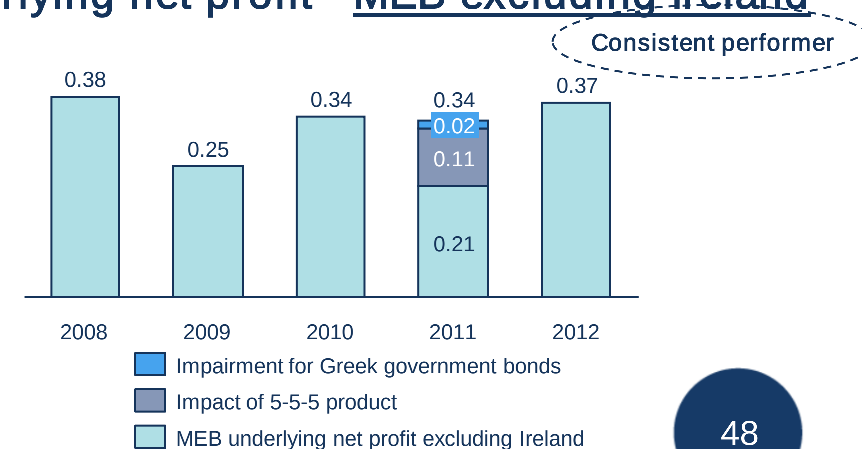
Underlying net profit - CEE



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



Underlying net profit - MEB excluding Ireland



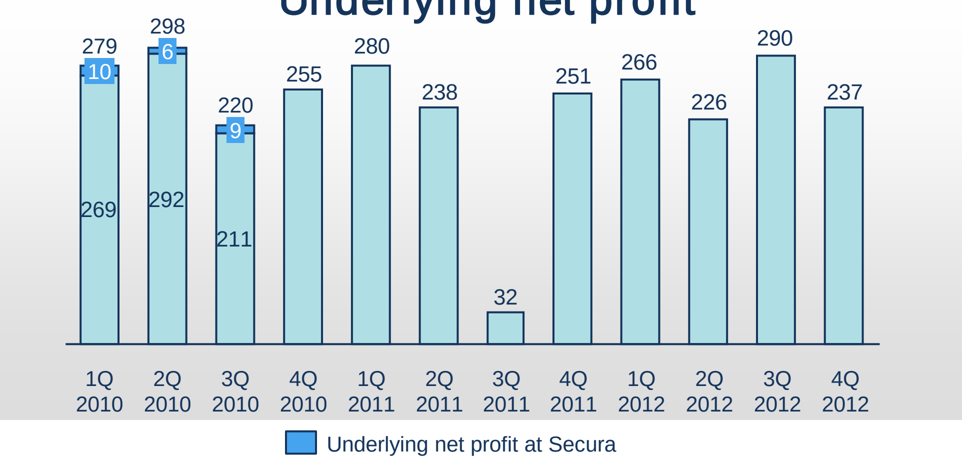
Amounts in bn EUR

Annex 2

4Q 2012 underlying performance of business units

Belgium Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	58bn	31bn	75bn	144bn	25bn
Growth q/q*	+1%	+1%	+1%	+0%	+3%
Growth y/y	+5%	+5%	+5%	+5%	+13%

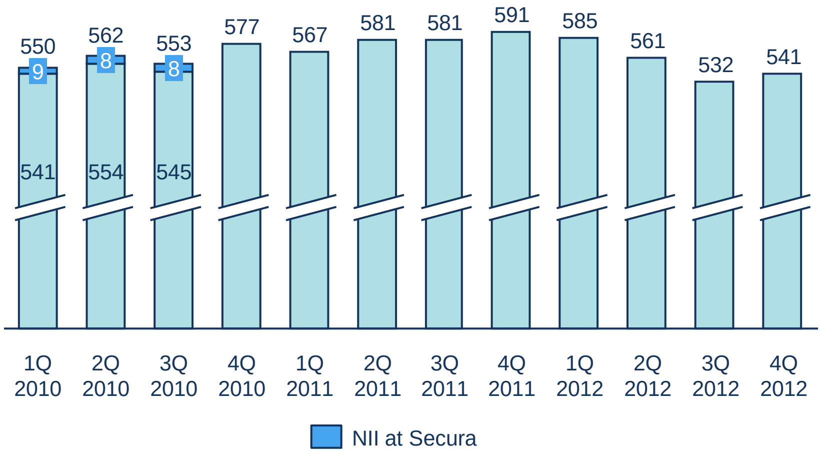
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net profit at the Belgium Business Unit amounted to 237m EUR
  - The quarter under review was characterised by slightly higher net interest income, strong unit-linked life insurance sales, higher gross technical charges non-life, increased net fee and commission income, higher costs and impairment charges
- Increase in q-o-q (+1%) and y-o-y (+5%) loan volume, driven by growth in mortgage loans
- Deposit volumes up 5% y-o-y and 1% q-o-q

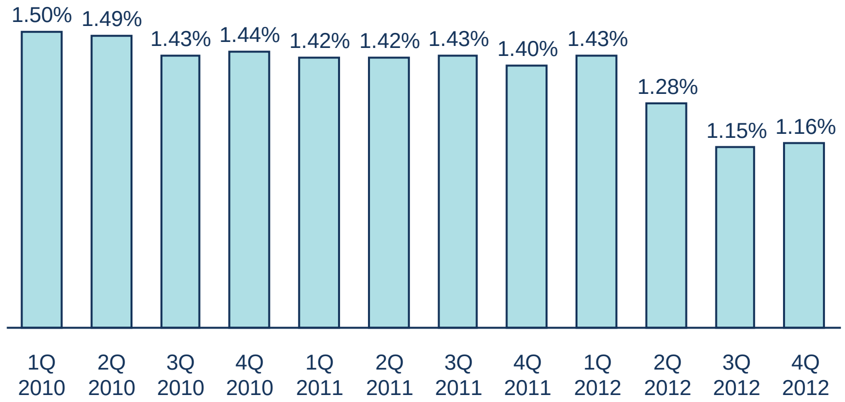
Amounts in m EUR

Belgium Business Unit (2)

NII



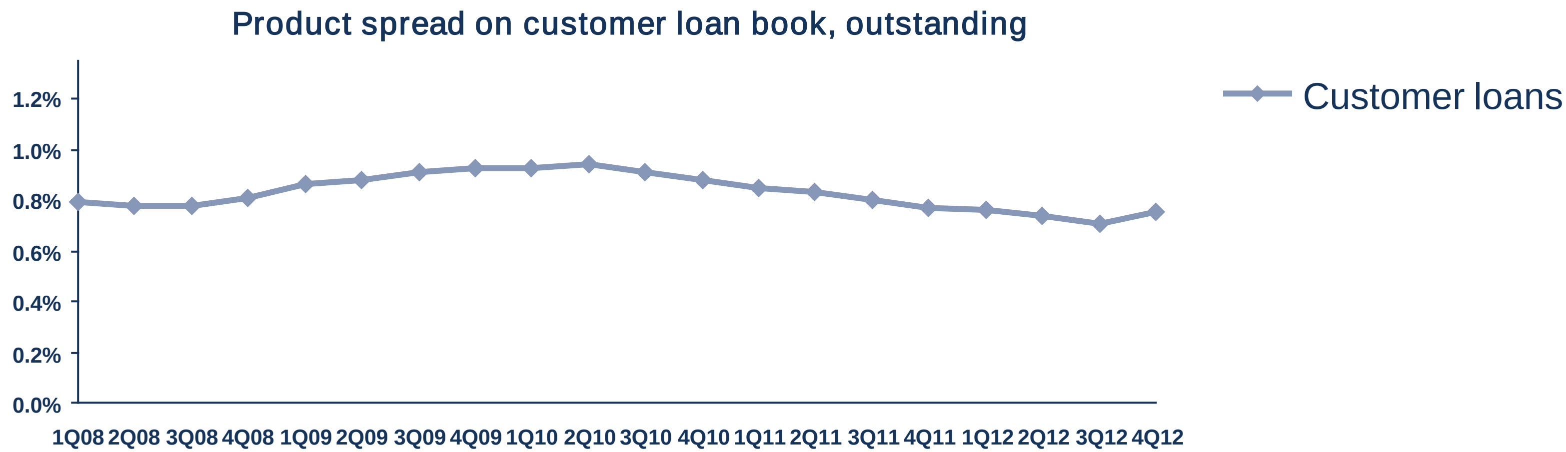
NIM

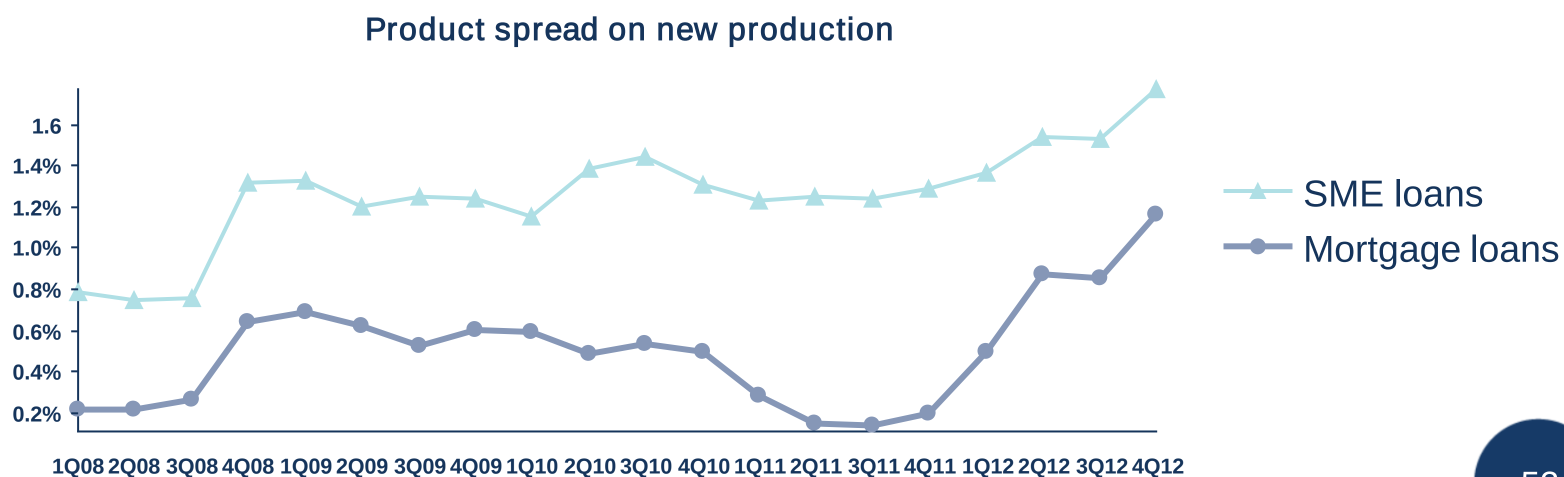


- Net interest income (541m EUR)
  - Up 2% q-o-q and down 8% y-o-y
  - The net interest margin widened by 1bp q-o-q to 1.16%, as sound commercial margins offset the negative impact of lower reinvestment yields (due in part to the reduced exposure to GIIPS during the last 2 years and declining interest rates). We recorded higher product margins in the branches for most products (except for current accounts and term deposits). For saving accounts, this can be explained by the decrease of the basic interest rate by 25bps in November

Amounts in m EUR

Credit margins in Belgium

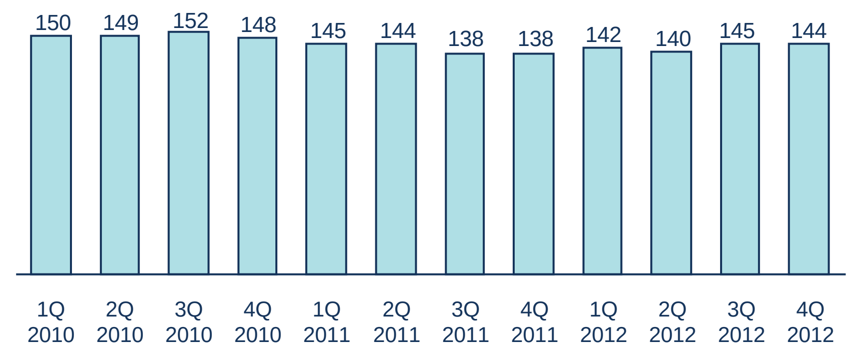




Belgium Business Unit (3)

F&C

AUM



Amounts in bn EUR

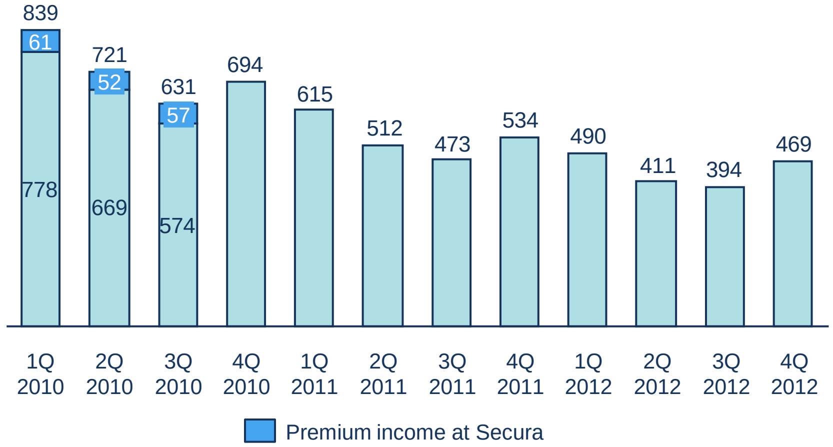
- Net fee and commission income (212m EUR)
  - Net fee and commission income increased by 28% y-o-y, driven mainly by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). Net fee and commission income rose by 9% q-o-q thanks to higher income from mutual funds (both entry and management fees), explained in part by the successful savings campaign during 4Q12 and strong sales of unit-linked products

- Assets under management increased by 5% y-o-y (and almost stabilised q-o-q) to 144bn EUR, thanks entirely to a positive price effect

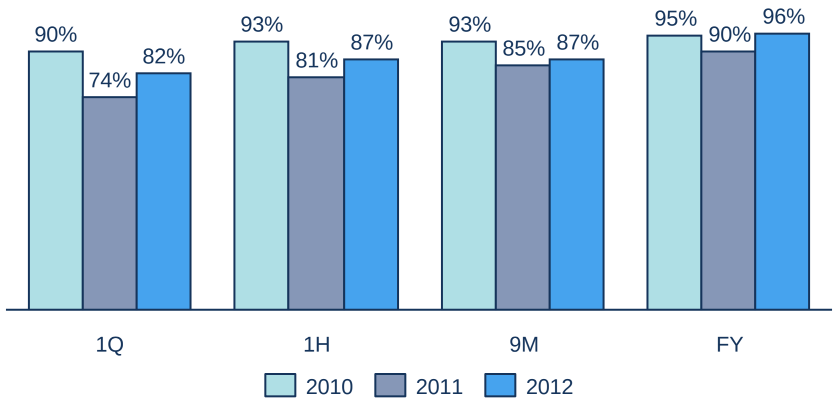
Amounts in m EUR

Belgium Business Unit (4)

Premium income (gross earned premium)



Combined ratio (Non-Life)



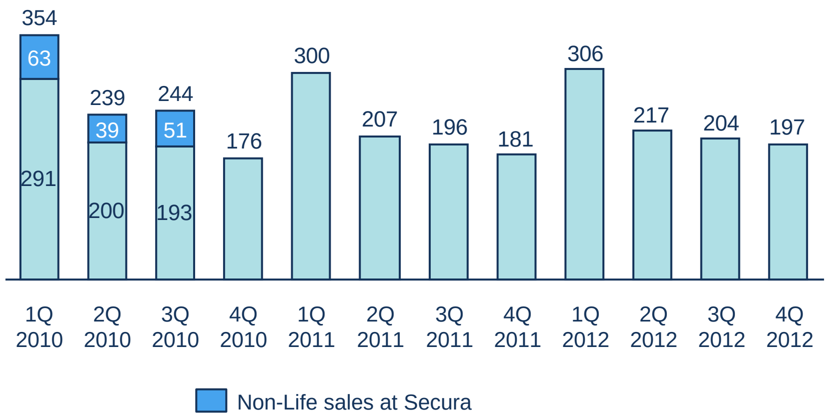
- Insurance premium income (gross earned premium) at 469m EUR
  - Non-life premium income (235m) up 3% q-o-q and 6% y-o-y (mainly in Fire and Motor insurance)
  - Life premium income (233m) up 41% q-o-q, but down 25% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a gradual decrease in the guaranteed interest rate on Life savings products during 2012

- Combined ratio amounted to 96% in 2012 (90% in 2011) as 4Q12 was negatively impacted by higher technical charges due to bad weather conditions, longevity reserves increase and new indicative tables for bodily injury claims

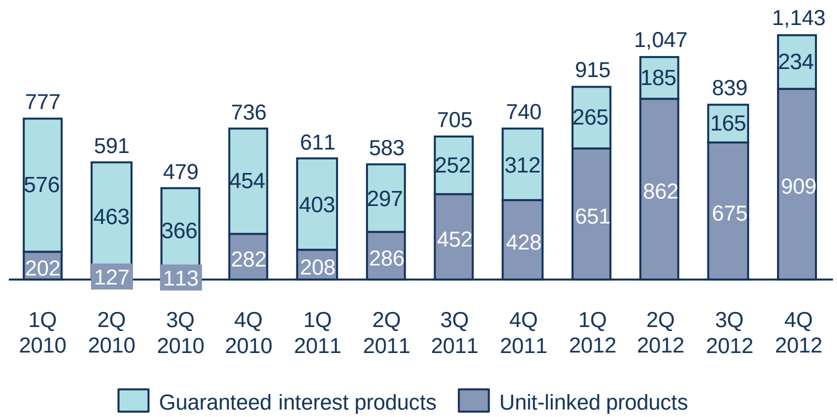
Amounts in m EUR

Belgium Business Unit (5)

Non-Life sales (gross written premium)



Life sales (gross written premium)

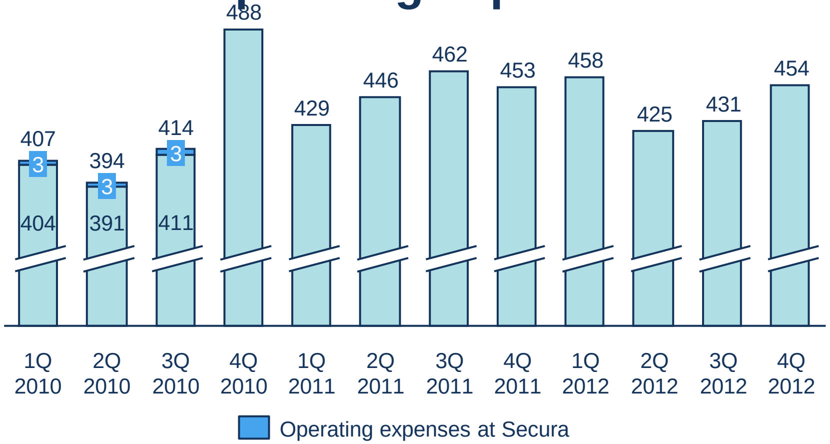


- Sales of Non-Life insurance products:
  - fell by 3% q-o-q, but rose by 9% y-o-y
- Sales of Life insurance products:
  - rose by 55% y-o-y, driven entirely by the higher sales of unit-linked products (thanks to extra commercial efforts), offset in part by deliberately lower sales of guaranteed interest products
  - rose by 36% q-o-q thanks to the successful savings campaign in October/November and the exceptionally high level of sales in December, benefitting from the expected insurance tax increase as from January 2013
  - As a result, guaranteed interest products and unit-linked products accounted for 20% and 80%, respectively, of life insurance sales in 4Q12 (22% and 78%, respectively, for FY 2012)

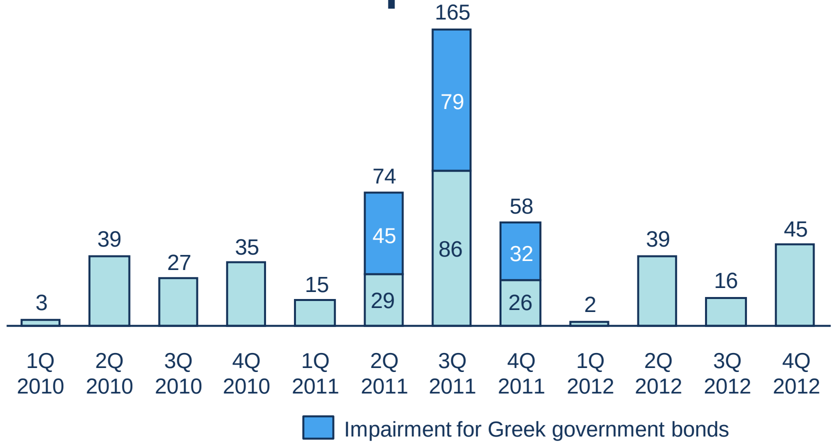
Amounts in m EUR

Belgium Business Unit (6)

Operating expenses



Asset impairment



- Operating expenses: +5% q-o-q and flat y-o-y
  - The q-o-q increase is due mainly to seasonally higher marketing and ICT expenses, offset in part by lower staff expenses
  - Underlying cost/income ratio: 59% in 2012 (an improvement compared to 63% in 2011), and 58% excluding the provision for the 5-5-5 product in 1Q12

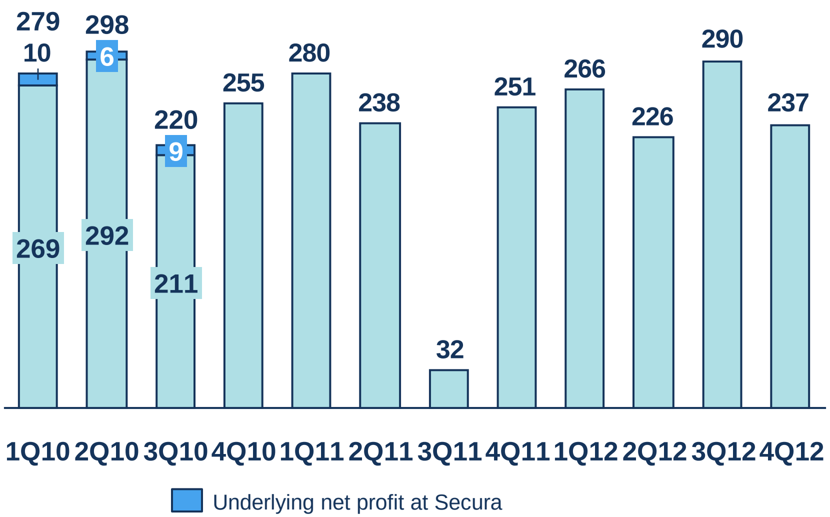
- Loan loss provisions amounted to 42m EUR in 4Q12. Credit cost ratio of 11 bps in 2012. NPL ratio at 1.6%. Limited impairments on AFS shares (2m EUR)

Amounts in m EUR

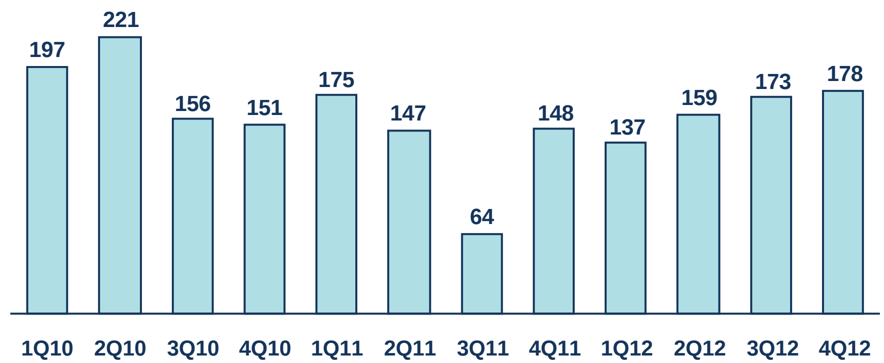
Underlying profit at the Belgium BU

Amounts in m EUR

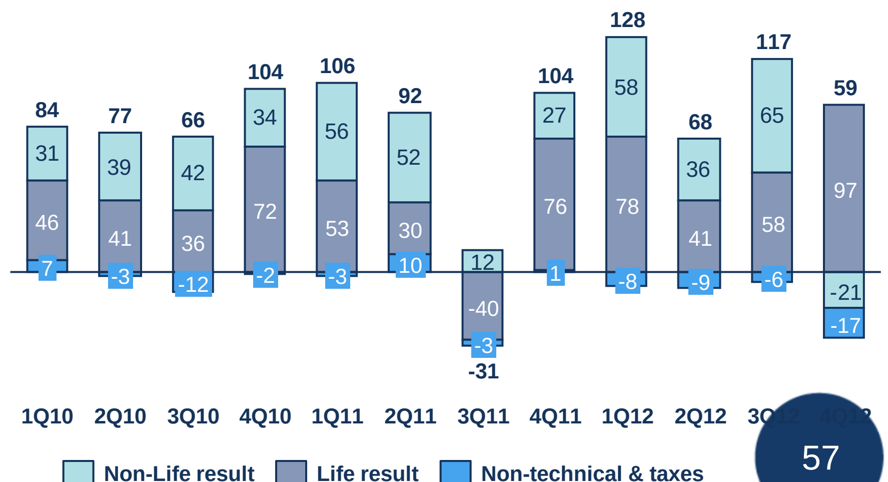
Underlying net profit at the Belgium BU *



Underlying net profit contribution of banking to the Belgium BU *



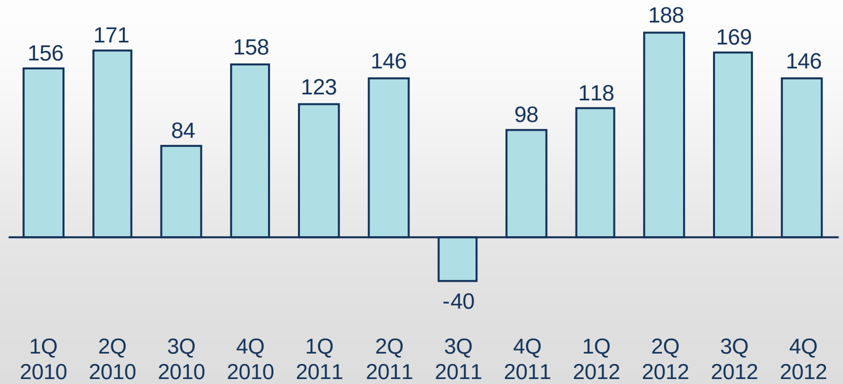
Underlying net profit contribution of insurance to the Belgium BU *



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

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	27bn	11bn	37bn	11bn	2bn
Growth q/q*	+1%	+2%	+3%	+8%	-1%
Growth y/y	+4%	+5%	+2%	+3%	+8%

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

- Underlying net profit at CEE Business Unit of 146m EUR
  - CEE profit breakdown: 124m Czech Republic, 13m Slovakia, 39m Hungary, 4m Bulgaria, -34m Other (due mainly to the recognition at KBC Group level for funding costs of goodwill)
  - Results were characterised by somewhat lower net interest income and net fee and commission income (both at CSOB Bank CZ), a better combined ratio and lower life insurance sales, higher costs (explained by higher marketing, restructuring and ICT expenses) and relatively low loan loss provisions
  - Profit contribution from the insurance business remained limited in comparison to the banking business.

Amounts in m EUR

CEE Business Unit (2)

Organic growth(*)

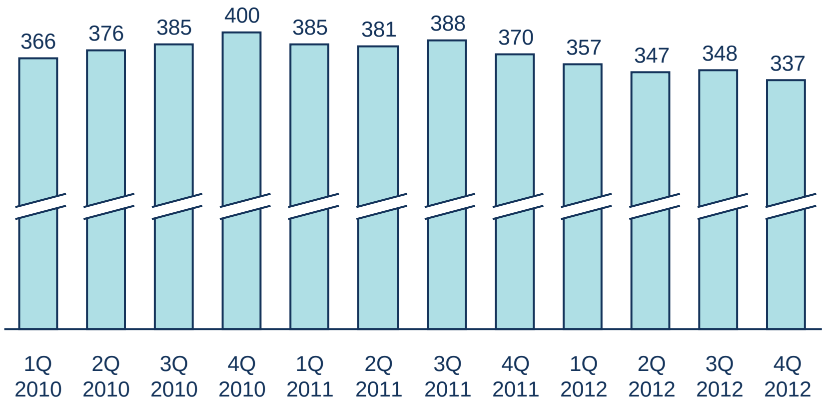
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+3%	+9%	+2%	+12%	+3%	+2%
SK	+2%	+5%	+4%	+12%	+2%	+15%
HU	-5%	-15%	-2%	-19%	+5%	-3%
BU	+3%	+4%	+2%	-4%	-2%	-2%
TOTAL	**+1%**	**+4%**	**+2%**	**+5%**	**+3%**	**+2%**

- The total loan book rose by 1% q-o-q and 4% y-o-y. On a y-o-y basis, the increases in the Czech Republic (+9% y-o-y thanks to a continued increase in mortgage loans, but also an increase in corporate loans) and Slovakia (+5% y-o-y thanks to an increase in mortgage loans) were only partly offset by decreases in Hungary (where the trend was impacted not only by the FX mortgage relief programme, but also by a decreased corporate loan portfolio)
- Total deposits were up 3% q-o-q and 2% y-o-y
- Loan to deposit ratio at 75%

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

CEE Business Unit (3)

NII



NIM

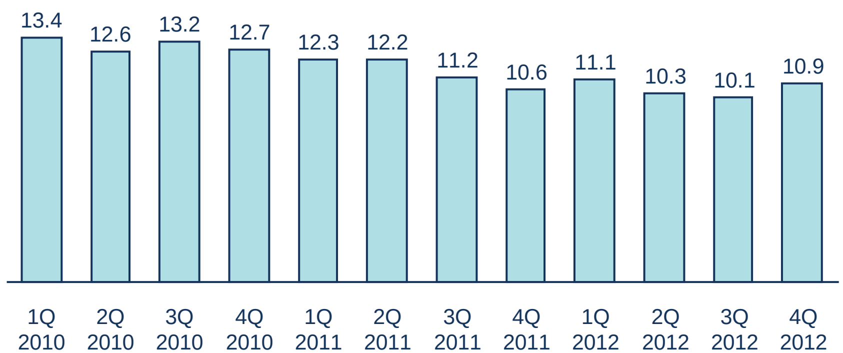
- Net interest income fell by 3% q-o-q and 9% y-o-y to 337m EUR (-3% and -10%, respectively, excluding FX effect)
  - The y-o-y decline can be explained mainly by a decrease in the loan portfolio at K&H Bank (following the repayment of FX mortgages in 2011 and a decreased corporate loan portfolio) and a lower reinvestment yield in the Czech Republic
  - The q-o-q decrease is due in full to a lower reinvestment yield and increased competition on deposits in the Czech Republic
- The net interest margin decreased by 14bps q-o-q and 38bps y-o-y to 2.89%. As mentioned above, this y-o-y decline was caused primarily by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins) and a lower reinvestment yield in the Czech Republic

Amounts in m EUR

CEE Business Unit (4)

F&C

AUM



Amounts in bn EUR

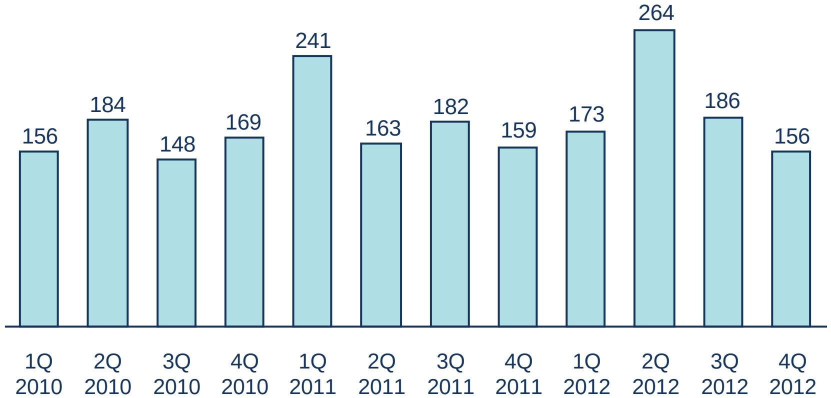
- Net fee and commission income (73m EUR) fell by 6% q-o-q and 12% y-o-y (or -5% q-o-q and -14% y-o-y, respectively, excluding the FX effect). The q-o-q decline is mainly attributable to the faster amortisation of deferred acquisition costs in the Czech Republic. The y-o-y decline is mainly due to amortisation of deferred acquisition costs and lower fee income in the Czech Republic

- Assets under management increased by 8% q-o-q to roughly 11bn EUR, essentially as a result of net inflows (+6%). Y-o-y, assets under management rose by 3%, driven by a large positive price effect (+13%) and net outflows (-10%)

Amounts in m EUR

CEE Business Unit (5)

Premium income (gross earned premium)



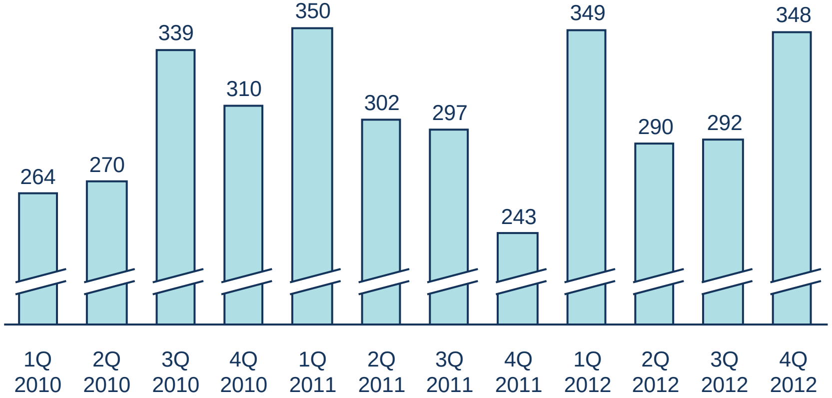
Combined ratio (Non-Life)

- Insurance premium income (gross earned premium) stood at 156m EUR
  - Non-life premium income (84m) stabilised both q-o-q and y-o-y
  - Life premium income (73m) sharply down q-o-q, mainly the result of strong sales of unit-linked products in the Czech Republic during 3Q12
- Combined ratio at 96% in 2012

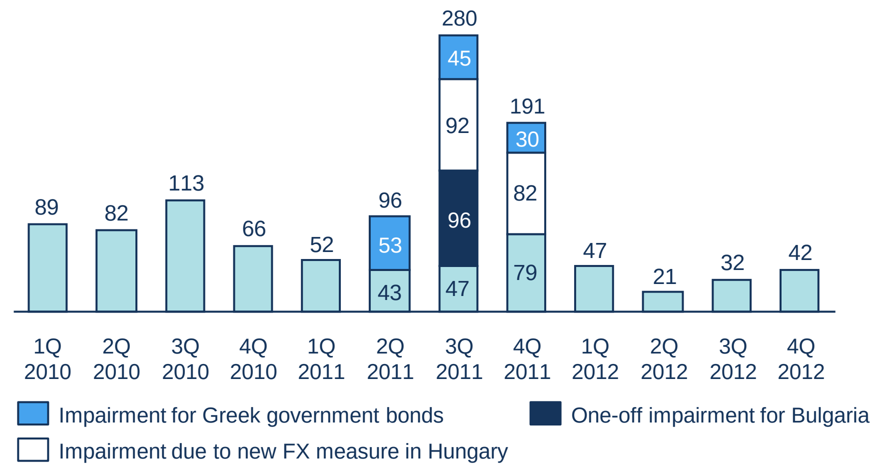
Amounts in m EUR

CEE Business Unit (6)

Operating expenses



Asset impairment



- Opex (348m EUR) rose by 19% q-o-q and 43% y-o-y
  - Excluding FX changes, opex rose 19% q-o-q and 41% y-o-y
  - The q-o-q increase can mainly be explained by higher marketing, restructuring (mainly within CSOB CZ),ICT and staff expenses
  - The y-o-y increase was also caused by the 55m EUR deduction of FX mortgage impairments from the Hungarian banking tax in 4Q11
  - Cost/income ratio at 59% in 2012 (57% excluding Hung. bank tax)
- Asset impairment at 42m
  - The L&R impairments stabilised q-o-q at a low level. This led to a credit cost ratio of 0.40% in 2012 (1.59% in 2011). NPL ratio at 5.2%
  - Increase in other impairments due to revaluation of HQ in Slovakia

	Loan book	2009* CCR	2010 CCR	2011 CCR	2012 CCR
CEE	**31bn**	**2.12%**	**1.16%**	**1.59%**	**0.40%**
- Czech Rep.	21bn	1.12%	0.75%	0.37%	0.31%
- Hungary	5bn	2.01%	1.98%	4.38%	0.78%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.25%
- Bulgaria	1bn	2.22%	2.00%	14.73%	0.94%

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

Amounts in m EUR

Hungary

- 4Q12 **underlying net profit** at the K&H Group amounted to 39m EUR (74m EUR in FY 2012, including 43m EUR post-tax impact of banking tax)

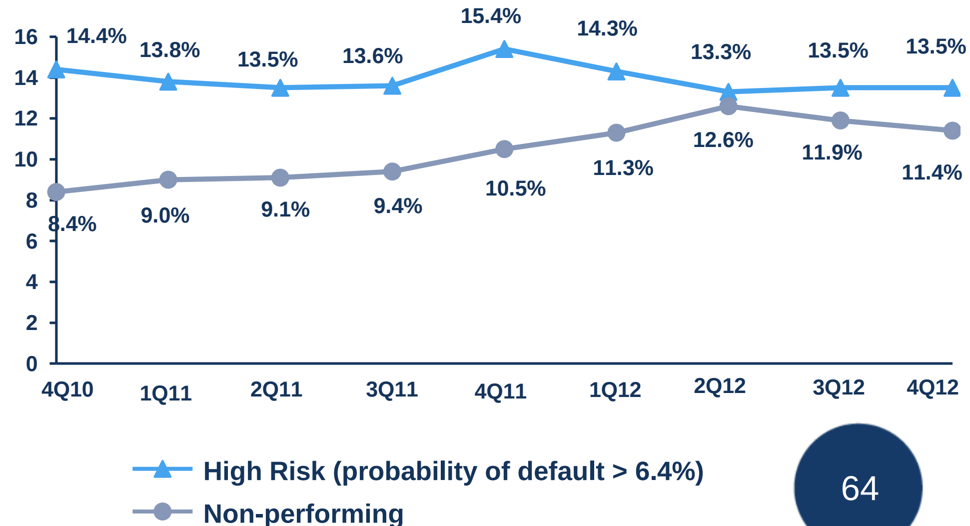
- 4Q12 **loan loss provisions** amounted to 8m EUR (28m EUR in 1Q12, 3m EUR in 2Q12 and 6m EUR in 3Q12). The credit cost ratio came to 0.78% in 2012 versus 4.38% in 2011 (or 1.75% excluding the FX mortgage repayment impact). The favourable 2012 figures are due to:
  - continued stable trends in corporate and SME portfolios
  - positive signs in retail customer behaviour supported by the re-launch of the bank's own easement programme and the positive impact of performing clients signing up for the accumulation loan under the government FX debtor relief programme

- **NPL** declined further to 11.4% (11.9% in 3Q12 and 12.6% in 2Q12)
  - NPL Retail: 16.9% (17.9% in 3Q12 and 19.4% in 2Q12):
    - Increase in retail NPL until May 2012
    - Starting from June, the rise in delinquencies slowed down primarily due to the re-launch of the bank's own easement programme and positive signs of the accumulation loan programme
    - This reduction in new NPL formation continued in 3Q12 and 4Q12

Hungarian loan book – key figures as at 31 Dec 2012

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.6bn	7.4%	66%
Retail	2.5bn	15.6%	67%
o/w private	2.1bn	16.9%	66%
o/w companies	0.4bn	8.7%	83%
	5.1bn	11.4%	67%

Proportion of High Risk and NPLs



Hungary (2)

Municipal loans

The government has announced that it will launch a second phase in the consolidation of municipal debt, whereby a total amount of 500bn HUF (1.7bn EUR) in debt will be taken over by the State via a partial debt consolidation of larger municipalities. In function of various ratios, there will be four layers of consolidation rates 40%, 50%, 60% and 70% (K&H exposure is roughly 290m EUR, based on first calculations 135m EUR might be affected). Consultations are going on among the relevant ministries and the Hungarian Banking Association. Files are expected to be handled on a case-by-case basis for each of such larger municipalities and in cooperation with the banks. In December 2012, the State repaid almost the entire debt of municipalities with less than 5,000 inhabitants, at par

Banking tax

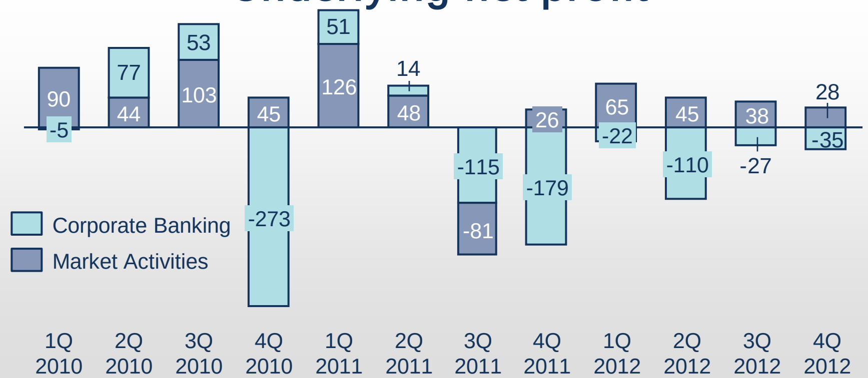
Contrary to the original intentions of the Government to halve the banking tax in 2013 it will be kept at the same level as in 2012 (56m EUR pre-tax for K&H Bank)

Financial transaction levy

As of 1 January 2013, a financial transaction levy was been introduced. The general rate of the levy is 0.3% for cash transactions and 0.2% for other transactions (with certain exceptions), with a cap of 6,000 HUF per transaction. Since this has an impact on the cost of the banks, it has prompted K&H to readjust its fee structure. The gross amount of the levy is estimated to be approximately 43 m EUR pre-tax for K&H a year

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	40bn	41bn
Growth q/q*	-2%	+2%
Growth y/y*	-6%	+23%

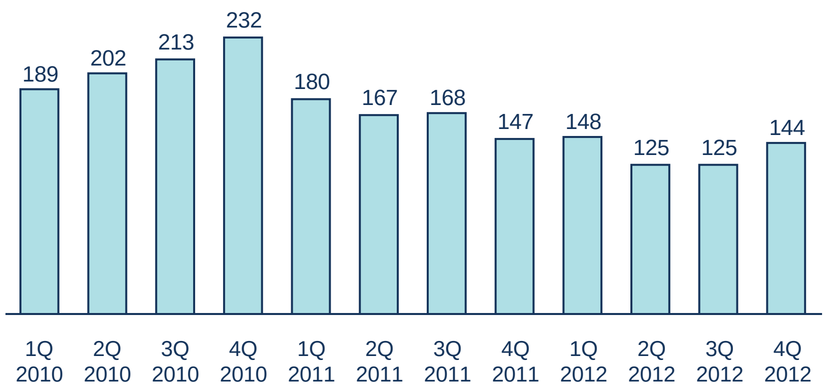
*non-annualised

- Underlying net result in the Merchant Banking Business Unit totalled -7m EUR
  - The lower q-o-q result from this business unit's **Corporate Banking** activities in 4Q12 was due largely to a lower credit value adjustment and higher loan loss provisions for foreign branches in 4Q12. This was only partly offset by higher net interest income and a 41m reversal regarding the fraud case at KBC Lease UK. Despite lower loan impairment charges at KBC Bank Ireland (87m EUR in 4Q12 versus 129m in 3Q12, fully in line with our guidance), the result for 4Q12 was negative. Excluding KBC Bank Ireland, the 4Q12 result would be +24m EUR
  - The 28m EUR result from the unit's **Market Activities** was down q-o-q due to a 18m reversal of loan impairment charges at KBC Credit Investments in 3Q12

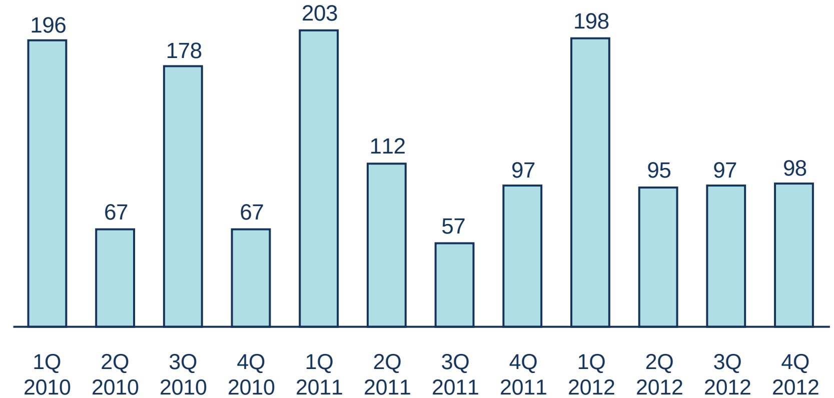
Amounts in m EUR

Merchant Banking Business Unit (2)

NII (Commercial Banking)



FV gains (Market Activities)

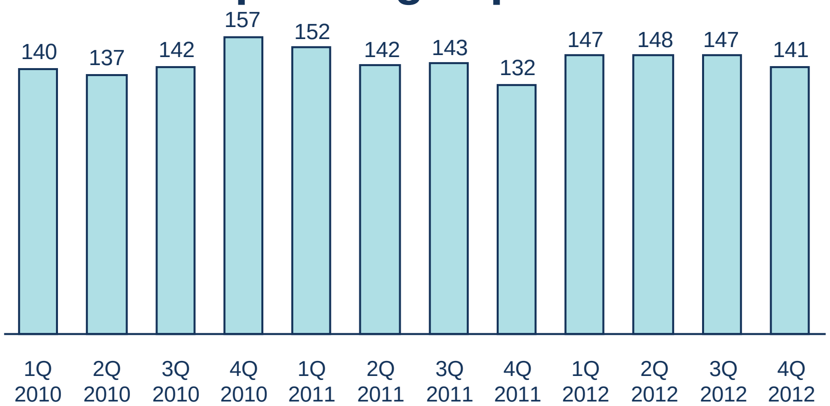


- The 4Q12 net interest income level rose 15% q-o-q partly thanks to a lower funding cost and higher commercial margins, despite lower reinvestment yields
- Stable q-o-q fair value gains within the ‘Market Activities’ sub-unit. The quarter under review included a satisfactory dealing room performance, offset by negative CVAs

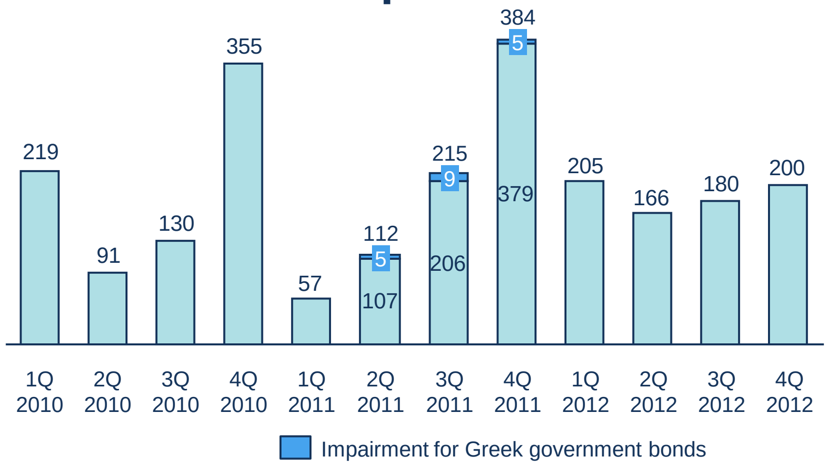
Amounts in m EUR

Merchant Banking Business Unit (3)

Operating expenses



Asset impairment



- Operating expenses decreased by 4% q-o-q, but rose by 6% y-o-y to 141m EUR due mainly to higher banking tax and ICT costs. Underlying cost/income ratio: 42% in 2012 (and 41% excluding the provision for the 5-5-5 product in 1Q12)
- Total impairment charges amounted to 200m EUR in 4Q12
  - The somewhat higher q-o-q impairment on L&R was accounted for by foreign branches in 4Q12 and an 18m reversal of loan impairment charges at KBC Credit Investments in 3Q12. Loan loss provisions at KBC Bank Ireland amounted to 87m EUR (versus 129m EUR in 3Q12 and 228m EUR in 4Q11), fully in line with our guidance. The credit cost ratio came to 1.42% in 2012 (compared to 1.36% in 2011) and the NPL ratio to 9.8% (0.48% and 3.3%, respectively, excluding KBC Bank Ireland)
  - Other impairment charges amounted to 17m EUR, due chiefly to real estate investments

Amounts in m EUR

Ireland

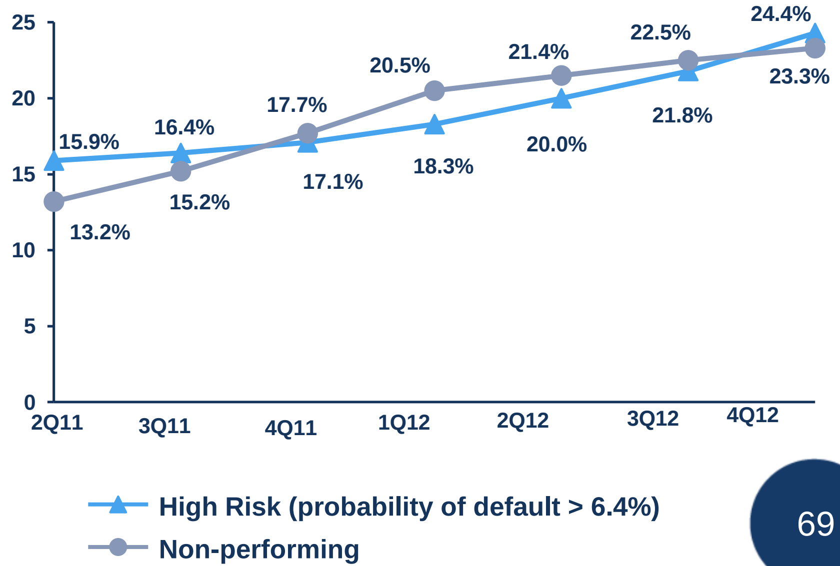
- Loan loss provisions in 4Q12 of 87m EUR (129m EUR in 3Q12). The loss after tax in 4Q12 was 42m EUR
- Modest growth in the economy, driven by strong exports and continuing stabilisation in domestic activity. Ongoing austerity and difficult global conditions mean the turnaround remains uneven. Encouragingly, unemployment is edging lower and surveys point towards slight gains in private sector employment. Improved market sentiment is helping financial conditions
- An increase in transactions and prices is underway in some segments of the housing market and overall the picture is one of a gradual bottoming out
- Operating environment for commercial customers is showing signs of stabilisation given the economic backdrop
- KBCI is expanding the range of resolution options aimed at restoring a significant number of customers back to financial stability through its Mortgage Arrears Resolution Strategy
- Pace of increase in commercial and residential mortgage arrears and NPL levels continues to slow
- Successful retail deposit campaign. Gross retail deposit levels more than doubled in 2012 to 2.1bn EUR and new customer accounts increased to approx. 22,000 towards end 4Q12. The bank is expanding its retail offering to Irish consumers
- Local tier-1 ratio to 11.14% at the end of 4Q12 through a capital increase of 155m EUR (11.36% at the end of 3Q12)

Irish loan book – key figures as at December 2012

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.3bn	17.5%	30%[1]
Buy to let mortgages	3.2bn	29.2%	43%[1]
SME /corporate	1.7bn	19.4%	75%
Real estate investment	1.3bn	29.3%	65%
Real estate development	0.5bn	90.5%	75%
	16.0bn	23.3%	46%[1]

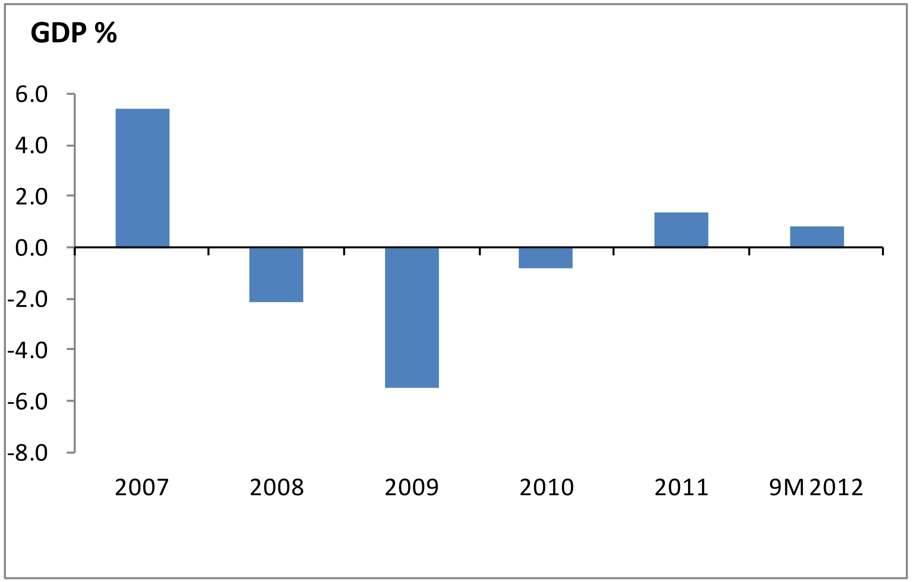
1. Total NPL coverage ratio amounted to 50% at the end of 2012 taking into account the adjustments for the Mortgage Indemnity Guarantee and Reserved Interest (respectively 36% for owner occupied mortgages and 48% for buy to let mortgages)

Proportion of High Risk and NPLs

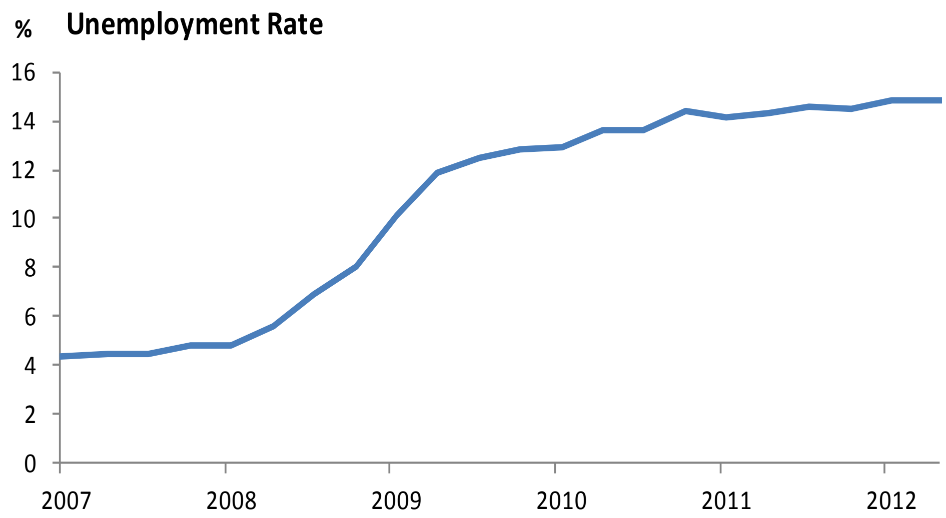


Ireland (2) Key indicators show tentative signs of stabilisation

Continuing tentative signs of GDP stabilisation

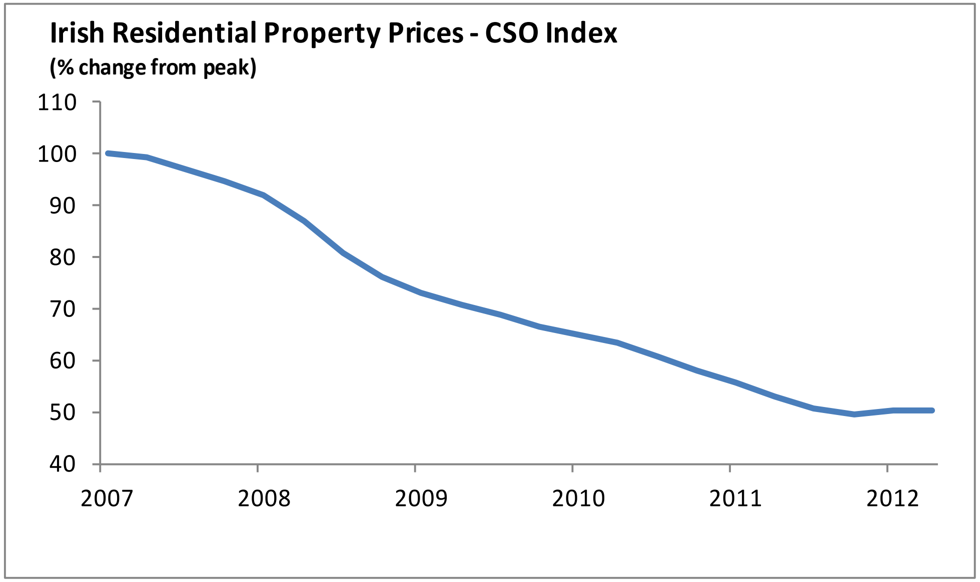


Unemployment rate has remained broadly stable in 2012

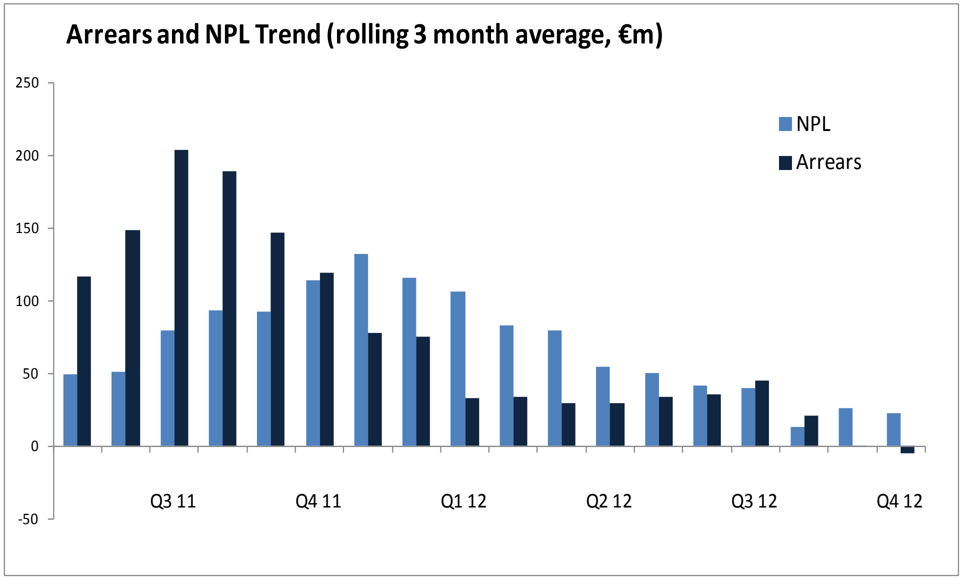


Ireland (3) Key indicators show tentative signs of stabilisation

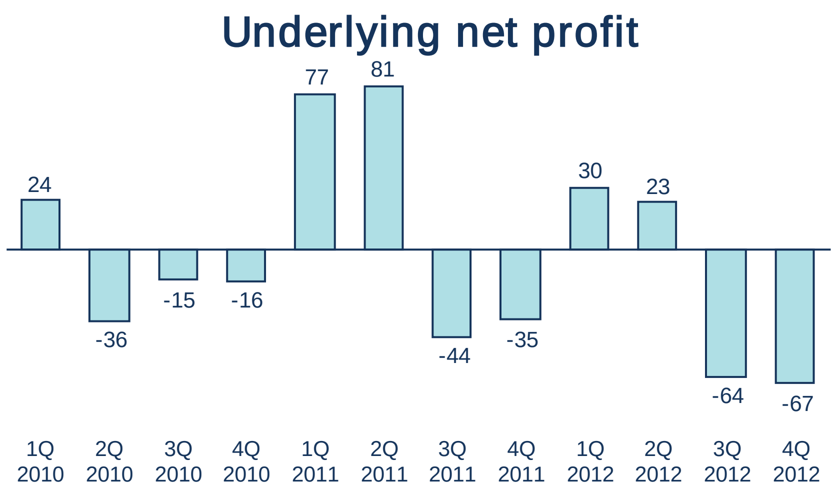
Residential property prices have increased in 4 of the last 6 months



Reduction in residential mortgage arrears & NPL growth in 2012



Group Centre



- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12, Warta and Zagiel as of 3Q12 and NLB as of 4Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the 'Group Centre' (starting in 1Q10). The Group Centre posted an underlying loss of 67m EUR
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the 'Group Centre'

Amounts in m EUR

Group Centre (2)

Breakdown of underlying net profit at Group Centre

	1Q12	2Q12	3Q12	4Q12
Group item (ongoing business)	**9**	**-8**	**-17**	**-36**
Planned divestments	**20**	**31**	**-47**	**-31**
- Centea	0	0	0	0
- Fidea	0	0	0	0
- Kredyt Bank	10	8	22	23
- Warta	15	26	0	0
- Absolut Bank	12	19	2	0
- 'old' Merchant Banking activities	13	8	-37	-31
- KBL EPB	0	0	0	0
- Other	-30	-30	-34	-23
TOTAL underlying net profit at Group Centre	**30**	**23**	**-64**	**-67**

Due mainly to an increase in loan loss provisions for KBC Bank Deutschland, offset by lower q-o-q loan loss provisions at KBC Finance Ireland

Mainly the allocation funding cost goodwill and liquidity costs regarding divestments

NPL, NPL formation and restructured loans in Russia

	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
NPL	16.1%	13.5%	11.4%	11.2%	10.3%	7.6%	5.6%	4.6%
NPL formation	-0.7%	-2.6%	-2.1%	-0.2%	-0.9%	-2.7%	-2.0%	-1.0%
Restructured loans	4.2%	3.9%	3.9%	3.2%	2.3%	2.3%	2.0%	1.8%
Loan loss provisions (m EUR)	-29	-9	-8	4	-10	-3	-3	-2

Amounts in m EUR

Annex 3

Other items

Summary of government transactions (1)

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

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

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

Summary of government transactions (2)

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

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

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