KBC GROUP

EXTENDED QUARTERLY REPORT

1Q 2011

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

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Glossary of ratios used

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

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

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

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

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

Credit cost ratio
[net changes in individual and portfolio-based impairment for credit risks]/ [average outstanding loan portfolio].

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

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

Expense ratio, insurance
[expenses / written premiums] (after reinsurance).

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

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

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

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

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

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

Contents:

Report on1Q2011

KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 12 May 2011, 7 a.m. CEST.

Summary:
Good start to the year – 1Q net profit up 13% to 821 million euros

KBC ended the first three months of 2011 with a net profit of 821 million euros, compared with a net profit of 724 million euros in the previous quarter and 442 million euros in the corresponding quarter of 2010. The 'underlying' net result for the quarter under review (after excluding one-off and exceptional items) came to 658 million euros, compared with 168 million euros in 4Q2010 and 543 million euros in 1Q2010.

Jan Vanhevel, Group CEO: *'KBC has started 2011 with a satisfyingly high level of profit. This was driven by good revenues generated by all of our business units, a controlled cost environment and a substantially lower level of impairment charges. Our banking and insurance businesses in our Belgian and core Central and Eastern European home markets turned in a sound performance, while the Merchant Banking Business Unit bounced back, thanks to robust market activities.*
The first quarter results of 821 million euros were characterised by a healthy level of net interest income, solid net gains from financial instruments at fair value, and slightly lower net fee and commission income. Costs remained well under control and loan losses were significantly lower than in the previous quarter. The most noteworthy exceptional items included in the results for the first quarter were the positive marked-to-market valuations of our ALM hedges and the positive value adjustments to our CDO portfolio. Overall, the first quarter represents a continuation of the solid performance we have recorded in the past couple of quarters.'

Overview	1Q2010	4Q2010	1Q2011
Net result, IFRS (in millions of EUR)	442	724	821
Earnings per share, basic, IFRS (in EUR)[1]	0.86	1.69	1.98
Underlying net result (in millions of EUR)	543	168	658
Underlying earnings per share, basic (in EUR)	1.16	0.06	1.50
Breakdown of underlying net result per business unit (in millions of EUR)			
Belgium	279	255	280
Central & Eastern Europe	110	131	101
Merchant Banking	85	-228	177
Group Centre	70	11	99
Parent shareholders' equity per share (in EUR, end of period)	31.4	32.8	32.4

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

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

Financial highlights for 1Q2011 compared to 4Q2010:

- Profit up by more than 13%.
- Good level of net interest income with increased volumes.
- Slightly reduced fee and commission income on account of lower AUM, caused by price effects and limited net outflow of funds.
- Excellent combined ratio of 85% thanks to low claims; higher level of earned premiums in the CEE life insurance business.
- Robust level of income generated by the dealing room.
- Lower operating expenses, despite the effect of the Hungarian bank tax being booked for full year 2011. Cost/income ratio at a favourable 55%.
- Exceptionally low loan loss provisions in all business units, with the most marked drop in Merchant Banking (including Ireland).
- Strong liquidity position.
- Continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 13.7%.

Financial highlights 1Q2011 (underlying)

Jan Vanhevel, Group CEO, summarises the ***underlying*** business performance for 1Q2011 as follows:

Gross income benefited from good net interest income, a lower level of insurance claims and strong dealing room results.

- Underlying net interest income stood at 1 374 million euros, up 2% year-on-year (and up by as much as 3%, excluding Secura, which was sold in 4Q2010) but down 6% on the high level of 4Q2010. Compared to 4Q2010, the net interest margin narrowed, but that was partly due to positive exceptional items in 4Q2010. Disregarding these factors, interest margins remained roughly stable in the Belgium and CEE Business Units, as did credit and deposit volumes. Compared to 1Q2010, customer deposits grew in all the business units, except the Group Centre (as planned), while the loan book increased in the Belgium Business Unit, was roughly flat in the CEE Business Unit and contracted in the Merchant Banking Business Unit, as a result of the intentional reduction in international lending. Mortgage lending rose substantially year-on-year by more than 6%, with a significant increase in both the Belgium and CEE Business Units.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 108 million euros, up 51% year-on-year and 5% quarter-on-quarter. The combined ratio improved substantially, shifting from 100% for FY2010 to an excellent 85% for 1Q2011.
- The net result from financial instruments at fair value stood at a strong 259 million euros, lower than in the year-earlier quarter but more than double the quarter-earlier figure, thanks to a significantly better dealing room performance in the quarter under review.
- Net fee and commission income amounted to 399 million euros, down 4% quarter-on-quarter and 7% year-on-year. This revenue item is still not at the level of one year ago, but the quarterly results have been driven primarily by sales of balanced funds and life insurance contracts.
- The other income components come to an aggregate 134 million euros, significantly up on the -50 million euros recorded in the previous quarter, which was affected by a one-off provision for irregularities at the leasing business in the UK.

Operating expenses remain under control despite Hungarian bank tax, while impairment is substantially lower, mainly on account of Ireland.

- Operating expenses came to 1 227 million euros for the first quarter of 2011, up 6% on their year-earlier level but down 6% quarter-on-quarter. Excluding the booking in 1Q2011 of the Hungarian bank tax for full year 2011, costs were down 11% quarter-on-quarter and roughly flat year-on-year. The cost-cutting measures taken in the aftermath of the financial crisis have had their full effect. All in all, costs remain under control.
- Loan loss impairment stood at 97 million euros in the first quarter, down roughly 70% year-on-year and 80% quarter-on-quarter. As a consequence, the annualised credit cost ratio stood at an exceptionally favourable 0.24% and breaks down into an excellent 0.08% for the Belgian retail book (down from 0.15% for FY2010), 0.51% in Central and Eastern Europe (down from 1.22% for FY2010 – thanks to, *inter alia*, an exceptional reversal of impairment related to the sale of part of the consumer finance portfolio in Poland) and 0.43% for Merchant Banking (down from 1.38% for FY2010, which had been impacted by exceptional impairment charges for Ireland).

Excess capital to the tune of 4.8 billion euros.

- At the end of 1Q2011, the KBC group had generated capital of roughly 4.8 billion euros in excess of the 10% tier-1 target (including the effect of divestments for which a sale agreement has been signed to date).

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 280 million euros to profit in 1Q2011, up 25 million euros on the 4Q2010 figure, thanks in part to lower operating expenses, lower impairment and a better technical result in the non-life insurance business.
- The profit contribution of the Central and Eastern Europe Business Unit amounted to 101 million euros in 1Q2011, compared to 131 million euros for 4Q2010. However, the first quarter was adversely impacted by the booking of the Hungarian bank tax for the full year, which more than offsets the lower operating expenses in the region. Lower impairment (partly related to a one-off amount released following the sale of part of the consumer finance portfolio in Poland), and the generally stable level of total income also contributed to the good bottom-line figure.
- The Merchant Banking Business Unit contributed a robust 177 million euros to profit in 1Q2011, compared to -228 million euros in the previous quarter (which had been impacted by 125 million euros (after tax) being set aside for

irregularities at KBC Lease UK and by additional impairment charges to the tune of 0.3 billion euros being recorded for Ireland). The first quarter result was also supported by a very strong performance by the dealing room.

- It should be noted that all planned divestments of the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 1Q2011, the Group Centre's net result came to 99 million euros, compared to 11 million euros in the previous quarter (significant improvement in the contribution to the results by KBL *epb*, Absolut Bank, NLB, etc.).

Positive value adjustments dominate one-off exceptional items.

- The quarter was also characterised by a number of one-off or exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 1Q2011 amounted to a positive 0.2 billion euros.
- Apart from some smaller items, the main non-operating item in 1Q2011 was the valuation mark-up of 0.1 billion euros on the CDO exposure, resulting mainly from a tightening of corporate credit spreads between the end of December 2010 and the end of March 2011. Besides this, there was a marked-to-market increase of 0.1 billion euros in the value of the trading derivatives used for hedging purposes, resulting from a tightening of government credit spreads in the euro area.

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

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

- The IFRS net result for 1Q2011 amounted to a very strong 821 million euros, compared to 442 million euros a year ago and 724 million euros a quarter ago.
- Net interest income amounted to 1 395 million euros, down 8% year-on-year and 13% quarter-on-quarter. On a comparable basis, credit volumes contracted by more than 8% year-on-year in Merchant Banking, in line with our intention to scale down our international loan book. The loan book in Belgium grew by 4% year-on-year (reflecting the economic recovery) with mortgage loans up by as much as 8%. Loan volumes in CEE were flat (the decrease in Hungary being offset by increases in the Czech Republic and Slovakia, among other factors), with mortgage loans going up by 5%. Customer deposits were up 6% in Belgium and 3% in CEE. The net interest margin widened from 1.82% at the end of March 2010 to 1.93% at the end of the first quarter of this year.
- Earned insurance premiums, before reinsurance, stood at 1 141 million euros, the same level as the previous quarter and down 9% on 1Q2010. Net of technical charges and the ceded reinsurance result, technical insurance income came to 112 million euros. The first quarter of 2011 was characterised by a relatively low level of claims. The combined ratio for the group's insurance companies came to an excellent 85% for 1Q2011, compared to 100% for FY2010.
- Net fee and commission income amounted to 300 million euros, down 2% quarter-on-quarter and 7% year-on-year. Sales of commission-based products were somewhat subdued in the first quarter of 2011. Assets under management stood at 205 billion euros at the end of the first quarter, slightly down on their quarter-on-quarter and year-on-year levels on account of both negative price and limited net entry effects.
- The net result from financial instruments at fair value (trading and fair value income) came to 472 million euros, compared to -11 million euros a year earlier and 429 million in the previous quarter. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, losses related to the activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 259 million euros.
- The remaining income components were as follows: dividend income from equity investments amounted to 12 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 34 million euros and other net income totalled 92 million euros. In total, this is in line with the year-earlier figure.
- Operating expenses amounted to 1 143 million euros in 1Q2011, 7% higher than in 1Q2010 and 4% down on the previous quarter. The cost comparison is distorted by the booking in 1Q2011 of the Hungarian bank tax for FY2011 (62 million euros). The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 55%, in line with the 56% registered for FY2010.
- Impairment stood at 105 million euros, down substantially on its year-on-year and quarter-on-quarter levels (some 70% and 80%, respectively). As was the case in the reference quarters, impairment almost entirely related to loans and receivables. As a result, the annualised credit cost ratio for 1Q2011 amounted to an exceptionally low 0.24%, down on the figure of 0.91% for FY2010. Other impairment charges totalled 8 million euros in this quarter and related mainly to available-for-sale assets.
- Income tax amounted to 334 million euros for 1Q2011.
- At the end of the first quarter of 2011, total equity came to 18.5 billion euros, a small decrease of 0.1 billion euros compared to the start of the year, due mainly to the inclusion of the positive result for the quarter (0.8 billion euros), and offset by the dividend and state coupon payments (-0.9 billion euros, combined) and the change in the revaluation reserve for available-for-sale assets and cash flow hedges (-0.1 billion euros, combined). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.3% at end-March 2011. Including the effect of sale agreements announced to date (Centea), the *pro forma* tier-1 ratio amounts to approximately 13.7%.

Table of results according to IFRS

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

Consolidated income statement according to IFRS, KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Net interest income	1 519	1 567	1 562	1 598	1 395	-	-	-
Interest income	2 621	2 651	2 627	2 642	3 047	-	-	-
Interest expense	-1 103	-1 085	-1 065	-1 045	-1 651	-	-	-
Earned premiums, insurance (before reinsurance)	1 248	1 144	1 074	1 150	1 141	-	-	-
Technical charges, insurance (before reinsurance)	-1 163	-1 123	-957	-1 018	-1 012	-	-	-
Ceded reinsurance result	-9	50	-23	-26	-17	-	-	-
Dividend income	15	40	21	21	12	-	-	-
Net result from financial instruments at fair value through profit or loss	-11	-721	227	429	472	-	-	-
Net realised result from available-for-sale assets	19	30	11	29	34	-	-	-
Net fee and commission income	322	336	259	307	300	-	-	-
Fee and commission income	549	578	480	549	518	-	-	-
Fee and commission expense	-227	-242	-221	-242	-218	-	-	-
Other net income	98	182	65	107	92	-	-	-
Total income	2 038	1 504	2 239	2 597	2 416	-	-	-
Operating expenses	-1 072	-1 044	-1 130	-1 190	-1 143	-	-	-
Impairment	-383	-299	-420	-555	-105	-	-	-
on loans and receivables	-355	-278	-357	-492	-97	-	-	-
on available-for-sale assets	-1	-16	-5	-9	-6	-	-	-
on goodwill	-27	-1	-13	-47	0	-	-	-
on other	0	-3	-45	-6	-2	-	-	-
Share in results of associated companies	-2	-9	-5	-46	1	-	-	-
Result before tax	581	153	683	806	1 170	-	-	-
Income tax expense	-164	304	-124	-97	-334	-	-	-
Net post-tax result from discontinued operations	31	-302	-7	24	0	-	-	-
Result after tax	448	155	553	733	835	-	-	-
attributable to minority interests	6	6	8	8	14	-	-	-
attributable to equity holders of the parent	**442**	**149**	**545**	**724**	**821**	**-**	**-**	**-**
Belgium	283	131	321	453	385	-	-	-
Central & Eastern Europe	99	119	76	146	117	-	-	-
Merchant Banking	64	73	173	-138	203	-	-	-
Group Centre	-3	-174	-24	264	116	-	-	-
Earnings per share, basic (EUR)	0.86	0.00	1.17	1.69	1.98	-	-	-
Earnings per share, diluted (EUR)	0.86	0.00	1.17	1.69	1.98	-	-	-

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total assets	340 128	350 232	328 590	320 823	322 493	-	-	-
Loans and advances to customers*	153 640	157 024	149 982	150 666	147 625	-	-	-
Securities (equity and debt instruments)*	101 984	95 910	96 876	89 395	88 839	-	-	-
Deposits from customers and debt certificates*	203 367	205 108	198 825	197 870	192 412	-	-	-
Technical provisions, before insurance*	23 222	22 384	22 843	23 255	23 870	-	-	-
Liabilities under investment contracts, insurance*	7 908	6 496	6 488	6 693	6 568	-	-	-
Parent shareholders' equity	10 677	10 259	11 245	11 147	11 011	-	-	-
Non-voting core-capital securities	7 000	7 000	7 000	7 000	7 000	-	-	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				11%	18%	-	-	-
Cost/income ratio, banking				56%	55%	-	-	-
Combined ratio, non-life insurance				100%	85%	-	-	-
KBC Group solvency								
Tier-1 ratio				12.6%	13.3%	-	-	-
Core tier-1 ratio				10.9%	11.6%	-	-	-

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

Table of underlying results

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

Consolidated income statement, KBC Group, underlying (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Net interest income	1 344	1 394	1 406	1 459	1 374	-	-	-
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	-	-	-
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-	-	-
Ceded reinsurance result	-9	50	-23	-26	-17	-	-	-
Dividend income	8	36	12	18	8	-	-	-
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	-	-	-
Net realised result from available-for-sale assets	24	41	6	28	53	-	-	-
Net fee and commission income	429	454	367	417	399	-	-	-
Other net income	85	68	62	-96	73	-	-	-
Total income	2 282	2 205	2 206	2 051	2 274	-	-	-
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-	-	-
Impairment	-356	-298	-361	-510	- 105	-	-	-
on loans and receivables	-355	-278	-356	-492	-97	-	-	-
on available-for-sale assets	-1	-17	-5	-10	-6	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	0	-3	0	-7	-2	-	-	-
Share in results of associated companies	-1	-9	-5	-46	1	-	-	-
Result before tax	767	749	626	184	943	-	-	-
Income tax expense	-218	-189	-173	-7	- 271	-	-	-
Result after tax	549	559	453	177	671	-	-	-
attributable to minority interests	6	6	8	9	14	-	-	-
attributable to equity holders of the parent	**543**	**554**	**445**	**168**	**658**	**-**	**-**	**-**
Belgium	279	298	220	255	280	-	-	-
Central & Eastern Europe	110	112	53	131	101	-	-	-
Merchant Banking	85	121	156	-228	177	-	-	-
Group Centre	70	23	16	11	99	-	-	-
Earnings per share, basic (EUR)	1.16	1.19	0.87	0.06	1.50	-	-	-
Earnings per share, diluted (EUR)	1.16	1.19	0.87	0.06	1.50	-	-	-

Reconciliation between underlying result and result according to IFRS[1] KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	543	554	445	168	658	-	-	-
+ MTM of derivatives for ALM hedging	-57	-179	16	41	96	-	-	-
+ gains/losses on CDOs	176	326	221	304	124	-	-	-
+ MTM of CDO guarantee and commitment fee	-33	-18	-23	6	-10	-	-	-
+ impairment on goodwill (and associated companies)	-27	-1	-43	-47	0	-	-	-
+ loss on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	-	-	-
+ MTM of own debt issued	-2	33	-34	41	-16	-	-	-
+ Results on divestments	0	-338	-44	206	-45	-	-	-
+ other	-32	-18	2	46	0	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	442	149	545	724	821	-	-	-

1 As of this report, the amounts stated here are after taxes and minority interests. A breakdown of this reconciliation table per business unit is provided in the 'Underlying results per business unit' section of the Extended quarterly report.

Other information

Strategy highlights and main events

- KBC posted a robust result in the first quarter of 2011, reassuring that the underlying business strategy is working and reflecting the gradual recovery of the economies in the markets KBC is active in.
- In the first quarter of 2011, we continued to implement our strategic refocusing plan. At the beginning of March, it was announced that Crédit Agricole (Belgium) would acquire Centea, one of the strongest savings banks in Belgium. This deal will free up around 0.4 billion euros of capital for KBC, primarily by reducing risk-weighted assets by 4.2 billion euros, which will ultimately boost KBC's tier-1 ratio by around 0.4% (impact calculated on 31 December 2010). Finalisation of the deal depends on the customary approval of the regulator(s) and is likely to occur in the coming months. In addition to this, Value Partners Ltd., a Hong-Kong based and listed asset management firm, reached an agreement with KBC Asset Management (KBC AM) in April 2011 for the acquisition of KBC AM's 55.46% stake in KBC Concord Asset Management Co. Ltd.
- On 21 May 2010, the KBC group announced that it had reached an agreement with the Hinduja Group for the sale of its private banking subsidiary, KBL *epb*. As is customary, the Hinduja Group had submitted the deal for approval to the Luxembourg regulator (the CSSF) and the regulators in the nine other European countries where KBL *epb* operates. The CSSF confirmed on 14 March 2011 that it was stopping its evaluation of the acquisition, after concluding that its decision would have been to object to it. In practice, this means that the sale of KBL *epb to* the Hinduja Group will not go ahead. We have since restarted the sales process for KBL *epb*.
- A number of companies are still scheduled for divestment as part of the planned reduction in the international loan portfolio. The sales process for Fidea is ongoing, the sale process for KBC Bank Deutschland has started and the files for the sales process for Antwerp Diamond Bank are being prepared.
- Preparations to float a minority stake in our Czech banking subsidiary are on track and we are on stand-by to launch the IPO programme once optimal conditions have been identified for a successful transaction.
- As stated on previous occasions, KBC intends to redeem the core capital securities issued to the State largely by retaining earnings and releasing capital currently tied up in non-core assets that are earmarked for divestment or run-off. KBC also intends to maintain a regulatory tier-1 capital ratio of 10%, 8% of which is core capital, according to the Basel II banking capital adequacy rules.
- The financial calendar, including the dates of earnings releases as well as analysts and investor meetings, is available at www.kbc.com.

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.
- For the remainder of 2011, special areas of attention from a macroeconomic point of view will remain the price of oil and inflationary expectations going forward, rising interest rates, the future political will for fiscal consolidation in the EU, the risk of contagion of the EMU sovereign risk to other countries, and the deterioration of US public finances.

Analysis of underlying earnings components

KBC Group, 1Q2011

Unless otherwise specified, all amounts are given in euros

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	1 344	1 394	1 406	1 459	1 374	-	-	-
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	-	-	-
Non-life	489	480	495	451	451	-	-	-
Life	760	666	580	699	691	-	-	-
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-	-	-
Non-life	-330	-378	-307	-234	-234	-	-	-
Life	-838	-751	-655	-788	-782	-	-	-
Ceded reinsurance result	-9	50	-23	-26	-17	-	-	-
Dividend income	8	36	12	18	8	-	-	-
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	-	-	-
Net realised result from available-for-sale assets	24	41	6	28	53	-	-	-
Net fee and commission income	429	454	367	417	399	-	-	-
Banking	542	547	470	510	497	-	-	-
Insurance	-113	-93	-104	-93	-98	-	-	-
Other net income	85	68	62	-96	73	-	-	-
Total income	2 282	2 205	2 206	2 051	2 274	-	-	-
Belgium	818	864	768	868	845	-	-	-
Central & Eastern Europe	657	655	679	704	699	-	-	-
Merchant Banking	482	361	495	202	469	-	-	-
Group Centre	325	324	263	277	261	-	-	-

Net interest income in the quarter under review amounted to 1 374 million, up 2% year-on-year (and up by as much as 3% excluding Secura, which was sold in 4Q2010), thanks in part to an 11 basis-point year-on-year increase in the net interest margin, which stands at 1.93% for the group as a whole. On a comparable basis, the group's loan portfolio was down 1% on its year-earlier level. The breakdown of the 1% year-on-year decrease in the loan book reflects the group's strategy to refocus on the home markets: whereas credit volumes rose in Belgium (+4%) and were flat in CEE, they fell 8% in the Merchant Banking Business Unit, as a result of the continued run-down of the international loan portfolio outside the home markets. Deposits were up 2% year-on-year for the group as a whole.
Compared to its relatively high level in 4Q2010, net interest income was down 6%, attributable to a 14 basis-point decrease in the net interest margin (though mainly related to technical elements that had a positive impact in 4Q2010) in combination with more or less stable credit and deposit volumes.

Earned insurance premiums amounted to 1 141 million in 1Q2011, which breaks down into 691 million for life insurance and 451 million for non-life insurance. Non-life premium income was flat quarter-on-quarter and – excluding Secura – up roughly 3% year-on-year. The non-life combined ratio in 1Q2011 stood at a very good 85%, as opposed to 100% in FY2010, thanks to the continuing good technical performance in Belgium (excellent combined ratio of 74% due to a low claims level, among other things) and a significant improvement in the ratio in CEE (dropping from 108% in FY2010 – when impacted by floods and storms – to 95% in 1Q2011).
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (i.e. the unit-linked contracts). When these contracts are included, total life insurance sales amounted to some 1 billion in the quarter under review, with interest-guaranteed products accounting for almost 60% of sales, and unit-linked insurance products for slightly over 40%. Overall, life insurance sales decreased some 10% quarter-on-quarter, with the increase in Central and Eastern Europe (thanks mainly to higher unit-linked insurance sales in the Czech Republic) being more than offset by a decrease in Belgium (the previous quarter had benefited from commercial efforts and the extra contributions traditionally made for pension savings at year-end).

Net fee and commission income stood at 399 million in the quarter under review, down 4% quarter-on-quarter and 7% year-on-year. The quarter-on-quarter decrease results from a combination of higher provisions paid in the insurance business and somewhat lower commission income in the banking business, which was partly due to a drop in fees related to asset management activities (the previous quarter benefited from increased marketing of mutual funds, etc.). Total assets under management of the group – 205 billion at 31 March 2011 – dropped some 2% quarter-on-quarter and 3% year-on-year, in both cases resulting from a combination of volume and price decreases.

The other income components were as follows: dividend income amounted to 8 million (comparable to its year-earlier level), trading and fair value income (booked under 'Net result from financial instruments at fair value') amounted to 259 million (well up on the relatively weak figure for the previous quarter, thanks to good dealing room results), the realised result on available-for-sale assets stood at 53 million (up on both reference quarters) and other net income amounted to 73 million (significantly higher than the negative figure recorded in the previous quarter, which had been impacted to the tune of -175 million by the case of irregularities at KBC Lease UK).

As usual, the underlying figures exclude a number of non-operating items, such as the fair value changes in ALM hedging instruments, the CDO-related impact, fair value changes in own debt instruments, losses related to certain *legacy* investment banking activities, etc. A full overview of these items is provided in the table 'Reconciliation between underlying result and result according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following sections of the report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Staff expenses	-691	-674	-697	-745	-694	-	-	-
General administrative expenses	-371	-382	-422	-468	-444	-	-	-
Depreciation and amortisation of fixed assets	-96	-94	-95	-97	-89	-	-	-
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-	-	-
Belgium	-407	-394	-414	-488	-429	-	-	-
Central & Eastern Europe	-347	-357	-425	-404	-437	-	-	-
Merchant Banking	-140	-137	-142	-157	-152	-	-	-
Group Centre	-264	-263	-233	-262	-209	-	-	-

In the quarter under review, operating expenses stood at 1 227 million. This includes the impact of the Hungarian bank tax booked for full-year 2011 (62 million), which clearly distorts the comparison with earlier quarters. Disregarding this element, costs were down roughly 11% on the previous quarter, which had been negatively impacted by some year-end effects and restructuring charges, while they remained virtually unchanged on their year-earlier level.
Per business unit and quarter-on-quarter, costs decreased by 12% in the Belgium Business Unit, by 8% in the CEE Business Unit (disregarding the impact of the Hungarian bank tax and changes in the exchange rate), by 3% in the Merchant Banking Business Unit and by 20% in the Group Centre (lower costs at KBL EPB, among other things).
As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at a favourable 55% in 1Q2011, more or less in line with the FY2010 level, notwithstanding the negative impact of the Hungarian bank tax in the quarter under review. The 1Q2011cost/income ratio breaks down per business unit as follows: 57% for Belgium, 62% for CEE and 32% for Merchant Banking. The non-life insurance cost ratio (net costs/net written premiums) stood at 28% in 1Q2011, as opposed to 32% in FY2010.

Impairment, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Impairment on loans and receivables	-355	-278	-356	-492	-97	-	-	-
Impairment on available-for-sale assets	-1	-17	-5	-10	-6	-	-	-
Impairment on goodwill	0	0	0	0	0	-	-	-
Impairment on other	0	-3	0	-7	-2	-	-	-
Impairment	-356	-298	-361	-510	-105	-	-	-
Belgium	-3	-39	-27	-35	-15	-	-	-
Central & Eastern Europe	-111	-117	-143	-93	-50	-	-	-
Merchant Banking	-219	-91	-130	-355	-57	-	-	-
Group Centre	-22	-51	-61	-27	17	-	-	-

In 1Q2011, total impairment stood at 105 million.
Impairment *on loans and receivables* (loan loss provisions) accounted for the largest part of total impairment and stood at 97 million, which is 395 million (or 80%) lower than in the previous quarter, due to significantly lower impairment charges in *inter alia* Ireland, Russia and Poland (see below). Overall, this enabled the credit cost ratio to improve from 91 basis points in FY2010 to a very favourable annualised 24 basis points in 1Q2011. In 1Q2011, the credit cost ratio stood at an excellent 8 basis points for Belgium, a further decrease on the 15 basis points recorded in FY2010. In Central and Eastern Europe, it was 51 basis points, a significant improvement on the 122 basis points recorded in FY2010, thanks in part to an impairment release at Kredyt Bank relating to the sale of part of the non-performing consumer finance portfolio. In Merchant Banking, it amounted to 43 basis points, which is also a significant improvement (FY2010: 138 basis points), due mainly to considerably lower loan loss provisions at KBC Bank Ireland. Finally, the credit cost ratio in the Group Centre amounted to -48 basis points (negative figure reflects the net release of loan loss impairments, with a positive impact on the results) thanks in part to Absolut Bank. It should be noted that, even when certain exceptional movements in loan loss impairment are disregarded (such as the retrievals in Poland and Russia), the 'adjusted' annualised credit cost ratio for 1Q2011 still amounted to just 42 basis points. At the end of 1Q2011, non-performing loans accounted for 4.2% of the total loan book, more or less in line with the 4.1% registered three months earlier.
Other impairment in the quarter under review amounted to a mere 8 million and related largely to *available-for-sale assets,* more specifically shares. It should be noted that impairment on *goodwill* booked on group companies (0 in 1Q2011, as against a quarterly average of 22 million in 2010) is always excluded from the underlying results, and hence it is always zero in the table above.

Analysis of other earnings components (underlying figures)

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

The share in the results of associated companies stood at 1 million in the quarter under review and, as usual, includes inter alia the result of KBC's minority participation in NLB in Slovenia, which vastly improved on its level in 4Q2010. Underlying group tax amounted to 271 million in 1Q2011, compared to 7 million in the previous quarter, which had included the tax effect of the loss at KBC Bank Ireland and the deferred taxes on an amount booked for irregularities at KBC Lease UK.

Underlying results per business unit

KBC Group, 1Q2011

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Unless otherwise specified, all amounts are given in euros.

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

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail and private bancassurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, KBC Asset Management, part of KBC Lease, Secura (sold), KBC Group Re (former Assurisk) and VAB). It should be noted that the entities that are earmarked for divestment under the strategic plan (Centea, for which a sale agreement was signed in March 2011, and Fidea) are not included here, but grouped together in the Group Centre.

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

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

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

In the quarter under review, the Belgium Business Unit generated an underlying profit of 280 million, slightly above the average for the last four quarters.

Net interest margin flat quarter-on-quarter; retail credit volume up 4% year-on-year
Net interest income stood at 567 million in the quarter under review, down slightly (-2%) on the relatively high level recorded in the previous quarter, but up almost 5% on the year-earlier quarter (excluding Secura, which was sold in 4Q2010). The net interest margin of the Belgium Business Unit was virtually flat (-2 basis points) on its level in 4Q2010 and down 7 basis points on 1Q2010. Generally speaking, there has been increased competitive pressure for loan products, especially mortgage loans.
The group's strategic refocus on its home markets is reflected in the breakdown of the change in credit volumes: while the group's total loan portfolio decreased 1% year-on-year, the Belgian retail loan book increased by 4% (1% of which was in 1Q2011). Mortgage loan volumes rose by almost as much as 8% year-on-year (1% of which was in 1Q2011). Retail customers' deposits increased by 1% quarter-on-quarter and by virtually 6% year-on-year.

Combined ratio for non-life at an excellent 74%; life insurance sales down following a relatively strong previous quarter
Earned insurance premiums in the quarter under review amounted to 615 million and break down into 403 million for life insurance and 213 million for non-life insurance. Non-life sales were more or less comparable to both the previous quarter and year-earlier quarter (the latter disregarding Secura). Claims were at a favourable level in 1Q2011, which resulted in an excellent combined ratio of 74%, a further reduction on the already good 95% registered for FY2010.
Life sales, including unit-linked products (which – simplified – are not included in the premium figures under IFRS), amounted to 0.6 billion in 1Q2011, down roughly one-fifth on both their 1Q2010 and 4Q2010 levels. It should be noted that 4Q2010 benefited from commercial efforts and extra contributions made for pension savings at year-end. Sales of interest-guaranteed products decreased both quarter-on-quarter and year-on year, while sales of unit-linked insurance products were slightly up on their year-earlier level, but down on the high level recorded in 4Q2010. Overall, interest-guaranteed products accounted for two-thirds of life insurance sales in 1Q2011, the remainder being accounted for by unit-linked products. At the end of 1Q2011, the life reserves of this business unit amounted to 21.4 billion.

Relatively weak level of fee and commission income
Total net fee and commission income amounted to 186 million in the quarter under review, down 7% quarter-on-quarter and 3% year-on-year. Net fee and commission income *from banking activities* (227 million) decreased quarter-on-quarter and year-on-year, which, among other things, relates to lower fee income from asset management activities. Assets under management of this business unit stood at 145 billion, down 2% quarter-on-quarter and 3% year-on-year, in both cases resulting from a combination of price and volume decreases.

Other income components
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 10 million in the quarter under review. Dividend income stood at 6 million and the realised result on available-for-sale assets amounted to 22 million. Other net income came to 41 million. In total, these income items were roughly in line with the quarterly average for 2010.

Comfortable cost/income ratio and excellent credit cost ratio
The operating expenses of the Belgium Business Unit stood at 429 million in the quarter under review. This is a 12% improvement on the level recorded in 4Q2010, which had included traditionally high end-of-year marketing and communication costs and some restructuring costs. Compared to a year ago, however, costs were up 5% but this was due mainly to higher costs relating to the deposit guarantee scheme in Belgium (excluding this, the year-on-year increase was 1%). The cost/income ratio remained at a comfortable 57%, more or less in line with the FY2010 figure of 55%.
As was the case in previous quarters, loan loss impairment on the Belgian retail loan book remained at a very low level (11 million in the quarter under review), resulting in a very favourable credit cost ratio of just 8 basis points, a further reduction on the already excellent 15 basis points recorded in FY2010. At the end of 1Q2011, around 1.6% of the Belgian retail loan book was non-performing, in line with the figure recorded at the beginning of the year (1.5%). Other impairment charges amounted to 4 million in the quarter under review and related to available-for-sale assets (shares).

CEE Business Unit (underlying trend)

The CEE Business Unit encompasses the banking and insurance activities in the Czech Republic (ČSOB Bank and ČSOB Insurance), Slovakia (ČSOB Bank and ČSOB Insurance), Hungary (K&H Bank and K&H Insurance), Poland (Kredyt Bank and WARTA 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 Żagiel (consumer finance) in Poland are not included here, but grouped together in the Group Centre. The same applies to the minority stake in ČSOB (Czech Republic) for which an IPO is scheduled in the group's strategic plan.

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	447	454	467	487	470	-	-	-
Earned premiums, insurance (before reinsurance)	303	358	354	345	428	-	-	-
Technical charges, insurance (before reinsurance)	-228	-338	-267	-221	-312	-	-	-
Ceded reinsurance result	-10	33	-8	-23	-12	-	-	-
Dividend income	0	2	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	45	37	49	52	39	-	-	-
Net realised result from available-for-sale assets	10	14	8	-12	6	-	-	-
Net fee and commission income	76	71	64	72	67	-	-	-
Other net income	14	25	11	4	14	-	-	-
Total income	657	655	679	704	699	-	-	-
Operating expenses	-347	-357	-425	-404	-437	-	-	-
Impairment	-111	-117	-143	-93	-50	-	-	-
on loans and receivables	-111	-114	-142	-85	-48	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	0	-3	0	-9	-2	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	200	182	111	208	212	-	-	-
Income tax expense	-33	-17	-10	-26	-45	-	-	-
Result after tax	167	165	101	182	168	-	-	-
attributable to minority interests	57	54	48	51	66	-	-	-
attributable to equity holders of the parent	**110**	**112**	**53**	**131**	**101**	**-**	**-**	**-**
Banking	103	116	48	109	80	-	-	-
Insurance	7	-4	5	22	21	-	-	-
Risk-weighted assets, group (end of period, Basel II)	34 425	33 363	33 383	33 288	34 164	-	-	-
of which banking	31 900	30 840	30 793	30 648	31 420	-	-	-
Allocated equity (end of period, Basel II)	2 906	2 820	2 826	2 821	2 898	-	-	-
Return on allocated equity (ROAC, Basel II)	19%	19%	10%	22%	19%	-	-	-
Cost/income ratio, banking	50%	50%	60%	56%	62%	-	-	-
Combined ratio, non-life insurance	110%	117%	110%	95%	95%	-	-	-

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

Reconciliation between underlying result and result according to IFRS CEE Business Unit (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	110	112	53	131	101	-	-	-
+ MTM of derivatives for ALM hedging	-16	-24	31	20	21	-	-	-
+ gains/losses on CDOs	6	26	-2	-1	2	-	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	-	-	-
+ impairment on goodwill	0	0	0	-3	0	-	-	-
+ result on divestments	0	0	0	0	-5	-	-	-
+ other	-2	6	-5	-2	-2	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	99	119	76	146	117	-	-	-

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

CEE average exchange rate changes +: appreciation against the euro -: depreciation against the euro	CZK Czech Rep.	EUR Slovakia	HUF Hungary	PLN Poland	BGN Bulgaria
1Q2011 / 4Q2010	+1%	-	+2%	+1%	0%
1Q2011 / 1Q2010	+7%	-	-1%	+1%	0%

In the quarter under review, the CEE Business Unit generated an underlying net result of 101 million, which is fully in line with the 2010 quarterly average, notwithstanding the negative impact of the Hungarian bank tax that has been booked for full-year 2011 in the quarter under review (see below).
The CEE Business Unit's net profit for 1Q2011 breaks down as follows: 97 million for the Czech Republic (it is important to repeat that part of ČSOB Bank's result – related to the planned IPO of a minority part in this company – has been shifted to the Group Centre[1]), 24 million for Slovakia, -16 million for Hungary (see full-year impact of bank tax), 38 million for Poland, 2 million for Bulgaria and -44 million included under 'other results' (largely the funding cost of goodwill).

Net interest income roughly stable in the quarter under review
Net interest income generated in KBC's CEE network amounted to 470 million in the quarter under review, which, on an organic basis, is roughly the same as the previous quarter (disregarding technical items in 4Q2010), and slightly up on the year-earlier quarter. The average net interest margin stood at 3.17% in the quarter under review, which is virtually unchanged on its level in the previous quarter (again, excluding technical elements) and the year-earlier quarter.
The combined loan book of KBC's five core Central & Eastern European countries was also virtually flat both quarter-on-quarter and year-on-year, with the growth in the Czech and Slovak loan books being offset by a decline in the Hungarian loan book. Deposits in the region remained stable in the quarter under review but were up by 3% compared to a year ago, thanks mainly to Poland and the Czech Republic. As usual, the business unit's deposits continued to largely surpass its loan books, leading again to a favourable loan-to-deposit ratio (76%) for this business unit at the end of the quarter under review.

Significant increase in life insurance sales; favourable combined ratio in non-life
Earned insurance premiums amounted to 428 million, which breaks down into 220 million for life insurance and 208 million for non-life insurance. On an organic basis, non-life premium income was comparable to the level recorded in 4Q2010, but up 8% compared to the year-earlier quarter, thanks mainly to increased sales in Poland and Hungary. After a relatively high combined ratio (108%) was recorded in FY2010, caused by the storms and floods in the region among other factors, the ratio in 1Q2011 dropped to a comfortable 95%, with all countries (except for Bulgaria) staying below 100%.
Life sales, including unit-linked products (which are not included in the premium figures under IFRS) amounted to 0.3 billion in the quarter under review. Life sales were well up on their levels in both reference quarters, with a shift being noted from interest-guaranteed to unit-linked products. As a result, unit-linked products accounted for a high 57% of total life sales in the quarter under review, with the significant increase in sales of these products in the Czech Republic (the Maximal Invest product) being one of the reasons behind this development. At the end of 1Q2011, the outstanding life reserves in this business unit stood at 2.1 billion.

Lower net fee and commission income
Net fee and commission income amounted to 67 million in the quarter under review. This constitutes an organic decrease of 8% and 15% on the previous quarter and year-earlier quarter. The quarter-on-quarter decline is largely attributable to the banking business, whereas the year-on-year decrease is due to a combination of lower commission income in the banking business and higher commissions paid in the insurance business (related to *inter alia* higher insurance sales). Total assets under management of this business unit amounted to 12 billion at end-March 2011, down 3% quarter-on-quarter and 8% year-on-year (predominantly a price effect).

Other income components
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 39 million, slightly down on the 46-million average for 2010. The net realised result from available-for-sale assets (6 million) and other net income (14 million) were in line with their quarterly average for 2010.

Expenses impacted by booking of full-year amount of Hungarian bank tax; favourable credit cost ratio
The operating expenses of this business unit stood at 437 million, at first sight a significant increase compared to the previous quarter and year-earlier quarter. However, the cost comparison is distorted by the entire amount of the Hungarian bank tax being booked for the full year (62 million) in 1Q2011. Excluding this item, costs were down organically on their 4Q2010 level by some 8%, thanks to a number of elements, including lower marketing expenses, and were up by just 5% on their 1Q2010 level, caused by higher ICT expenses, among other things. The booking of the Hungarian bank tax for the full

1 The minority participation (a working assumption of 40% has been used) in ČSOB that will be floated has been removed from 'Result after tax attributable to equity holders of the parent' (and moved to 'Result after tax, attributable to minority interests').

year also caused the cost/income ratio for the CEE banking activities to increase (temporarily) to 62% in the quarter under review, up on the 54% recorded for FY2010. Excluding the Hungarian bank tax item, the 1Q2011 cost/income ratio was 52%
In the quarter under review, impairment on loans and receivables (loan losses) stood at a relatively low 48 million, a significant improvement on the quarterly average of 113 million in 2010. This favourable development is attributable mainly to Poland (related to the sale of part of the non-performing consumer finance portfolio) and, to a lesser extent, to lower loan losses in Slovakia and the Czech Republic. As a result, the 1Q2011 credit cost ratio of this business unit amounted to an annualised 51 basis points, a significant improvement on the 122 basis points recorded for FY2010. The 1Q2011 credit cost ratio breaks down as follows: 39 basis points for the Czech Republic, 8 basis points for Slovakia, 172 basis points for Hungary, -15 basis points for Poland (negative figure indicates net retrieval, hence a positive impact on earnings) and 219 basis points for Bulgaria. At the end of 1Q2011, non-performing loans accounted for some 5.7% of the CEE loan book, more or less in line with the figure recorded three months earlier (5.6%).
As was the case last quarter, other impairment charges were limited.

Breakdown per country
The underlying income statements for the Czech Republic, Slovakia, Hungary, Poland and Bulgaria are given below. The 'CEE funding costs and other results' section includes mainly the funding cost of goodwill paid on the companies belonging to this business unit and some operating expenses related to CEE at KBC group's head office.

Income statement, Czech Republic, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	240	250	257	276	259	-	-	-
Earned premiums, insurance (before reinsurance)	91	121	88	102	178	-	-	-
Technical charges, insurance (before reinsurance)	-67	-96	-67	-74	-151	-	-	-
Ceded reinsurance result	-4	-4	-1	-3	-2	-	-	-
Dividend income	0	1	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	21	6	8	19	26	-	-	-
Net realised result from available-for-sale assets	3	7	5	-11	5	-	-	-
Net fee and commission income	46	47	42	42	42	-	-	-
Other net income	7	7	-1	0	4	-	-	-
Total income	337	341	331	350	361	-	-	-
Operating expenses	-134	-145	-154	-170	-158	-	-	-
Impairment	-31	-38	-46	-31	-18	-	-	-
Of which on loans and receivables	-31	-36	-46	-25	-18	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	171	158	131	148	185	-	-	-
Income tax expense	-26	-16	-11	-22	-28	-	-	-
Result after tax	146	142	120	127	157	-	-	-
attributable to minority interests	54	53	46	48	59	-	-	-
attributable to equity holders of the parent	**92**	**89**	**74**	**79**	**97**	**-**	**-**	**-**
banking	81	79	69	72	89	-	-	-
insurance	11	10	5	8	8	-	-	-
Risk-weighted assets, group (end of period, Basel II)	14 833	14 001	13 582	13 496	13 854	-	-	-
of which banking	14 060	13 229	12 790	12 707	13 015	-	-	-
Allocated equity (end of period, Basel II)	1 233	1 166	1 134	1 127	1 159	-	-	-
Return on allocated equity (ROAC, Basel II)	41%	41%	34%	38%	47%	-	-	-
Cost/income ratio, banking	40%	42%	46%	48%	43%	-	-	-
Combined ratio, non-life insurance	92%	98%	103%	92%	87%	-	-	-

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

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

Income statement, Poland, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	81	78	82	87	85	-	-	-
Earned premiums, insurance (before reinsurance)	147	174	205	176	187	-	-	-
Technical charges, insurance (before reinsurance)	-113	-182	-157	-97	-123	-	-	-
Ceded reinsurance result	-6	33	-5	-20	-7	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	7	8	11	3	6	-	-	-
Net realised result from available-for-sale assets	3	3	4	-1	0	-	-	-
Net fee and commission income	-5	-7	-8	-4	-9	-	-	-
Other net income	5	8	9	4	6	-	-	-
Total income	119	115	140	148	144	-	-	-
Operating expenses	-83	-87	-86	-94	-87	-	-	-
Impairment	-22	-34	-30	-28	2	-	-	-
Of which on loans and receivables	-22	-34	-30	-26	3	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	14	-6	23	27	58	-	-	-
Income tax expense	-4	1	-7	-3	-13	-	-	-
Result after tax	11	-5	17	24	45	-	-	-
attributable to minority interests	3	1	3	3	7	-	-	-
attributable to equity holders of the parent	**8**	**-6**	**14**	**21**	**38**	**-**	**-**	**-**
banking	12	3	11	11	27	-	-	-
insurance	-4	-9	3	10	11	-	-	-
Risk-weighted assets, group (end of period, Basel II)	8 292	8 285	8 478	8 544	8 588	-	-	-
of which banking	7 143	7 139	7 287	7 299	7 311	-	-	-
Allocated equity (end of period, Basel II)	732	732	750	758	764	-	-	-
Return on allocated equity (ROAC, Basel II)	1%	-8%	4%	8%	19%	-	-	-
Cost/income ratio, banking	59%	61%	56%	62%	60%	-	-	-
Combined ratio, non-life insurance	118%	123%	110%	96%	99%	-	-	-

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

Income statement, CEE – funding cost and other results, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	-29	-32	-34	-35	-36	-	-	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	0	10	0	6	0	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	0	-2	0	0	-2	-	-	-
Other net income	1	1	1	0	1	-	-	-
Total income	-29	-24	-34	-29	-38	-	-	-
Operating expenses	-8	-4	-6	-10	-9	-	-	-
Impairment	-3	0	0	0	0	-	-	-
Of which on loans and receivables	-3	0	0	0	0	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	-40	-28	-40	-39	-47	-	-	-
Income tax expense	12	14	12	13	3	-	-	-
Result after tax	-28	-14	-29	-26	-44	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-28**	**-14**	**-29**	**-26**	**-44**	**-**	**-**	**-**
banking	-23	-9	-22	-26	-36	-	-	-
insurance	-5	-5	-6	-1	-7	-	-	-

Merchant Banking Business Unit (underlying trend)

The Merchant Banking Business Unit encompasses the financial services provided to 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 commercial banking and market activities of KBC Bank in Belgium and its branches elsewhere, and the activities of a number of subsidiaries, the main ones being KBC Lease (partial), KBC Securities, KBC Clearing, KBC Commercial Finance, and KBC Bank Ireland. The entities that are earmarked for divestment under the strategic plan (the main ones being KBC Financial Products (sale agreements for various activities already finalised), KBC Peel Hunt (sold), KBC Finance Ireland (global trade and project finance), Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre.

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

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

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

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 177 million, significantly above the 33-million average for the last four quarters, which had been clearly impacted by the net loss in 4Q2010. The 1Q2011 underlying result breaks down as follows: 51 million for commercial banking activities and 126 million for market activities.

More than doubling of total income quarter-on-quarter, thanks to good level of dealing room income and the fact that the previous quarter included the negative impact of one-off irregularities at a group company
Total income for this business unit amounted to 469 million in the quarter under review. This income is accounted for primarily by trading and fair value income (related to market activities and reflected in 'Net result from financial instruments at fair value') and net interest income (related to commercial banking activities).
In 1Q2011, trading and fair value income stood at 213 million, which was in line with the year-earlier quarter and significantly better than in the previous quarter, which had been characterised by a generally weak dealing room performance.
At 180 million, net interest income fell by 4% year-on-year and by more than 20% quarter-on-quarter, which, apart from a technical element (with a positive impact on 4Q2010), was also related to the reduction in the international loan portfolios. This is a consequence of the further implementation of the strategic plan, which (re)focuses credit activities to customers that have a relationship with KBC's home markets in Belgium and Central and Eastern Europe. Overall, this led to an 8% decrease in the Merchant Banking business unit's portfolio in the space of one year (-0.4% of which in 1Q2011).
Net fee and commission income stood at 51 million in the quarter under review, roughly in line with the reference quarters.
Other net income stood at 22 million, in line with the year-earlier figure and significantly better than the previous quarter (-150 million), which had been impacted by 175 million (125 million after tax) being booked for irregularities at KBC Lease UK.

Costs down quarter-on-quarter; significant drop in loan losses
Operating expenses in the quarter under review amounted to 152 million, down 3% on the previous quarter and up 9% year-on-year (with the latter due mainly to technical elements). The cost/income ratio stood at 32% in 1Q2011.
Impairment *on loans and receivables* (loan losses) amounted to 57 million in the quarter under review, a significant improvement on the 350 million booked in 4Q2010, due to much lower impairment charges at KBC Bank Ireland (45 million, as opposed to 302 million in the previous quarter) and, to a lesser extent, to net loan loss impairment retrievals for Atomium assets (asset-backed securities booked as loans). The credit cost ratio of this business unit now amounts to an annualised 43 basis points, compared to 138 basis points for FY2010. At the end of 1Q2011, approximately 5.6% of the Merchant Banking Business Unit's loan book was non-performing, compared to 5.2% at year-end 2010.
For KBC Bank Ireland, the annualised credit cost ratio stood at 106 basis points in 1Q2011, compared to 298 basis points for FY2010, and the non-performing ratio stood at 11.1% at the end of 1Q2011, compared to 10.3% at the end of 2010.
Other impairment charges for this business unit were immaterial in 1Q2011.

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

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

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

Group Centre (underlying trend)

The Group Centre comprises, *inter alia*, the results of the holding company KBC Group NV and the elimination of the results of intersegment transactions. It also comprises the results of the companies that have been designated as non-core in the group's strategy and are therefore earmarked for divestment. The main ones are Centea (Belgium – sale agreement signed), Fidea (Belgium), Absolut Bank (Russia), KBC Banka (Serbia), NLB and NLB Vita (Slovenia), Żagiel (Poland), the minority share in ČSOB that is planned to be floated (Czech Republic), KBC Financial Products (various countries – sale agreement for various activities already finalised), KBC Peel Hunt (UK – sold), KBC Finance Ireland (Ireland – global trade and project finance), Antwerp Diamond Bank (Belgium), KBC Bank Deutschland (Germany) and the KBL EPB group including VITIS Life (various countries – sales process restarted).

Income statement, Group Centre, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	158	175	172	162	157	-	-	-
Earned premiums, insurance (before reinsurance)	107	66	91	111	98	-	-	-
Technical charges, insurance (before reinsurance)	-117	-69	-87	-102	-110	-	-	-
Ceded reinsurance result	5	7	-3	2	3	-	-	-
Dividend income	3	7	1	3	2	-	-	-
Net result from financial instruments at fair value through profit or loss	45	19	10	-1	-3	-	-	-
Net realised result from available-for-sale assets	10	13	1	-1	22	-	-	-
Net fee and commission income	105	113	77	92	95	-	-	-
Other net income	9	-7	1	11	-3	-	-	-
Total income	325	324	263	277	261	-	-	-
Operating expenses	-264	-263	-233	-262	-209	-	-	-
Impairment	-22	-51	-61	-27	17	-	-	-
on loans and receivables	-22	-49	-61	-26	18	-	-	-
on available-for-sale assets	0	-2	0	-2	-2	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	0	0	0	0	0	-	-	-
Share in results of associated companies	-2	-9	-5	-46	1	-	-	-
Result before tax	37	2	-36	-59	69	-	-	-
Income tax expense	-22	-31	6	22	-28	-	-	-
Result after tax	14	-30	-30	-36	41	-	-	-
attributable to minority interests	-55	-53	-46	-47	-58	-	-	-
attributable to equity holders of the parent	**70**	**23**	**16**	**11**	**99**	**-**	**-**	**-**
banking	82	23	13	0	118	-	-	-
insurance	1	9	5	12	9	-	-	-
holding company	-14	-8	-2	-1	-29	-	-	-
Risk-weighted assets, group (end of period, Basel II)	28 383	25 236	23 930	22 685	22 376	-	-	-
of which banking	26 275	23 139	21 990	20 725	20 453	-	-	-
Allocated equity (end of period, Basel II)	2 356	2 103	1 994	1 894	1 867	-	-	-

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

Reconciliation between underlying result and result according to IFRS, Group Centre (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	70	23	16	11	99	-	-	-
+ MTM of derivatives for ALM hedging	-10	-13	-12	11	9	-	-	-
+ gains/losses on CDOs	118	347	87	129	55	-	-	-
+ MTM of CDO guarantee and commitment fee	-28	-15	-20	5	-8	-	-	-
+ impairment on goodwill (incl. associated companies)	-27	0	-31	-26	0	-	-	-
+ MTM of own debt issued	-2	33	-34	41	-16	-	-	-
+ loss on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	-	-	-
+ Results on divestments	0	-335	-42	132	-38	-	-	-
+ other	2	-6	5	2	2	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	-3	-174	-24	264	116	-	-	-

The Group Centre's net result amounted to 99 million in 1Q2011. As mentioned before, this mainly includes the results of the companies that are earmarked for divestment, whose combined net result came to 135 million in 1Q2011, as opposed to 12 million in 4Q2010 and 91 million in 1Q2010. The 135 million net profit contribution of the companies up for divestment can be broken down by former business unit as follows:

- Ex-Belgium Business Unit: 20 million, compared with 32 million in the previous quarter.
- Ex-CEER Business Unit: 87 million, significantly up on the -1 million registered in the previous quarter, thanks mainly to the considerable increase in the contribution to the results made by NLB and by Absolut Bank (the latter thanks largely to a significant net retrieval of loan loss provisions in 1Q2011). It should be noted that 59 million of the 87 million contributed to profit concerns the portion of ČSOB's results (working hypothesis of 40%) that is related to the planned IPO of a minority share in that company.
- Ex-Merchant Banking Business Unit: 15 million, compared with 11 million in the previous quarter.
- Ex-European Private Banking Business Unit: 37 million, compared with -8 million in the previous quarter, which had been impacted by several year-end one-off items, notably restructuring costs, whereas 1Q2011 includes relatively high realised gains on available-for-sale assets, among other things.
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): -25 million, compared with -22 million in the previous quarter.

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Consolidated financial statements according to IFRS

KBC Group, 1Q2011

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	1Q 2010	4Q 2010	1Q 2011
Net interest income	3	1 519	1 598	1 395
Interest income		2 621	2 642	3 047
Interest expense		- 1 103	- 1 045	- 1 651
Earned premiums, insurance (before reinsurance)	9	1 248	1 150	1 141
Non-life		489	451	450
Life		759	699	690
Technical charges, insurance (before reinsurance)	9	- 1 163	- 1 018	- 1 012
Non-life		- 330	- 234	- 234
Life		- 832	- 784	- 778
Ceded reinsurance result	9	- 9	- 26	- 17
Dividend income		15	21	12
Net result from financial instruments at fair value through profit or loss		- 11	429	472
Net realised result from available-for-sale assets	6	19	29	34
Net fee and commission income	7	322	307	300
Fee and commission income		549	549	518
Fee and commission expense		- 227	- 242	- 218
Other net income	8	98	107	92
TOTAL INCOME		2 038	2 597	2 416
Operating expenses	12	- 1 072	- 1 190	- 1 143
Staff expenses		- 632	- 653	- 637
General administrative expenses		- 348	- 445	- 421
Depreciation and amortisation of fixed assets		- 92	- 92	- 84
Impairment	14	- 383	- 555	- 105
on loans and receivables		- 355	- 492	- 97
on available-for-sale assets		- 1	- 9	- 6
on goodwill		- 27	- 47	0
on other		0	- 6	- 2
Share in results of associated companies		- 2	- 46	1
RESULT BEFORE TAX		581	806	1 170
Income tax expense		- 164	- 97	- 334
Net post-tax result from discontinued operations	46	31	24	0
RESULT AFTER TAX		448	733	835
Attributable to minority interest		6	8	14
of which relating to discontinued operations		0	*0*	*0*
Attributable to equity holders of the parent		**442**	**724**	**821**
of which relating to discontinued operations		31	*24*	*0*
Earnings per share (in EUR)				
Basic		0.86	1.69	1.98
Diluted		0.86	1.69	1.98

Condensed consolidated statement of comprehensive income

In millions of EUR	1Q 2010	1Q 2011
RESULT AFTER TAX	448	835
attributable to minority interest	6	14
attributable to equity holders of the parent	442	821
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	64	- 9
Net change in revaluation reserve (AFS assets) - Bonds	530	- 291
Net change in revaluation reserve (AFS assets) - Other	0	- 1
Net change in hedging reserve (cash flow hedge)	- 135	171
Net change in translation differences	129	19
Other movements	- 1	1
TOTAL COMPREHENSIVE INCOME	**1 036**	**724**
attributable to minority interest	20	10
attributable to equity holders of the parent	1 015	714

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2010	31-03-2011
Cash and cash balances with central banks		15 292	13 266
Financial assets	18	281 240	274 375
Held for trading		30 287	29 506
Designated at fair value through profit or loss		25 545	25 386
Available for sale		54 143	54 389
Loans and receivables		157 024	150 644
Held to maturity		13 955	14 182
Hedging derivatives		286	268
Reinsurers' share in technical provisions		280	285
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		218	132
Tax assets		2 534	2 289
Current tax assets		167	125
Deferred tax assets		2 367	2 164
Non-current assets held for sale and assets associated with disposal groups	46	12 938	23 169
Investments in associated companies		496	503
Investment property		704	828
Property and equipment		2 693	2 660
Goodwill and other intangible assets		2 256	2 269
Other assets		2 172	2 718
TOTAL ASSETS		320 823	322 493

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2010	31-03-2011
Financial liabilities	18	260 582	251 823
Held for trading		24 136	21 270
Designated at fair value through profit or loss		34 615	32 844
Measured at amortised cost		200 707	196 796
Hedging derivatives		1 124	913
Technical provisions, before reinsurance		23 255	23 870
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		468	459
Current tax liabilities		345	340
Deferred tax liabilies		123	118
Liabilities associated with disposal groups	46	13 341	22 183
Provisions for risks and charges	36	600	576
Other liabilities		3 902	5 050
TOTAL LIABILITIES		302 149	303 962
Total equity		18 674	18 532
Parent shareholders' equity	39	11 147	11 011
Non-voting core-capital securities	39	7 000	7 000
Minority interests		527	520
TOTAL LIABILITIES AND EQUITY		320 823	322 493

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
31-03-2010											
Balance at the beginning of the period	1 245	4 339	- 1 560	457	- 374	5 894	- 339	9 662	7 000	515	17 177
Net result for the period	0	0	0	0	0	442	0	442	0	6	448
Other comprehensive income for the period	0	0	0	589	- 136	- 1	121	573	0	14	587
Total comprehensive income	**0**	**0**	**0**	**589**	**- 136**	**442**	**121**	**1 015**	**0**	**20**	**1 036**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	3	3
Total change	**0**	**0**	**0**	**589**	**- 136**	**442**	**121**	**1 015**	**0**	**23**	**1 038**
Balance at the end of the period	**1 245**	**4 339**	**- 1 559**	**1 046**	**- 510**	**6 336**	**- 219**	**10 677**	**7 000**	**538**	**18 215**
of which revaluation reserve for shares				450							
of which revaluation reserve for bonds				595							
of which revaluation reserve for other assets than bonds and shares				0							
of which relating to non-current assets held for sale and disposal groups				0			0	0			0
31-03-2011											
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	821	0	821	0	14	835
Other comprehensive income for the period	0	0	0	- 299	171	1	20	- 107	0	- 4	- 111
Total comprehensive income	**0**	**0**	**0**	**- 299**	**171**	**822**	**20**	**714**	**0**	**10**	**724**
Dividends	0	0	0	0	0	- 850	0	- 850	0	0	- 850
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 17	- 17
Total change	**0**	**0**	**0**	**- 299**	**171**	**- 28**	**20**	**- 136**	**0**	**- 6**	**- 142**
Balance at the end of the period	**1 245**	**4 340**	**- 1 529**	**- 233**	**- 272**	**7 721**	**- 261**	**11 011**	**7 000**	**520**	**18 532**
of which revaluation reserve for shares				426							
of which revaluation reserve for bonds				- 659							
of which revaluation reserve for other assets than bonds and shares				0							
of which relating to non-current assets held for sale and disposal groups				- 30			14	- 16			- 16

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

Condensed consolidated cash flow statement

In millions of EUR	1Q 2010	1Q 2011
Net cash from (used in) operating activities	6 538	- 5 352
Net cash from (used in) investing activities	- 401	- 70
Net cash from (used in) financing activities	397	722
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	6 534	- 4 700
Cash and cash equivalents at the beginning of the period	5 487	17 709
Effects of exchange rate changes on opening cash and cash equivalents	601	- 622
Cash and cash equivalents at the end of the period	12 622	12 387

As stated in Note 46, Centea qualifies as a disposal group on account of the agreement entered into in March 2011 to sell it. The main impact this agreement would have on cashflows relating to investing activities is as follows: receipt of the sales price: 527 million euros; reduction in cash and cash equivalents belonging to disposal groups: 30 million euros (amount at 31March 2011).

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34), as adopted for use in the European Union ('endorsed IFRS'). The consolidated financial statements of KBC present one year of comparative information. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

To improve transparency, as of 2011 interest on ALM hedging derivatives (i.e. those that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk) appears as 'net interest income', whereas in previous periods this was presented under 'Net result from financial instruments at fair value'. Since the interest earned on the related assets appears under 'Net interest income', as of 2011 (not retroactively) the interest on the ALM hedging derivatives is also included in this heading. The net interest income on ALM hedging derivatives included in 'net interest income' totals -122 million euros for the first quarter of 2011.

The overview of sovereign risk on selected European countries is reviewed by the auditors and is included in the Risk and capital management part of the Extended Quarterly Report.

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

A summary of the main accounting policies is provided in the annual report. In 1Q 2011, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

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

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

For reporting purposes, the business units hence are:

- Belgium (retail bancassurance, asset management and private banking in Belgium; companies that are planned for divestment are moved to Group Centre).
- Central & Eastern Europe (retail bancassurance, asset management, private banking and merchant banking in the Czech and Slovak Republics, Hungary, Poland and Bulgaria; companies in other countries that are planned for divestment are moved to Group Centre[1])
- 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[1], 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 2010). Exceptions are made for costs that cannot be allocated reliably to a certain segment (grouped together in a separate Group Centre) and KBC Bank NV (allocated to the different segments and to the Group Centre by means of different allocation keys).

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

The transactions conducted between the different segments occur at arm's length.

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

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

1 Includes also the minority share in CSOB (Czech Republic) that will be floated.

- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk. Consequently, interest results on such hedges are recognised as 'net result from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit. As of 2011, the interest income on 'ALM derivatives' is included in the Net Interest Income heading in the IFRS figures (see also note 1 A).
- Moreover, fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net result from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.
- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'net result from financial instruments at fair value', without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.
- In the IFRS accounts, discontinued operations (in KBC's new strategic plan, this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax result from discontinued operations', as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P&L lines relating to the divestment or discontinued operation are moved to Group Centre).

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

Reconciliation between underlying result and result according to IFRS [1] KBC Group, in millions of EUR	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	543	554	445	168	658
+ MTM of derivatives for ALM hedging	-57	-179	16	41	96
+ gains/losses on CDOs	176	326	221	304	124
+ MTM of CDO guarantee and commitment fee	-33	-18	-23	6	-10
+ impairment on goodwill (and associated companies)	-27	-1	-43	-47	0
+ loss on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14
+ MTM of own debt issued	-2	33	-34	41	-16
+ Results on divestments	0	-338	-44	206	-45
+ other	-32	-18	2	46	0
Result after tax, attributable to equity holders of the parent: IFRS	442	149	545	724	821

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

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

In the first quarter of 2011, the market price for corporate credit, reflected in credit default swap spreads, improved again generating a value mark-up of KBC's CDO exposure. The positive earnings impact from CDO revaluation amounted to +0.1 billion euros for 1Q 2011 (including impact government guarantee but excluding the related fee and including the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2010, namely 70%).

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding interseg-ment eliminations	Inter-segment eliminations	KBC Group
INCOME STATEMENT - underlying results - 03M 2010						
Net interest income	550	447	189	161	- 3	1 344
Earned premiums, insurance (before reinsurance)	839	303	0	107	0	1 249
Non-life	267	189	0	33	0	489
Life	573	114	0	74	0	760
Technical charges, insurance (before reinsurance)	- 823	- 228	0	- 117	0	- 1 168
Non-life	- 170	- 131	0	- 30	0	- 330
Life	- 653	- 97	0	- 88	0	- 838
Ceded reinsurance result	- 4	- 10	0	5	0	- 9
Dividend income	5	0	0	3	0	8
Net result from financial instruments at fair value through profit or loss	21	45	210	45	0	320
Net realised result from available-for-sale assets	2	10	1	10	0	24
Net fee and commission income	193	76	54	103	2	429
Other net income	35	14	28	9	0	85
TOTAL INCOME	**818**	**657**	**482**	**325**	**0**	**2 282**
Operating expenses	- 407	- 347	- 140	- 264	0	- 1 158
Impairment	- 3	- 111	- 219	- 22	0	- 356
on loans and receivables	- 2	- 111	- 219	- 22	0	- 355
on available-for-sale assets	- 1	0	0	0	0	- 1
on goodwill	0	0	0	0	0	0
on other	0	0	0	0	0	0
Share in results of associated companies	0	0	0	- 2	0	- 1
RESULT BEFORE TAX	**408**	**200**	**122**	**37**	**0**	**767**
Income tax expense	- 127	- 33	- 35	- 22	0	- 218
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**280**	**167**	**88**	**14**	**0**	**549**
attributable to minority interests	2	57	3	- 55	0	6
attributable to equity holders of the parent	**279**	**110**	**85**	**70**	**0**	**543**
INCOME STATEMENT - underlying results - 03M 2011						
Net interest income	567	470	180	157	0	1 374
Earned premiums, insurance (before reinsurance)	615	428	0	119	- 21	1 141
Non-life	212	208	0	41	- 11	450
Life	403	220	0	78	- 10	691
Technical charges, insurance (before reinsurance)	- 593	- 312	0	- 117	7	- 1 016
Non-life	- 95	- 112	0	- 25	- 2	- 234
Life	- 499	- 200	0	- 92	9	- 782
Ceded reinsurance result	- 8	- 12	0	- 1	4	- 17
Dividend income	6	0	0	2	0	8
Net result from financial instruments at fair value through profit or loss	10	39	213	- 3	0	259
Net realised result from available-for-sale assets	22	6	2	22	0	53
Net fee and commission income	186	67	51	95	0	399
Other net income	41	14	22	2	- 5	73
TOTAL INCOME	**845**	**699**	**469**	**275**	**- 15**	**2 274**
Operating expenses	- 429	- 437	- 152	- 224	15	- 1 227
Impairment	- 15	- 50	- 57	17	0	- 105
on loans and receivables	- 11	- 48	- 57	18	0	- 97
on available-for-sale assets	- 4	0	0	- 2	0	- 6
on goodwill	0	0	0	0	0	0
on other	0	- 2	0	0	0	- 2
Share in results of associated companies	0	0	0	1	0	1
RESULT BEFORE TAX	**402**	**212**	**259**	**69**	**0**	**943**
Income tax expense	- 121	- 45	- 78	- 28	0	- 271
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**281**	**168**	**182**	**41**	**0**	**671**
attributable to minority interests	1	66	5	- 58	0	14
attributable to equity holders of the parent	**280**	**101**	**177**	**99**	**0**	**658**

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31-12-2010					
Total loans to customers	51 961	35 760	48 202	14 742	150 666
Of which mortgage loans	26 952	14 506	12 809	7 310	61 577
Of which reverse repos	0	4 036	5 450	0	9 486
Customer deposits	67 663	44 251	73 538	12 418	197 870
Of which repos	0	3 219	12 179	0	15 398
Balance sheet information 31-03-2011					
Total loans to customers	52 413	37 443	50 534	7 235	147 625
Of which mortgage loans	27 337	14 552	12 633	1 274	55 795
Of which reverse repos	0	5 438	7 973	0	13 411
Customer deposits	68 670	45 774	75 014	2 955	192 412
Of which repos	116	3 965	14 839	0	18 920

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

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

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

More detailed geographic segmentation figures for balance sheet items are provided in the various Notes to the balance sheet. The breakdown here is made based on the geographic location of the counterparty.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
03M 2010				
Total income from external customers (underlying)	1 064	728	489	2 282
31-12-2010				
Total assets (period-end)	209 103	61 269	50 452	320 823
Total liabilities (period-end)	194 672	55 030	52 447	302 149
03M 2011				
Total income from external customers (underlying)	1 078	783	413	2 274
31-03-2011				
Total assets (period-end)	199 973	63 826	58 695	322 493
Total liabilities (period-end)	194 104	56 928	52 951	303 983

Other notes

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
Total	1 519	1 598	1 395
Interest income	2 621	2 642	3 047
Available-for-sale assets	474	511	467
Loans and receivables	1 651	1 693	1 628
Held-to-maturity investments	132	156	140
Other assets not at fair value	7	6	8
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 264*	*2 366*	*2 242*
Financial assets held for trading	104	74	547 (*)
Hedging derivatives	74	87	108
Other financial assets at fair value through profit or loss	180	115	149
Interest expense	- 1 103	- 1 045	- 1 651
Financial liabilities measured at amortised cost	- 805	- 789	- 773
Other	- 4	- 4	0
Investment contracts at amortised cost	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 808*	*- 793*	*- 773*
Financial liabilities held for trading	- 21	- 20	- 616 (*)
Hedging derivatives	- 203	- 184	- 197
Other financial liabilities at fair value through profit or loss	- 70	- 47	- 65

(*) including interest on ALM derivatives as of 1Q 2011: +476 million euro interest income and -598 million euro interest expense

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
Total	19	29	34
Breakdown by portfolio			
Fixed-income securities	16	- 10	7
Shares	3	39	27

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
Total	322	307	300
Fee and commission income	549	549	518
Securities and asset management	285	280	245
Margin on deposit accounting (life insurance investment contracts without DPF)	7	11	9
Commitment credit	64	64	70
Payments	125	137	135
Other	68	57	58
Fee and commission expense	- 227	- 242	- 218
Commission paid to intermediaries	- 132	- 117	- 122
Other	- 95	- 125	- 97

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011
By business unit					
Belgium	149 833	149 299	151 630	147 522	144 602
Central & Eastern Europe and Russia	13 378	12 582	13 220	12 691	12 251
KBC FP (included in BU Group Centre)	21	23	23	0	0
KBL (included in BU Group Centre)	47 442	46 990	47 010	48 600	47 781
Total	210 674	208 895	211 883	208 813	204 635
By product or service					
Investment funds for private individuals	96 358	94 973	96 252	95 338	93 362
Assets managed for private individuals	46 597	45 861	46 602	43 389	41 649
Assets managed for institutional investors	44 137	44 025	44 096	45 800	45 224
Group assets (managed by KBC Asset Management)	23 582	24 036	24 933	24 286	24 400
Total	210 674	208 895	211 883	208 813	204 635

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
Total	98	107	92
Of which net realised result following			
The sale of loans and receivables	3	0	- 2
The sale of held-to-maturity investments	- 1	0	0
The sale of financial liabilities measured at amortised cost	0	0	0
Other: of which:	97	107	94
Irregularities in KBC Lease UK		- 175	0
Income concerning leasing at the KBC Lease-group	23	20	21
Income from consolidated private equity participations	13	14	16
Income from Group VAB	20	16	17
Realised gains or losses on divestments		191	- 5

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

In millions of EUR

	Life	Non-life	Non-technical account	TOTAL
1Q 2010				
Technical result	- 100	59	8	- 34
Earned premiums, insurance (before reinsurance)	760	494	0	1 254
Technical charges, insurance (before reinsurance)	- 832	- 331	0	- 1 163
Net fee and commission income	- 27	- 97	9	- 115
Ceded reinsurance result	- 1	- 8	- 1	- 9
Financial result	202	56	41	298
Net interest income			245	245
Dividend income			6	6
Net result from financial instruments at fair value			33	33
Net realised result from AFS assets			15	15
Allocation to the technical accounts	202	56	- 257	0
Operating expenses	- 31	- 78	- 2	- 112
Internal costs claim paid	- 2	- 18	0	- 21
Administration costs related to acquisitions	- 9	- 22	0	- 31
Administration costs	- 19	- 38	0	- 57
Management costs investments	0	0	- 2	- 2
Other net income			2	2
Impairments			1	1
Share in results of associated companies			0	0
RESULT BEFORE TAX	71	36	49	155
Income tax expense				- 26
Net post-tax result from discontinued operations				1
RESULT AFTER TAX				131
attributable to minority interest				4
attributable to equity holders of the parent				**126**
1Q 2011				
Technical result	- 114	126	10	22
Earned premiums, insurance (before reinsurance)	692	456	0	1 148
Technical charges, insurance (before reinsurance)	- 779	- 229	0	- 1 008
Net fee and commission income	- 26	- 84	10	- 101
Ceded reinsurance result	- 1	- 17	0	- 17
Financial result	224	43	73	340
Net interest income			252	252
Dividend income			6	6
Net result from financial instruments at fair value			55	55
Net realised result from AFS assets			27	27
Allocation to the technical accounts	224	43	- 267	0
Operating expenses	- 37	- 90	- 2	- 129
Internal costs claim paid	- 2	- 19	0	- 21
Administration costs related to acquisitions	- 10	- 24	0	- 34
Administration costs	- 25	- 48	0	- 72
Management costs investments	0	0	- 2	- 2
Other net income			14	14
Impairments			- 8	- 8
Share in results of associated companies			0	0
RESULT BEFORE TAX	73	79	87	239
Income tax expense				- 65
Net post-tax result from discontinued operations				2
RESULT AFTER TAX				175
attributable to minority interest				1
attributable to equity holders of the parent				**174**

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

Operating expenses (note 12 in the annual accounts 2010)

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

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
Total	- 383	- 555	- 105
Impairment on loans and receivables	- 355	- 492	- 97
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 292	- 539	- 119
Provisions for off-balance-sheet credit commitments	2	11	8
Portfolio-based impairments	- 65	36	15
Breakdown by business unit			
Belgium	- 2	- 33	- 11
Central and Eastern Europe	- 111	- 85	- 48
Merchant Banking	- 219	- 350	- 57
Group Centre	- 22	- 26	19
Impairment on available-for-sale assets	- 1	- 9	- 6
Breakdown by type			
Shares	- 1	- 9	- 6
Other	0	0	0
Impairment on goodwill	- 27	- 47	0
Impairment on other	0	- 6	- 2
Intangible assets, other than goodwill	0	0	0
Property and equipment and investment property	0	- 2	0
Held-to-maturity assets	0	0	0
Associated companies (goodwill)	0	0	0
Other	0	- 4	- 2

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding Centea (IFRS 5)
FINANCIAL ASSETS, 31-12-2010									
Loans and advances to credit institutions and investment firms [a]	696	1 808	0	12 998	-	-	-	15 502	15 498
Loans and advances to customers [b]	4 109	6 471	0	140 087	-	-	-	150 666	143 193
Discount and acceptance credit	0	0	0	119	-	-	-	119	114
Consumer credit	0	0	0	4 274	-	-	-	4 274	4 024
Mortgage loans	0	380	0	61 198	-	-	-	61 577	55 525
Term loans	4 109	6 025	0	61 548	-	-	-	71 681	70 750
Finance leasing	0	0	0	4 909	-	-	-	4 909	4 909
Current account advances	0	0	0	4 456	-	-	-	4 456	4 376
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	66	0	3 583	-	-	-	3 649	3 496
Equity instruments	1 717	19	2 098	-	-	-	-	3 833	3 833
Investment contracts (insurance)		7 329	-	-	-	-	-	7 329	7 329
Debt instruments issued by	7 709	9 727	51 020	3 477	13 629	-	-	85 562	83 156
Public bodies	5 806	8 852	40 612	132	12 712	-	-	68 114	65 712
Credit institutions and investment firms	731	266	5 075	224	584	-	-	6 879	6 879
Corporates	1 172	610	5 333	3 122	333	-	-	10 569	10 565
Derivatives	15 758	-	-	-	-	213	-	15 970	15 970
Total carrying value excluding accrued intrest income	29 988	25 353	53 117	156 562	13 629	213	0	278 862	268 979
Accrued interest income	299	192	1 025	463	325	73	0	2 378	2 318
Total carrying value including accrued interest income	30 287	25 545	54 143	157 024	13 955	286	0	281 240	271 297
[a] *Of which reverse repos*								*2 284*	*2 284*
[b] *Of which reverse repos*								*9 486*	*9 486*
FINANCIAL ASSETS, 31-03-2011									
Loans and advances to credit institutions and investment firms [a]	794	1 781	0	12 189	-	-	-	14 764	
Loans and advances to customers [b]	4 565	8 572	0	134 489	-	-	-	147 625	
Discount and acceptance credit	0	0	0	77	-	-	-	77	
Consumer credit	0	0	0	3 873	-	-	-	3 873	
Mortgage loans	0	302	0	55 494	-	-	-	55 795	
Term loans	4 565	8 115	0	61 552	-	-	-	74 231	
Finance leasing	0	0	0	4 792	-	-	-	4 792	
Current account advances	0	0	0	5 358	-	-	-	5 358	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	155	0	3 344	-	-	-	3 499	
Equity instruments	1 560	20	2 115	-	-	-	-	3 695	
Investment contracts (insurance)		7 267	-	-	-	-	-	7 267	
Debt instruments issued by	8 755	7 665	51 552	3 354	13 819	-	-	85 144	
Public bodies	6 785	6 839	41 618	131	12 932	-	-	68 305	
Credit institutions and investment firms	964	281	4 886	222	559	-	-	6 912	
Corporates	1 007	545	5 048	3 001	328	-	-	9 928	
Derivatives	13 687	-	-	-	-	184	-	13 871	
Total carrying value excluding accrued interest income	29 361	25 304	53 667	150 032	13 819	184	0	272 366	
Accrued interest income	145	83	722	612	363	84	0	2 009	
Total carrying value including accrued interest income	29 506	25 386	54 389	150 644	14 182	268	0	274 375	
[a] *Of which reverse repos*								*2 501*	
[b] *Of which reverse repos*								*13 411*	

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding Centea (IFRS 5)
FINANCIAL LIABILITIES, 31-12-2010									
Deposits from credit institutions and investment firms [a]	21	6 911	-	-	-	-	20 924	27 856	27 856
Deposits from customers and debt certificates [b]	648	20 971	-	-	-	-	176 252	197 870	189 518
Deposits from customers	0	17 069	-	-	-	-	135 851	152 920	145 865
Demand deposits	0	57	-	-	-	-	48 189	48 246	47 571
Time deposits	0	17 012	-	-	-	-	42 131	59 142	58 957
Savings deposits	0	0	-	-	-	-	40 245	40 245	34 056
Special deposits	0	0	-	-	-	-	4 005	4 005	4 005
Other deposits	0	0	-	-	-	-	1 281	1 281	1 276
Debt certificates	648	3 902	-	-	-	-	40 400	44 950	43 654
Certificates of deposit	0	22	-	-	-	-	14 965	14 987	14 987
Customer savings certificates	0	0	-	-	-	-	2 155	2 155	858
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	648	3 600	-	-	-	-	14 427	18 674	18 674
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	280	-	-	-	-	8 854	9 134	9 134
Liabilities under investment contracts	-	6 514	-	-	-	-	179	6 693	6 693
Derivatives	22 317	0	-	-	-	849	-	23 166	23 166
Short positions	1 119	0	-	-	-	-	-	1 119	1 119
in equity instruments	10	0	-	-	-	-	-	10	10
in debt instruments	1 110	0	-	-	-	-	-	1 110	1 110
Other	0	145	-	-	-	-	2 564	2 709	2 644
Total carrying value excluding accrued interest expense	24 105	34 541	-	-	-	849	199 919	259 414	250 997
Accrued interest expense	31	74	-	-	-	276	789	1 169	1 125
Total carrying value including accrued interest expense	24 136	34 615	-	-	-	1 124	200 707	260 582	252 122
[a] Of which repos								*8 265*	*8 265*
[b] Of which repos								*15 398*	*15 398*
FINANCIAL LIABILITIES, 31-03-2011									
Deposits from credit institutions and investment firms [a]	20	3 569	-	-	-	-	23 792	27 381	
Deposits from customers and debt certificates [b]	506	22 684	-	-	-	-	169 223	192 412	
Deposits from customers	0	20 405	-	-	-	-	132 752	153 156	
Demand deposits	0	98	-	-	-	-	51 172	51 270	
Time deposits	0	20 307	-	-	-	-	42 495	62 802	
Savings deposits	0	0	-	-	-	-	33 705	33 705	
Special deposits	0	0	-	-	-	-	4 017	4 017	
Other deposits	0	0	-	-	-	-	1 363	1 363	
Debt certificates	506	2 279	-	-	-	-	36 471	39 256	
Certificates of deposit	0	37	-	-	-	-	9 918	9 954	
Customer savings certificates	0	0	-	-	-	-	817	817	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	506	1 970	-	-	-	-	17 061	19 537	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	273	-	-	-	-	8 675	8 948	
Liabilities under investment contracts	-	6 379	-	-	-	-	189	6 568	
Derivatives	19 700	0	-	-	-	623	-	20 322	
Short positions	922	0	-	-	-	-	-	922	
in equity instruments	6	0	-	-	-	-	-	6	
in debt instruments	916	0	-	-	-	-	-	916	
Other	0	131	-	-	-	-	2 661	2 792	
Total carrying value excluding accrued interest expense	21 147	32 763	-	-	-	623	195 865	250 398	
Accrued interest expense	122	81	-	-	-	291	931	1 425	
Total carrying value including accrued interest expense	21 270	32 844	-	-	-	913	196 796	251 823	
[a] Of which repos								*5 046*	
[b] Of which repos								*18 920*	

Additional information on quarterly time series:

Customer loans and advances (excluding reverse repos)

In millions of EUR	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011
Total	144 943	143 713	142 413	141 179	134 214
Breakdown per business unit					
Belgium	50 318	51 186	51 554	51 961	52 413
Central and Eastern Europe	31 110	30 733	31 714	31 724	32 005
Merchant Banking	46 400	45 854	44 284	42 752	42 561
Group Centre (*)	17 115	15 941	14 861	14 742	7 235

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

Mortgage loans

In millions of EUR	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011
Total	58 795	60 056	60 879	61 577	55 795
Breakdown per business unit					
Belgium	25 434	25 987	26 466	26 952	27 337
Central and Eastern Europe	12 577	13 625	14 157	14 506	14 552
Merchant Banking	13 217	13 162	13 025	12 809	12 633
Group Centre (*)	7 567	7 282	7 231	7 310	1 274

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

Customer deposits and debt certificates (excluding repos)

In millions of EUR	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011
Total	186 751	183 011	183 219	182 473	173 492
Breakdown per business unit					
Belgium	64 848	66 814	66 570	67 663	68 554
Central and Eastern Europe	40 111	40 022	40 567	41 032	41 809
Merchant Banking	59 238	61 534	61 793	61 360	60 175
Group Centre (*)	22 554	14 642	14 289	12 418	2 955

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

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-03-2010		30-06-2010		30-09-2010		31-12-2010		31-03-2011	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 069	8 392	17 957	7 034	18 327	7 117	18 770	7 330	18 704	7 267
Breakdown per business unit										
Belgium	14 330	6 271	14 655	6 073	14 959	6 076	15 343	6 294	15 260	6 148
Central and Eastern Europe	1 045	816	1 045	858	1 063	939	1 056	932	1 097	1 016
Group Centre	2 695	1 305	2 257	102	2 305	103	2 371	105	2 347	103

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

ČSOB (and KBC Bank NV in one case) is involved in a number of court cases relating to the Agreement on Sale of Enterprise, concluded on 19 June 2000 between Investiční a Poštovní banka (IPB) and ČSOB and to the guarantees provided in this respect by the Czech Republic and the Czech National Bank. In one of these cases, ČSOB initiated arbitration proceedings in respect of the above guarantees at the International Chamber of Commerce on 13 June 2007 against the Czech Republic concerning payment of the equivalent of 62 million euros plus interest. The Czech government had filed a counterclaim, provisionally estimated at the equivalent of 1 billion euros plus interest. On 29 December 2010, an arbitral decision was issued in which ČSOB's claim was allowed and the Czech government's counterclaim dismissed in full. On 28 March 2011, the Czech Ministry of Finance filed a claim before the commercial court in Vienna to have the arbitral decision lifted; this new claim relates solely to the dismissal of the claim filed by ČSOB that had been allowed and not to the Ministry's counterclaim that had been dismissed. The arguments relating to unauthorised state aid remain the same as those used in the arbitration proceedings.

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

in number of shares	**31-12-2010**	**31-03-2011**
Ordinary shares	357 938 193	357 938 193
of which ordinary shares that entitle the holder to a dividend payment	*344 557 548*	*344 577 616*
of which treasury shares	*18 171 795*	*18 169 054*
Non-voting core-capital securities	237 288 134	237 288 134
Other information		
Par value per ordinary share (in euros)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

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

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

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

During the first quarter of 2011, there was no significant change in related parties compared to the end of 2010. In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the first quarter 2011 results is the related cost (10 million euros), which is recognised in 'Net result from financial instruments at fair value through profit or loss'.

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

Company	Consolidation method	Ownership percentage at KBC Group level 2010	2011	Comments
Additions				
None				
Exclusions				
None				
Changes in ownership percentage and internal mergers				
Nova Ljubljanska banka	Equity	30.57%	25.00%	Decrease with 5.57% (1Q11)

Additional note (46): disclosure related to IFRS 5 (Non-current assets held for sale and discontinued operations)

Situation as at 31 March 2011

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

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

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

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

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

Summary of facts and circumstances regarding divestments

KBL EPB:

Activity:	Credit institution
Segment:	Group Centre
Other information:	Due to lack of regulatory approval, it was announced in mid-March 2011 that the sale of KBL EPB to the Hinduja Group will not go ahead. In relation to implementing its strategic plan, KBC has thoroughly assessed the various options and has decided to launch a new sales process to sell KBL EPB.

Centea:

Activity:	Credit institution
Segment:	Group Centre
Sale agreement date:	March 2011
Other information:	Early in March 2011, KBC reached an agreement with Crédit Agricole for the sale of Centea for a total consideration of 527 million euros. This deal will free up around 0.4 billion euros of capital for KBC, primarily by reducing risk-weighted assets by 4.2 billion euros, which will ultimately boost KBC's tier-1 ratio by around 0.4% (impact calculated at year-end 2010). The gain on this deal is limited.

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

In millions of EUR	1Q 2010	4Q 2010	1Q 2011
A: DISCONTINUED OPERATIONS			
Income statement			
Income statement KBL EPB (including Vitis Life)			
Net interest income	41	39	35
Net fee and commission income	97	93	98
Other income	14	3	23
Total income	153	135	156
Operating expenses	- 109	- 149	- 108
Impairment	0	- 43	- 1
Share in results of associated companies	0	0	0
Result before tax	44	- 57	48
Income tax expense	- 13	22	- 11
Result after tax	**31**	**- 35**	**37**
Result of sale of KBL EPB (including Vitis Life)			
Impairment loss recognised on the remeasurement to fair value less costs to sell		59	- 37
Tax income related to measurement to fair value less costs to sell (deferred tax)		0	
Result of sale after tax		59	- 37
Net post-tax result from discontinued operations	**31**	**24**	**0**

Cashflow statement KBL EPB (including Vitis Life)			
Net cash from (used in) operating activities			809
Net cash from (used in) investing activities			- 6
Net cash from (used in) financing activities			- 387
Net cash outflow/inflow			415

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

Balance sheet	31-12-2010	*of which: Discon-tinued operations*	31-03-2011	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	437	*437*	182	*158*
Financial assets	11 359	*11 299*	21 774	*11 910*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	7	*7*	3	*3*
Tax assets	83	*83*	103	*62*
Investments in associated companies	14	*14*	12	*12*
Investment property and property and equipment	240	*234*	276	*231*
Goodwill and other intangible assets	690	*690*	656	*656*
Other assets	109	*101*	162	*143*
Total assets	12 938	*12 863*	*23 169*	*13 175*
Liabilities				
Financial liabilities	12 489	*12 489*	21 262	*12 741*
Technical provisions insurance, before reinsurance	466	*466*	460	*460*
Tax liabilities	11	*11*	24	*7*
Provisions for risks and charges	28	*28*	32	*28*
Other liabilities	349	*348*	405	*389*
Total liabilities	13 341	*13 341*	*22 183*	*13 624*
Other comprehensive income				
Available-for-sale reserve	9	*8*	- 42	*- 18*
Deferred tax on available-for-sale reserve	- 6	*- 6*	11	*3*
Translation differences	10	*10*	14	*14*
Total other comprehensive income	12	*12*	*- 16*	*0*

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

Significant events between the balance sheet date (31 March 2011) and the publication of this report (12 May 2011)

- On 19 April 2011, Value Partners Ltd., a Hong Kong based and listed asset management firm, has reached an agreement with KBC Asset Management (KBC AM) on the acquisition of KBC AM's 55.46% stake in KBC Concord Asset Management Co. Ltd. (KBC Concord). The transaction is still subject to regulatory approval.

- On April 26th, a positive decision has been received from an American arbitration panel resolving a dispute with AIG (American International Group) regarding a Lender Protection Insurance Policy AIG's subsidiary Lexington Insurance Company sold to KBC Financial Holdings' subsidiary Lonsdale LLC. Lonsdale will receive $87m (€58m) from AIG, leading to a +$30m positive P&L-impact in 2Q11.

Auditor’s report

Report of the statutory auditor to the shareholders of KBC Group nv on the review of the interim condensed consolidated financial statements as of 31 March 2011 and for the three months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the “Company”) as at 31 March 2011 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* (“IAS 34”) as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review (“revue limitée/beperkt nazicht” as defined by the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren”) in accordance with the recommendation of the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren” applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the “Institut des Reviseurs d’Entreprises/Instituut der Bedrijfsrevisoren” and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Brussels, 12 May 2011

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek Partner	Peter Telders Partner

11PVDB0158

Risk and capital management

KBC Group, 1Q2011

Not reviewed by the auditors

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

Credit Risk

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC 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.

Credit risk: loan portfolio overview (KBC Bank*)	31-12-2010	31-03-2011
Total loan portfolio (in billions of EUR)		
Amount granted	195	191
Amount outstanding	164	161
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	31%	32%
CEE	23%	23%
Merchant Banking	35%	36%
Group Centre	11%	10%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	11 082	10 695
Specific loan impairments	4 696	4 639
Portfolio-based loan impairments	353	336
Credit cost ratio, per business unit		
Belgium	0.15%	0.08%
CEE	1.22%	0.51%
Czech Republic	0.75%	0.39%
Slovakia	0.96%	0.08%
Hungary	1.98%	1.72%
Poland	1.45%	-0.15%
Bulgaria	2.00%	2.19%
Merchant Banking	1.38%	0.43%
Group Centre	1.03%	-0.48%
Total	0.91%	0.24%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	6 666	6 756
Specific loan impairments for NP loans	3 389	3 442
Non-performing ratio, per business unit		
Belgium	1.5%	1.6%
CEE	5.6%	5.7%
Merchant Banking	5.2%	5.6%
Group Centre	5.1%	5.1%
Total	4.1%	4.2%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	51%	51%
Idem, excluding mortgage loans	61%	60%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	76%	74%
Idem, excluding mortgage loans	96%	90%

* Including Centea.

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

Loan portfolio Business Unit Belgium

31-03-2011, in millions of EUR

	Belgium		
Total outstanding amount	54 303		
Counterparty break down		*% outst.*	
SME / corporate	1 786	*3,3%*	
retail	52 517	*96,7%*	
o/w private	28 543	*52,6%*	
o/w companies	23 974	*44,1%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	27 286	*50,2%*	52%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	5 723	*10,5%*	-
o/w LTV > 100%	1 290	*2,4%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	43 306	*79,7%*	
medium risk (pd 5-7; 0.80%-6.40%)	7 993	*14,7%*	
high risk (pd 8-10; 6.40%-100.00%)	2 001	*3,7%*	
non-performing loans (pd 11 - 12)	846	*1,6%*	
unrated	158	*0,3%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	846	*1,6%*	
provisions for NPL	472		
all provisions (P + NP + portfolio based)	552		
cover NPL by all provisions (specific + portfolio)	65%		
2010 Credit cost ratio (CCR)	0,15%		
YTD 2011 CCR	0,08%		

Legend

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

Remark

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

Loan portfolio Business Unit Central & Eastern Europe

31-03-2011, in millions of EUR	Czech republic			Slovakia			Poland			Hungary			Bulgaria			Total CEE	
Total outstanding amount	18 786			3 899			7 938			6 347			718			37 689	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	5 725	*30,5%*		1 486	*38,1%*		2 686	*33,8%*		2 937	*46,3%*		313	*43,6%*		13 147	*34,9%*
retail	13 061	*69,5%*		2 413	*61,9%*		5 253	*66,2%*		3 410	*53,7%*		405	*56,4%*		24 542	*65,1%*
o/w private	9 585	*51,0%*		1 464	*37,6%*		5 073	*63,9%*		2 935	*46,2%*		232	*32,3%*		19 289	*51,2%*
o/w companies	3 476	*18,5%*		949	*24,3%*		179	*2,3%*		475	*7,5%*		173	*24,1%*		5 253	*13,9%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	5 892	*31,4%*	67%	1 211	*31,1%*	55%	4 052	*51,0%*	86%	2 576	*40,6%*	68%	111	*15,5%*	63%	13 843	*36,7%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	2 607	*32,8%*	98%	2 205	*34,7%*	72%	64	*8,9%*	61%	4 875	*12,9%*
o/w vintage 2007 and 2008	2 342	*12,5%*	-	371	*9,5%*	-	2 545	*32,1%*	-	1 302	*20,5%*	-	59	*8,2%*	-	6 620	*17,6%*
o/w LTV > 100%	519	*2,8%*	-	0	*0,0%*	-	1 451	*18,3%*	-	344	*5,4%*	-	10	*1,3%*	-	2 324	*6,2%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	12 248	*65,2%*		2 554	*65,5%*		4 384	*55,2%*		3 264	*51,4%*		4	*0,5%*		22 454	*59,6%*
medium risk (pd 5-7; 0.80%-6.40%)	4 877	*26,0%*		831	*21,3%*		2 032	*25,6%*		1 659	*26,1%*		194	*27,0%*		9 593	*25,5%*
high risk (pd 8-10; 6.40%-100.00%)	895	*4,8%*		180	*4,6%*		723	*9,1%*		764	*12,0%*		206	*28,6%*		2 768	*7,3%*
non-performing loans (pd 11 - 12)	706	*3,8%*		169	*4,3%*		495	*6,2%*		569	*9,0%*		205	*28,6%*		2 143	*5,7%*
unrated	61	*0,3%*		165	*4,2%*		305	*3,8%*		91	*1,4%*		109	*15,2%*		731	*1,9%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	706	*3,8%*		169	*4,3%*		495	*6,2%*		569	*9,0%*		205	*28,6%*		2 143	*5,7%*
provisions for NPL	388			112			390			307			42			1 239	
all provisions (P + NP + portfolio based)	535			150			485			397			45			1 612	
cover NPL by all provisions (specific + portfolio) (2)	76%			89%			98%			70%			22%			75%	
2010 Credit cost ratio (CCR) (3)	0,75%			0,96%			1,45%			1,98%			2,00%			1,22%	
YTD 2011 CCR (local currency) (3)	0,39%			0,08%			-0,15%			1,72%			2,19%			0,51%	
Stress tests		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
- if default of the local top 10 corporate names	311	*1,7%*		211	*5,4%*		345	*4,3%*		322	*5,1%*		-	-		1 189	*3,2%*
- on FX mortgages in -30% stress scenario (4)	-	-		-	-		21	*0,3%*		100	*1,6%*		1	*0,2%*		122	*0,3%*
- on FX mortgages in -30%/-30% stress scenario (5)	-	-		-	-		34	*0,4%*		219	*3,4%*		2	*0,3%*		255	*0,7%*

Legend

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

Remarks

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

(2) For Bulgaria: NPL cover based on IFRS-provisions; NPL Cover based on provisions conform local regulations - including both IFRS- and non-IFRS, capital deducted provisions - amounts to 64%

(3) individual CCR's in local currencies.

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

(5) pre-tax loss if both currency depreciates further by 30% and property value falls further by 30%

Loan portfolio Business Unit Merchant Banking

31-03-2011, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	19 048			22 235			17 054			4 227			1 216			2 420			4 310			53 456	
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
SME / corporate	19 048	*100,0%*		9 278	*41,7%*		4 097	*24,0%*		4 227	*100,0%*		1 216	*100,0%*		2 420	*100,0%*		4 310	*100,0%*		40 499	*75,8%*
retail	0	*0,0%*		12 956	*58,3%*		12 956	*76,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12 956	*24,2%*
o/w private	0	*0,0%*		12 956	*58,3%*		12 956	*76,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12 956	*24,2%*
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%*	-	12 956	*58,3%*	98%	12 956	*76,0%*	98%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12 956	*24,2%*
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%*	-	4 733	*21,3%*	-	4 733	*27,8%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4 733	*8,9%*
o/w LTV > 100%	0	*0,0%*	-	6 830	*30,7%*	-	6 830	*40,1%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	6 830	*12,8%*
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
low risk (pd 1-4; 0.00%-0.80%)	11 953	*62,8%*		8 555	*38,5%*		6 385	*37,4%*		3 318	*78,5%*		759	*62,4%*		1 140			3 893	*90,3%*		29 619	*55,4%*
medium risk (pd 5-7; 0.80%-6.40%)	4 111	*21,6%*		7 223	*32,5%*		5 857	*34,3%*		546	*12,9%*		359	*29,5%*		978			268	*6,2%*		13 485	*25,2%*
high risk (pd 8-10; 6.40%-100.00%)	1 131	*5,9%*		4 272	*19,2%*		2 911	*17,1%*		271	*6,4%*		42	*3,5%*		219	*9,1%*		0	*0,0%*		5 935	*11,1%*
non-performing loans (pd 11 - 12)	633	*3,3%*		2 141	*9,6%*		1 899	*11,1%*		90	*2,1%*		56	*4,6%*		62	*2,5%*		0	*0,0%*		2 982	*5,6%*
unrated	1 220	*6,4%*		43	*0,2%*		1	*0,0%*		3	*0,1%*		0	*0,0%*		21			149	*3,4%*		1 435	*2,7%*
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.
outstanding non-performing loans (NPL)	633	*3,3%*		2 141	*9,6%*		1 899	*11,1%*		90	*2,1%*		56	*4,6%*		62	*2,5%*		0	*0,0%*		2 982	*5,6%*
provisions for NPL	464			676			547			63			40			57			0			1 301	
all provisions (P + NP + portfolio based)	627			1 311			793			73			61			59			30			2 210	
cover NPL by all provisions (specific + portfolio)	99%			61%			42%			82%			109%			96%			-			74%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			2,98%			n.a.			n.a.			n.a.			n.a.			1,38%	
YTD 2011 CCR	n.a.			n.a.			1,06%			n.a.			n.a.			n.a.			n.a.			0,43%	

Legend

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

avg. PD Average Probability of Default

Remarks

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

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

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

USA = foreign branch in USA

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

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

Credit Investments = KBC Credit Investments, Quasar

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

Loan portfolio Business Unit Group Centre (excl. EPB)

31-03-2011, in millions of EUR	Belgium			CEER			o/w Russia			Western Europe			Global			Total Group Centre (excl. EPB)	
Total outstanding amount	8 608			2 209			1 963			2 390			2 191			15 398	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1 246	*14,5%*		1 053	*47,7%*		895	*45,6%*		2 390	*100,0%*		2 191	*100,0%*		6 880	*44,7%*
retail	7 362	*85,5%*		1 156	*52,3%*		1 068	*54,4%*		0	*0,0%*		0	*0,0%*		8 517	*55,3%*
o/w private	6 282	*73,0%*		1 066	*48,3%*		979	*49,9%*		0	*0,0%*		0	*0,0%*		7 349	*47,7%*
o/w companies	1 079	*12,5%*		89	*4,0%*		89	*4,6%*		0	*0,0%*		0	*0,0%*		1 169	*7,6%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6 023	*70,0%*	52%	859	*38,9%*	-	789	*40,2%*	52%	0	*0,0%*	-	0	*0,0%*	-	6 882	*44,7%*
o/w FX mortgages	0	*0,0%*	-	302	*13,7%*	-	232	*11,8%*	49%	0	*0,0%*	-	0	*0,0%*	-	302	*2,0%*
o/w vintage 2007 and 2008	1 196	*13,9%*	-	587	*26,6%*	-	545	*27,7%*	-	0	*0,0%*	-	0	*0,0%*	-	1 784	*11,6%*
o/w LTV > 100%	266	*3,1%*	-	26	*1,2%*	-	18	*0,9%*	-	0	*0,0%*	-	0	*0,0%*	-	293	*1,9%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	5 588	*64,9%*		934	*42,3%*		828	*42,2%*		1 353	*56,6%*		562			8 436	*54,8%*
medium risk (pd 5-7; 0.80%-6.40%)	1 979	*23,0%*		753	*34,1%*		656	*33,4%*		792	*33,2%*		1 412			4 937	*32,1%*
high risk (pd 8-10; 6.40%-100.00%)	638	*7,4%*		160	*7,2%*		139	*7,1%*		174	*7,3%*		217	*9,9%*		1 189	*7,7%*
non-performing loans (pd 11 - 12)	380	*4,4%*		338	*15,3%*		316	*16,1%*		66	*2,8%*		0	*0,0%*		784	*5,1%*
unrated	23	*0,3%*		24	*1,1%*		24	*1,2%*		4	*0,2%*		0			51	*0,3%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	380	*4,4%*		338	*15,3%*		316	*16,1%*		66	*2,8%*		0	*0,0%*		784	*5,1%*
provisions for NPL	174			204			194			53			0			430	
all provisions (P + NP + portfolio based)	184			243			231			86			32			439	
cover NPL by all provisions (specific + portfolio)	48%			72%			73%			129%			-			56%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			0,90%			1,39%			0,78%			1,03%	
YTD 2011 CCR (local currency)	n.a.			n.a.			-5,66%			1,56%			0,07%			-0,48%	

Legend

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

Remarks

Belgium = Centea, Antwerpse Diamantbank (incl. ADB Asia Pacific)

CEER = KBC Banka, Absolut Bk

Western Europe = KBC Bank Deutschland

Global = KBC Finance Ireland

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

Structured credit exposure (banking – including KBL EPB - and insurance activities)

Summary overview

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

In billions of EUR – 31-03-2011

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*26.1*
o/w hedged CDO exposure	*14.4*
o/w unhedged CDO exposure	*7.5*
o/w other ABS exposure	*4.2*
Cumulative value markdowns (mid 2007 to date)*	-6.5
o/w value markdowns	*-5.4*
for unhedged CDO exposure	*-4.6*
for other ABS exposure	*-0.7*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-1.1*

* Excluding Aldersgate and Lancaster.

Since the beginning of 2010, the unhedged CDO positions held by KBC experienced net effective losses caused by settled credit events until 7 April 2011 in the lower tranches of the CDO structure for a total amount of -1.3 billion euro's. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.

At the end of 2010 the total nominal amount outstanding in the unhedged portfolio dropped by 2.2 billion euro's due to the expiry of the maturity of 'Aldersgate'. By the end of March 2011 the risk underlying to 'Lancaster' was significantly reduced by unwinding the underlying exposure. This lead to a further reduction of the nominal outstanding amount of 0.5 billion euro's (0.4 billion euro's hedged and 0.1 billion euro's unhedged). For both transactions there was no significant P/L impact.

Hedged CDO exposure

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

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

Hedged CDO exposure (insurance for CDO-linked risks received from credit insurers), 31-03-2011
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	
- MBIA	14.4
Nominal reduction due to pre-payments[2]	-0.3
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.6
- CVA for counterparty risk, MBIA	-1.1
(as a % of fair value of insurance coverage received)	70%

1 The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).
2 Up to 7 April 2011.

Unhedged CDO exposure and other ABS

This heading relates to CDOs which KBC bought as investments and which are not 'insured' by credit protection from MBIA ('unhedged CDO exposure' in the table) and other ABS in portfolio ('other ABS' in the table).

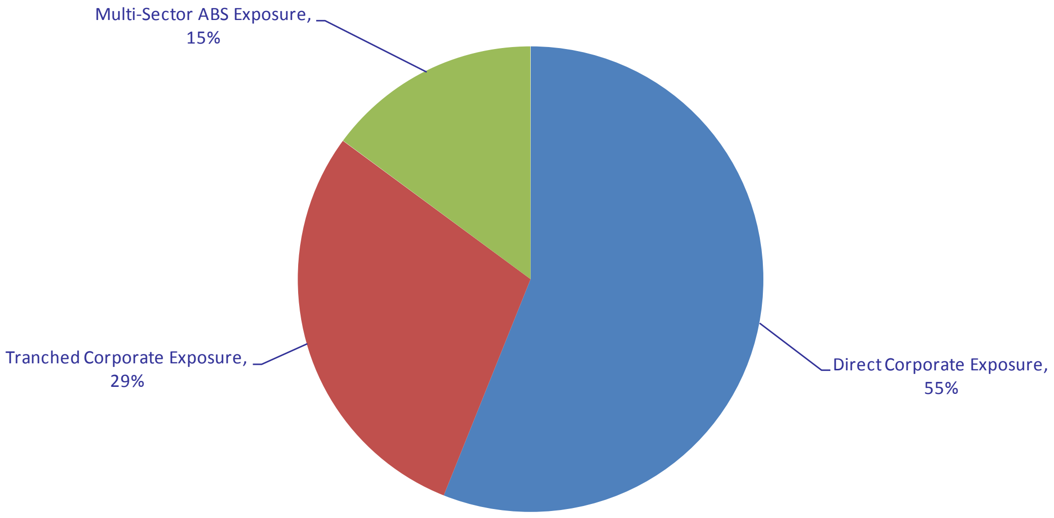
As regards the CDOs, KBC has already made significant negative value adjustments to date. It should be noted that their remaining risk is mitigated, as the unhedged super senior CDO tranches are included under the Guarantee Agreement concluded with the Belgian State.

It should also be noted 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.

Until 2008, value adjustments to other ABS were largely accounted for via shareholders' equity. At the end of 2008, KBC reduced the sensitivity of shareholders' equity towards value adjustments to ABS by reclassifying most of the ABS portfolio as 'loans and receivables'. Since then, they have been included in the scope of the impairment procedure for the loan portfolio (such impairments have an impact on P/L).

Unhedged CDO-exposure and other ABS Amounts in billion of EUR - 31-03-2011	
Total nominal amount unhedged CDO-exposure	7.5
Notional reduction due to write-downs at origination, settled credit events and pre-payments	-1.4
Total nominal amount unhedged CDO-exposure, net (after settled credit events upto 7 April 2011)	6.1
o/w super senior tranches (included in the Guarantee Agreement with the Belgian State)	3.5
o/w non super senior tranches	2.6
Cumulative market value adjustments	-4.6
Total nominal amount other ABS-exposure	4.2
Cumulative market value adjustments	-0.7

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



(Average % as of all total notional exposure; figures as of 7 April 2011)

Overview of sovereign risk on selected European countries

(Overview of sovereign risk is reviewed by the auditors)

Sovereign bonds on selected European countries, in billions of EUR, 31-03-2011, carrying amounts

	Total			Banking and Insurance Book		
	Banking and Insurance book	Trading Book	Total	Amounts with maturity date in 2011	Amounts with maturity date in 2012	Amounts with maturity date after 2012
Greece	0.6	0.0	0.6	0.0	0.2	0.4
Portugal	0.3	0.0	0.3	0.0	0.1	0.2
Spain	2.2	0.1	2.3	0.1	0.5	1.7
Italy	6.2	0.1	6.3	0.8	0.5	5.1
Ireland	0.4	0.0	0.4	0.0	0.0	0.4

* Available-for-sale, held-to-maturity and designated at fair value through profit and loss.

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

No impairments have been booked for these sovereign bonds.

Solvency

Solvency KBC Group

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the Belgian regulator. For group solvency, the so-called 'building block' method is used. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, KBL EPB and the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%. The internal target for the tier-1 capital ratio at group level has been set at 10%.

In millions of EUR	31-12-2010	31-03-2011
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	21 726	22 397
Tier-1 capital	**16 656**	**17 511**
Parent shareholders' equity	11 147	11 011
Non-voting core-capital securities	7 000	7 000 (2)
Intangible fixed assets (-)	- 429	- 430
Goodwill on consolidation (-)	- 2 517	- 2 495
Innovative hybrid tier-1 instruments	598	576 (2)
Non-innovative hybrid tier-1 instruments	1 689	1 689 (2)
Minority interests	161	162
Equity guarantee (Belgian State)	446	399
Revaluation reserve available-for-sale assets (-)	- 66	233
Hedging reserve, cashflow hedges (-)	443	272
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 190	- 174
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	0
Equalization reserve (-)	- 128	- 121
Dividend payout (-)	- 854	- 213 (3)
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 243	- 27
Items to be deducted (1) (-)	- 397	- 372
Tier-2 & 3 capital	**5 069**	**4 886**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	392	383
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	132	228
Subordinated liabilities	4 730	4 438
Tier-3 capital	182	178
IRB provision shortfall (50%) (-)	0	0
Items to be deducted (1) (-)	- 397	- 372
Capital requirement		
Total weighted risks	132 034	131 590
Banking	116 129	115 693
Insurance	15 676	15 687
Holding activities	264	280
Elimination of intercompany transactions between banking and holding activities	- 34	- 70
Solvency ratios		
Tier-1 ratio	12.62%	13.31%
Core Tier-1 ratio	10.88%	11.59%
CAD ratio	16.45%	17.02%

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

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

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

Solvency banking and insurance activities separately

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

Banking activities

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2010	31-03-2011
Total regulatory capital, after profit appropriation	**18 552**	**18 685**
Tier-1 capital	13 809	14 055
Tier-2 and tier-3 capital	4 743	4 630
Total weighted risks	**111 711**	**111 536**
Credit risk	97 683	97 143
Market risk	3 279	3 644
Operational risk	10 749	10 749
Solvency ratios		
Tier-1 ratio	12.4%	12.6%
of which core tier-1 ratio	10.5%	10.7%
CAD ratio	16.6%	16.8%

Insurance activities

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2010	31-03-2011
Available capital	2 712	2 498
Required solvency margin	1 254	1 255
Solvency ratio and surplus		
Solvency ratio (%)	216%	199%
Solvency surplus (in millions of EUR)	1 458	1 243

Presentation

KBC Group, 1Q2011

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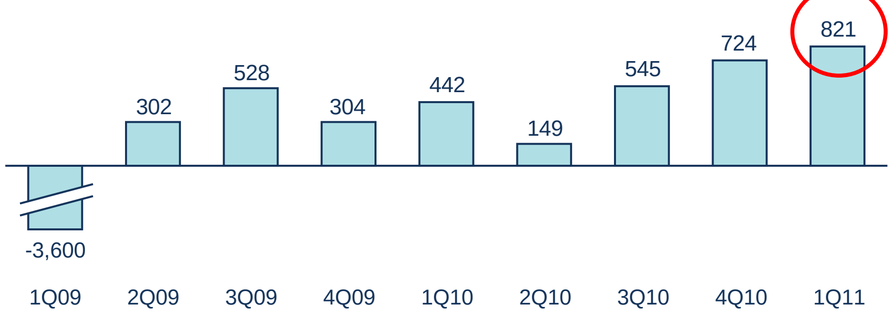
Content

Section 1

1Q 2011
Financial highlights

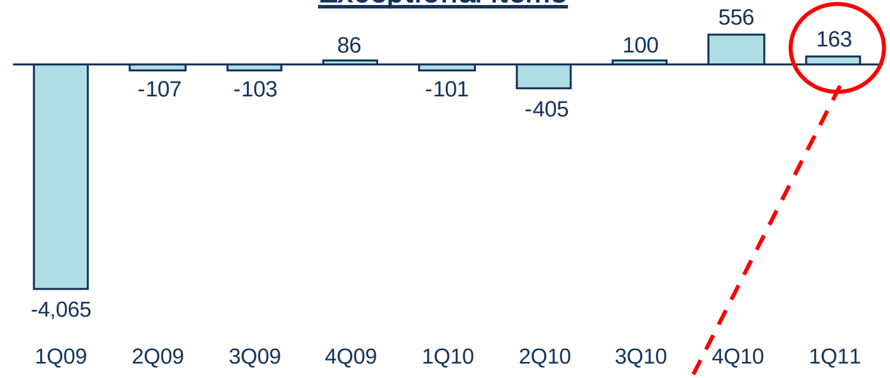
Solid earnings power

Reported net profit

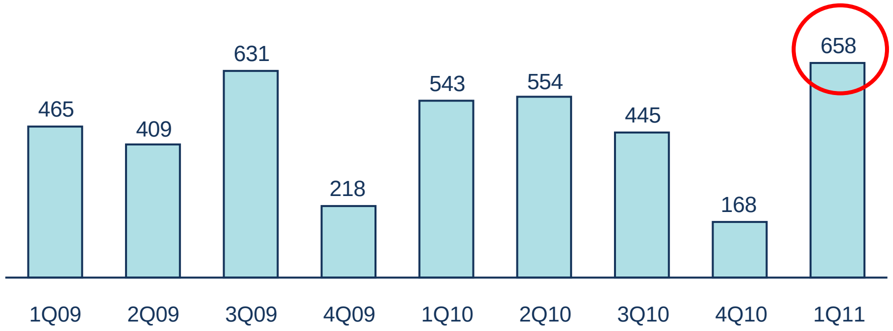


Excluding exceptional items

Exceptional items



Underlying net profit



Main exceptional items (post-tax)

• Revaluation of structured credit portfolio	+0.1bn
• M2M trading derivatives for hedging purposes	+0.1bn
	+0.2bn

Amounts in m EUR

Financial highlights 1Q 2011

- Reported net profit up by more than 13% quarter-on-quarter
- Good level of net interest income with increased volumes
- Slightly reduced fee and commission income attributable to lower AuM, caused by both price effects and limited net outflow of funds
- Excellent combined ratio of 85% thanks to low claims; higher level of earned premiums in the CEE life insurance business
- Robust level of income generated by the dealing room
- Lower operational expenses, despite the recording of the Hungarian bank tax for the full year in 1Q11. Cost/Income ratio at a favourable 55%
- Exceptionally low loan loss provisions in all business units, with the most marked drop in Merchant Banking (including Ireland)
- Strong liquidity position
- Including the impact of the divestments already announced (Centea), regulatory capital accumulated in excess of the tier-1 solvency target of 10% amounted to roughly 4.8bn EUR at the end of 1Q11. Excluding all CDO effects since the end of 3Q09, available surplus capital at the end of 1Q11 amounted to roughly 4.0bn EUR (incl. the effect of divestments already announced)

Looking forward

Jan Vanhevel, Group CEO:

- ‘We continued to make good progress regarding the execution of our strategic plan:
    - During 1Q11, we announced the sale of Centea to Landbouwkrediet. This deal will free up around 0.4bn EUR of capital for KBC, primarily by reducing RWAs by 4.2bn EUR, which will ultimately boost KBC’s tier-1 ratio by some 0.4% (impact calculated on 31 December 2010)
    - In April 2011, Value Partners Ltd. reached an agreement with KBC Asset Management on the acquisition of KBC AM’s 55.46% stake in KBC Concord Asset Management Co. Ltd. (KBC Concord)
    - We have restarted the sale process of KBL *epb*
    - The sale process for Fidea is ongoing
    - A number of companies are still scheduled for divestment as part of the planned reduction of the international loan portfolio. The sales process for KBC Bank Deutschland has started and the files for the sales process for Antwerp Diamond Bank are being prepared
    - Preparations to float a minority stake in our Czech banking subsidiary are on track; we are on stand-by to launch the IPO programme when we observe optimal conditions for a successful transaction

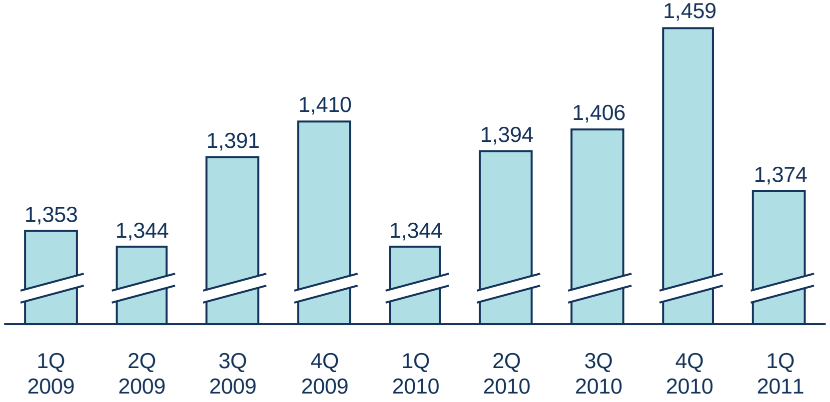
- We still believe that costs on a like-for-like basis will start to increase somewhat going forward
- The credit cost ratio in the CEE Business Unit is expected to further improve in 2011
- We reiterate that KBC Group is able to meet the targeted common equity ratio under Basel III. We estimate this ratio at roughly 8.0% at the end of 2013’

Section 2

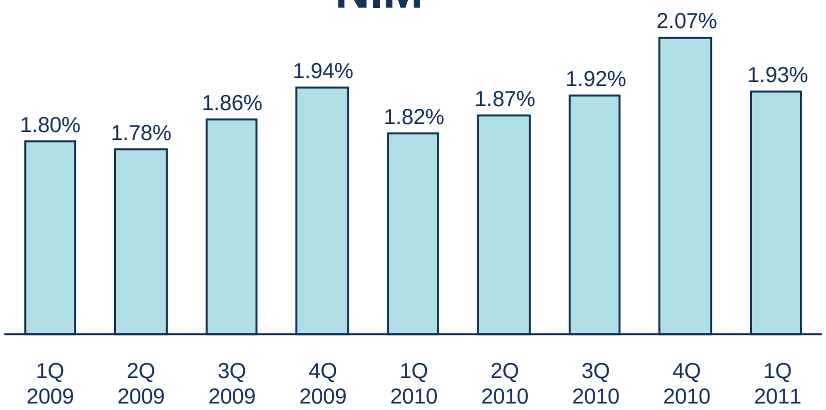
1Q 2011 underlying business performance

Revenue trend - Group

NII



NIM



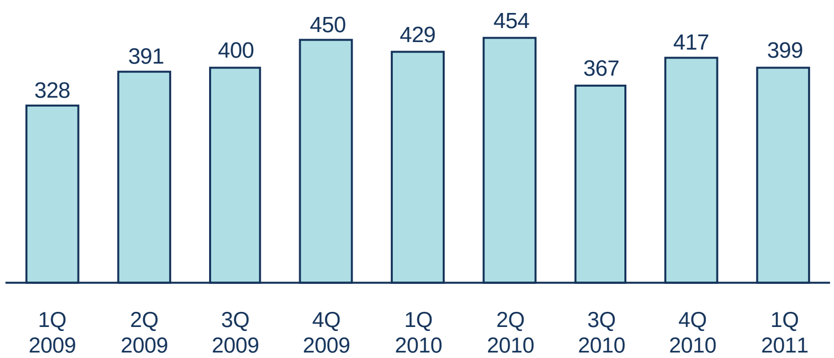
- Net interest income increased by 2% year-on-year (as much as 3% y-o-y excluding Secura, which was sold in 4Q10) with continued loan volume growth in Belgium, driven by mortgages. Net interest income fell by 6% q-o-q
- Net interest margin (1.93%)
  - NIM in Belgium went down slightly (-2bps q-o-q), while the margin in Central/Eastern Europe decreased more markedly (-15bps q-o-q) due to technical items. Excluding these technical elements, 1Q11 NIM is virtually stable in CEE BU.
  - The 14bps q-o-q decrease in NIM at group level is for a large part attributable to some technical items (with positive impact in 4Q10)
- Loan volumes down year-on-year (-1%) due, among other things, to a reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus. Deposit volumes rose 2% year-on-year

Amounts in m EUR

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

Revenue trend - Group

F&C



AUM

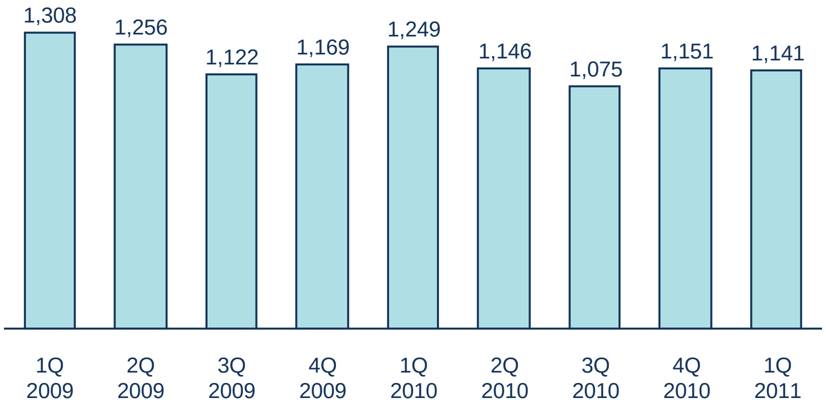
Amounts in bn EUR

- Net fee and commission income fell by 4% quarter-on-quarter and 7% year-on-year
  - The fourth quarter benefited from increased marketing of mutual fund and insurance products
  - Net fee and commission income from the banking business went down by 5% q-o-q in line with the trend in assets under management
  - Commission paid on the sale of insurance contracts rose by 5% q-o-q due to an increase in commission paid on gross written non-life premiums, partly offset by a decrease in commission paid on gross written life premiums
- Assets under management fell by 3% year-on-year and 2% quarter-on-quarter (caused by both a decline in net inflow (-1%) and decrease in prices (-1%)) to 205bn EUR at the end of 1Q11

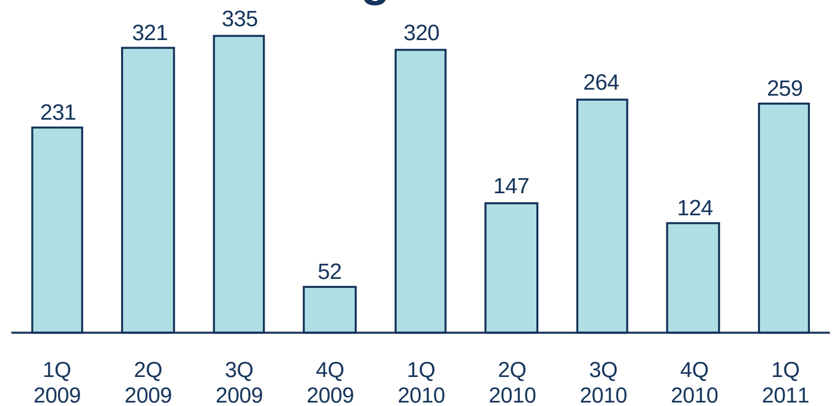
Amounts in m EUR

Revenue trend - Group

Premium income



FV gains

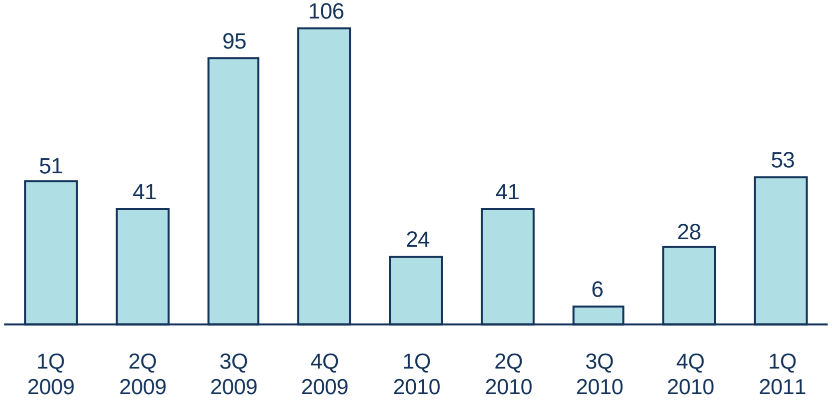


- Insurance premium income at 1,141m EUR
  - Non-life premium income (451m) flat q-o-q and down 8% y-o-y, due entirely to the sale of Secura in 4Q10
  - Life premium income (691m) down 1% q-o-q and 9% y-o-y, mainly due to lower sale of guaranteed-interest products at both the Belgium and CEE business units. This decrease on 1Q10 in guaranteed-interest products was partly offset by the increase in unit-linked sales at the CEE Business Unit.
- Excellent combined ratio of 85% in 1Q11, down on the 98% recorded in 1Q10 (impacted by storm Xynthia) and 4Q10 primarily thanks to a lower level of claims
- The solid figure for net gains from financial instruments at fair value (259m EUR) is the result of good dealing room activity

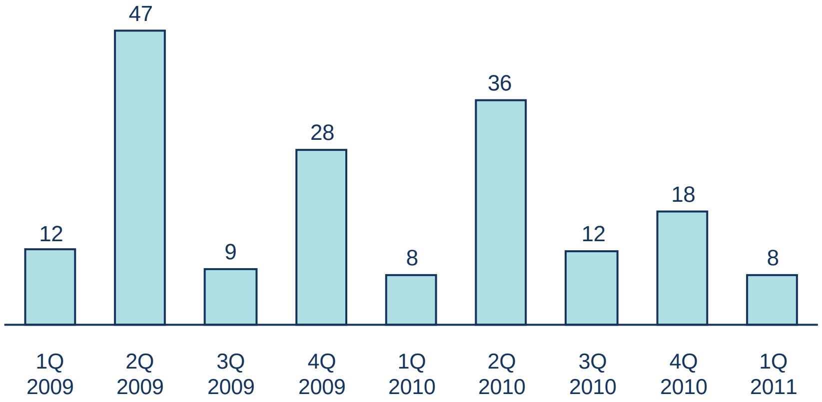
Amounts in m EUR

Revenue trend - Group

Gains realised on AFS



Dividend income

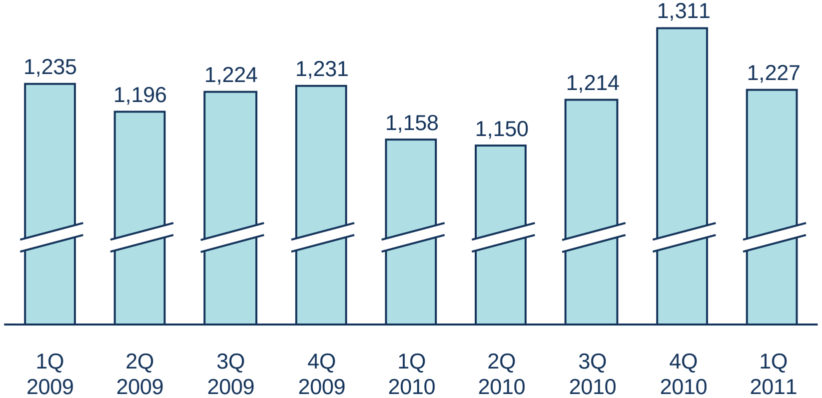


- Gains realised on AFS came to 53m EUR
- Dividend income amounted to 8m EUR (in line with 1Q10)

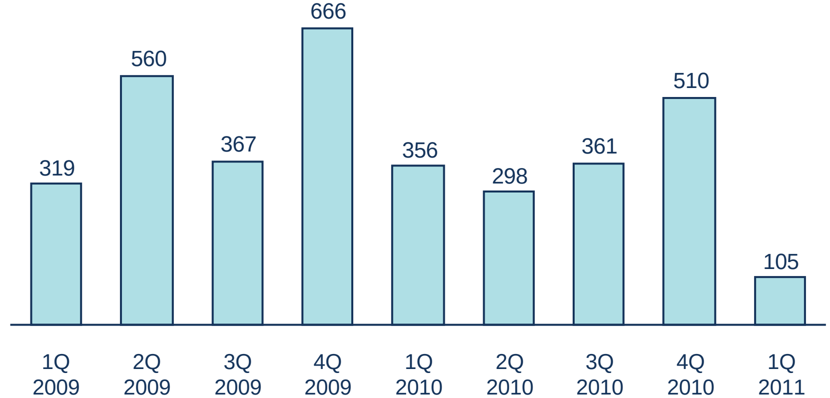
Amounts in m EUR

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Costs remained well under control: -6.4% q-o-q and +6.0% y-o-y
  - Operating expenses fell by 6.4% q-o-q to 1,227m EUR in 1Q11 as 4Q10 was impacted by some typical year-end effects, such as higher marketing, communication and ICT expenses and certain restructuring charges. Excluding the Hungarian bank tax in 1Q11, operating expenses fell by as much as 11% q-o-q
  - Operating expenses rose by 6.0% y-o-y in 1Q11, due entirely to the booking of the Hungarian bank tax for the full year and costs related to the Belgian Deposit Guarantee Scheme. Excluding both items, operating expenses fell by as much as 1% y-o-y
  - Underlying cost/income ratio for banking stood at 55% YTD (compared to 56% for full year 2010)
  - We still believe that costs in 2011 on a like-for-like basis will start to increase somewhat going forward
- Substantially lower impairments (105m EUR)
  - Quarter-on-quarter decrease of 405m EUR in impairments, mainly thanks to much lower loan losses in Ireland (MEB) and several impairment releases (at Absolut Bank, Kredyt Bank, K&H Bank and Atomium assets)

Amounts in m EUR

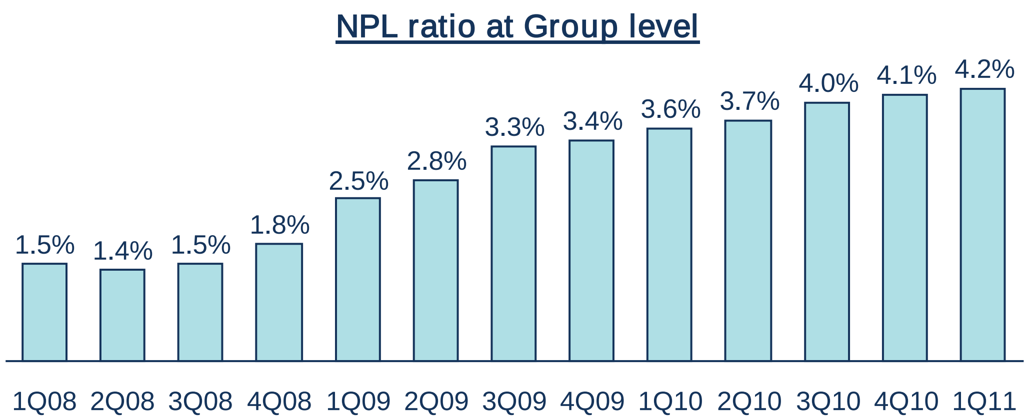
Loan loss provisions

- Credit cost ratio fell to 0.24% (compared to 0.91% in 2010 and 1.11% in 2009) thanks to several impairment releases. Excluding these releases, the credit cost ratio is still at a low 0.42%. NPL ratio amounted to 4.2%
- Credit cost in Belgium remained at a low level
- Sharply lower credit cost in CEE (-37m EUR q-o-q), driven mainly by several impairment releases: 20m EUR release at Kredyt Bank following the sale of a part of the non-performing consumer finance portfolio and 9m EUR release at K&H Bank
- Credit cost significantly lower in Merchant Banking (-293m EUR q-o-q), chiefly attributable to KBC Bank Ireland and a 15m-euro write-back regarding Atomium assets

Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	2010 FY	1Q11 YTD
		'Old' BU reporting			'New' BU reporting		
Belgium	**54bn**	0.13%	0.09%	0.17%	0.15%	0.15%	0.08%
CEE	**38bn**	0.26%	0.73%	2.12%	1.70%	1.22%	0.51%
Merchant B. **(incl. Ireland)**	**53bn**	0.02%	0.48%	1.32%	1.19%	1.38%	0.43%
Total Group	**164bn**	0.13%	0.46%	1.11%	1.11%	0.91%	0.24%

NPL ratio at Group level



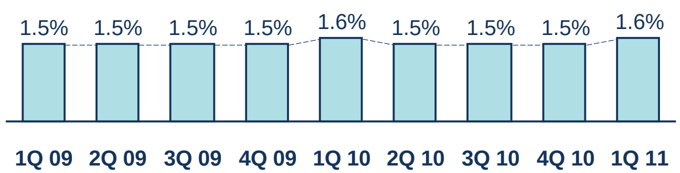
1Q 2011	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.6%	2.8%	0.9%
CEE BU	5.7%	5.6%	1.7%
MEB BU	5.6%	6.7%	4.4%

NPL ratios per business unit

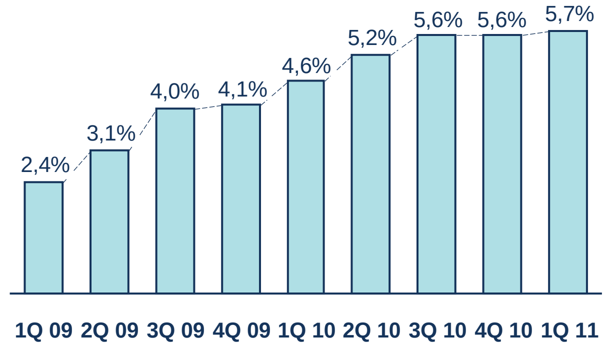
BELGIUM BU

non performing loans

New BU reporting as of 2010
(pro forma 2009 figures)

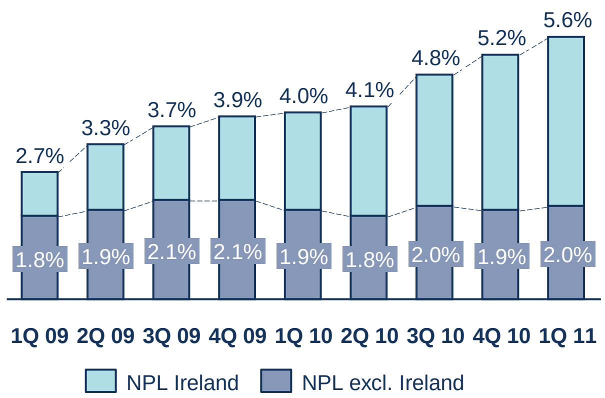


CEE BU



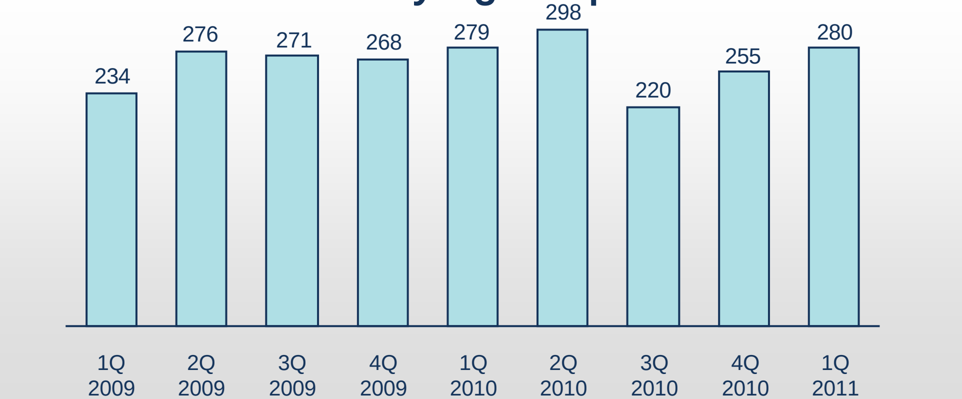
MEB BU

(incl. Ireland)



Belgium Business Unit

Underlying net profit



Volume trend

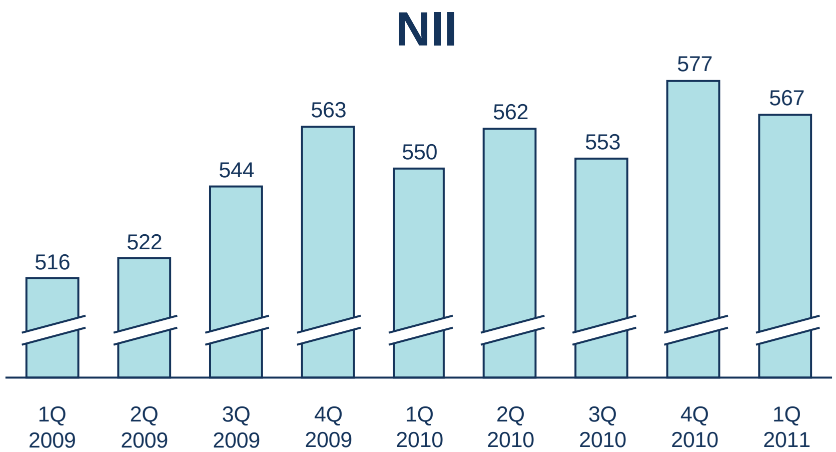
	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	52bn	27bn	69bn	145bn	21bn
Growth q/q*	+1%	+1%	+1%	-2%	-1%
Growth y/y	+4%	+8%	+6%	-3%	+4%

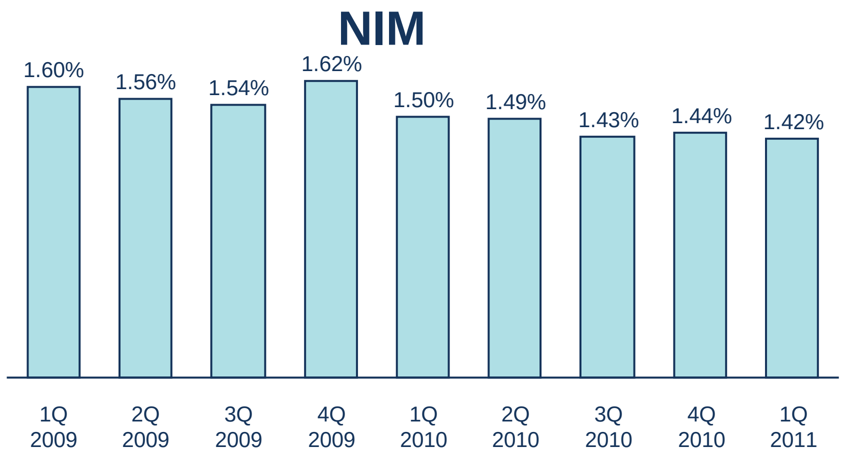
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying profit of Belgium Business Unit of 280m EUR is slightly above the average of the last four quarters. The 10% q-o-q increase reflects mainly a good insurance result, lower operating costs and very low impairments
- Increase in quarter-on-quarter and year-on-year loan volume, driven by mortgage loan growth
- Deposit volumes increased 1% quarter-on-quarter and as much as 6% year-on-year. Especially term deposits rose in 1Q11

Amounts in m EUR

Belgium Business Unit (2)



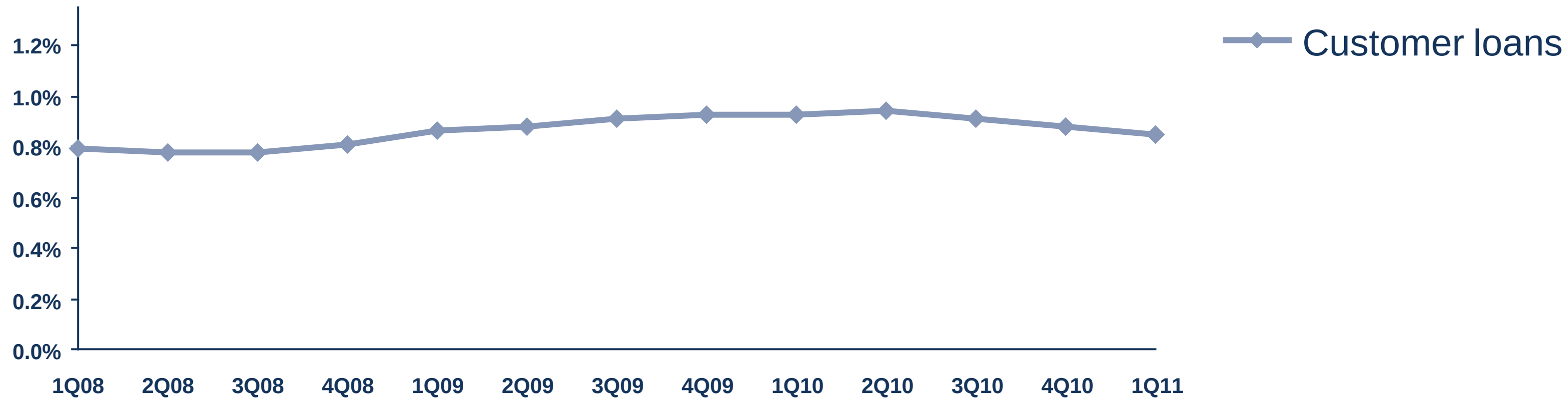


- Net interest income (567m EUR) remained healthy with continued loan volume growth, driven by mortgages
  - An increase of 3% y-o-y (no less than +5% y-o-y excluding Secura in 1Q10), but a decrease of 2% q-o-q from the relatively high level recorded in 4Q10
  - The net interest margin fell by 2bp q-o-q to 1.42% due to the negative impact of the generally lower reinvestment yields, increased competition on the loan portfolio (mainly on mortgages) and a change in product mix. The current NIM remains much higher than the 2H 2008 level (1.19% in 3Q08 and 1.25% in 4Q08)

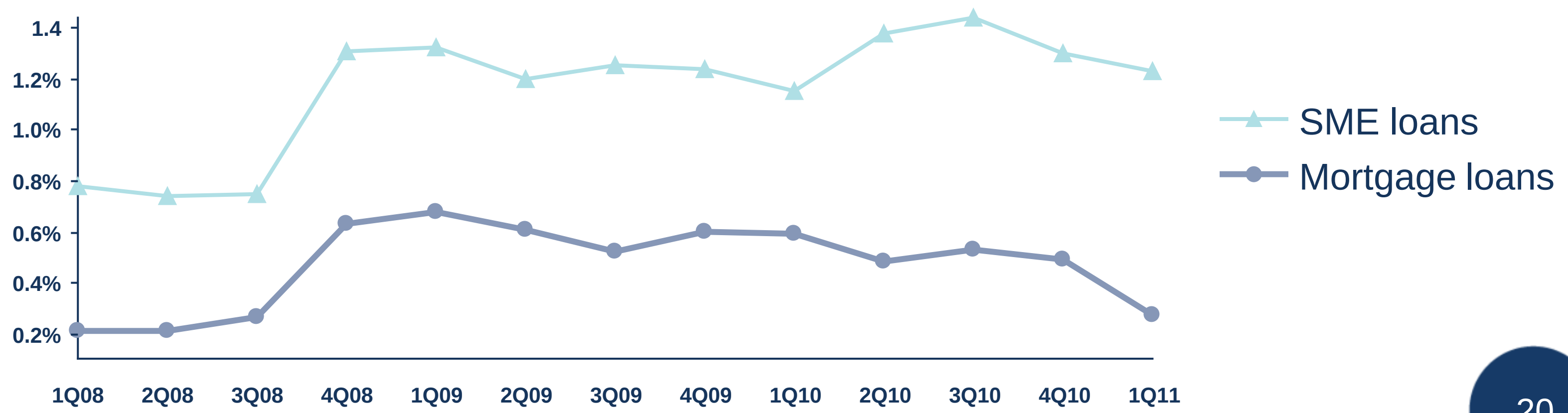
Amounts in m EUR

Credit margins in Belgium

Product spread on customer loans book, outstanding

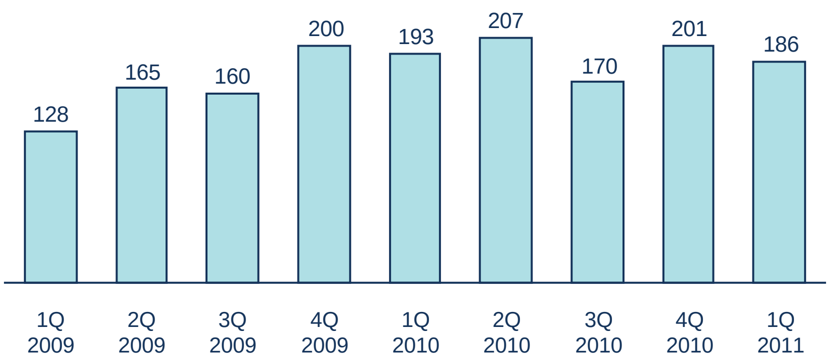


Product spread on new production

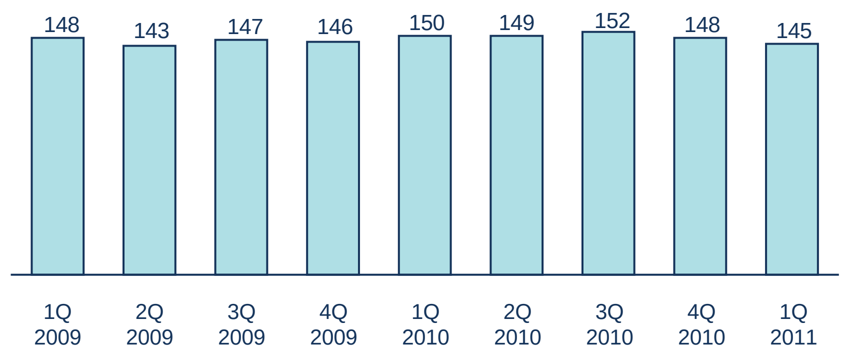


Belgium Business Unit (3)

F&C



AUM



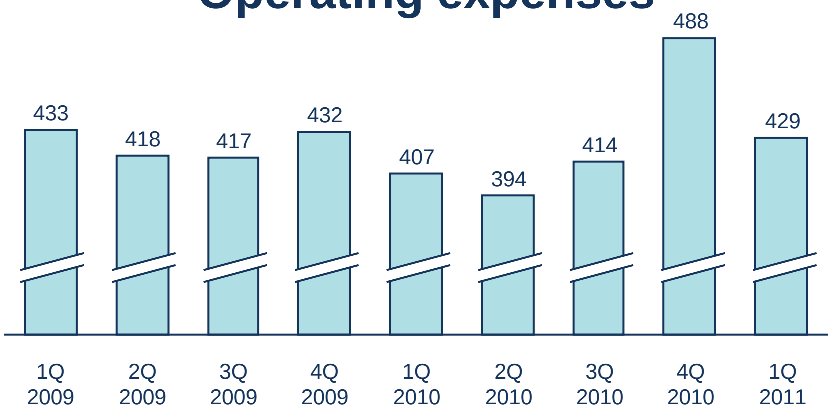
Amounts in bn EUR

- Net fee and commission income (186m EUR)
  - Net fee and commission income from banking activities (227m EUR) decreased by 5% q-o-q due to a number of factors such as the typical seasonal effect (increased marketing of mutual fund products and customers in 4Q10), which led to lower entry fees on mutual funds. Management fees on mutual funds were also impacted by a lower number of days (91 days in 1Q11 vs. 96 days in 4Q10) . Assets under management fell by 2% q-o-q (to 145bn EUR), of which 1% net outflow
  - Commission related to insurance activities (-41m EUR, mainly commission paid to insurance agents) was higher than the previous quarter (+10%), but considerably lower than a year earlier (-32%), mainly related to the sale of Secura

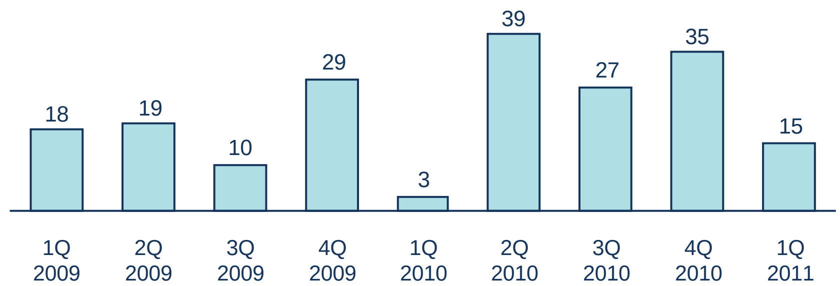
Amounts in m EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment

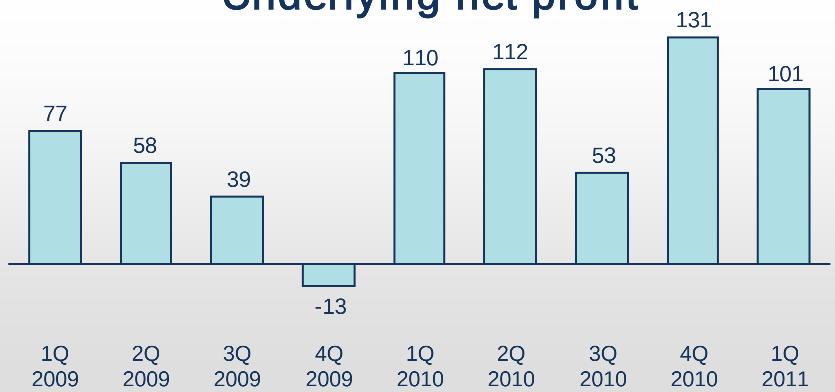


- Operating expenses remained well under control: -12% quarter-on-quarter and +5% year-on-year
  - Operating expenses fell sharply q-o-q (-12%) due to some one-off items (certain restructuring charges) and some typical year-end effects in 4Q10 (such as higher marketing, communication and ICT expenses)
  - Excluding the extra 18m EUR y-o-y cost related to the Belgian Deposit Guarantee Scheme (22.2m EUR in 1Q11 versus 4.6m EUR in 1Q10), operating expenses were up 1% y-o-y
  - Underlying cost/income ratio: 57% YTD
- Asset impairment remained at a low level (15m EUR). Credit cost ratio of 8 bps YTD. NPL ratio at 1.6%

Amounts in m EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	32bn	15bn	42bn	12bn	2bn
Growth q/q*	0%	+2%	+0%	-3%	+6%
Growth y/y	0%	+5%	+3%	-8%	+14%

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

- Underlying profit at CEE Business Unit of 101m EUR
  - CEE profit breakdown: 97m Czech Republic, 24m Slovakia, -16m Hungary, 38m Poland, 2m Bulgaria, other -44m (mainly funding costs of goodwill)
  - Impacted by the recording of the Hungarian bank tax for the full year (62m EUR pre-tax and 51m EUR post-tax)
  - Results from the banking business were positively impacted by lower loan loss provisions
  - Results from the insurance business benefited from the success of the ‘Maximal Invest’ insurance (unit-linked life insurance product) at CSOB Pojist’ovna in the Czech Republic

Amounts in m EUR

CEE Business Unit (2)

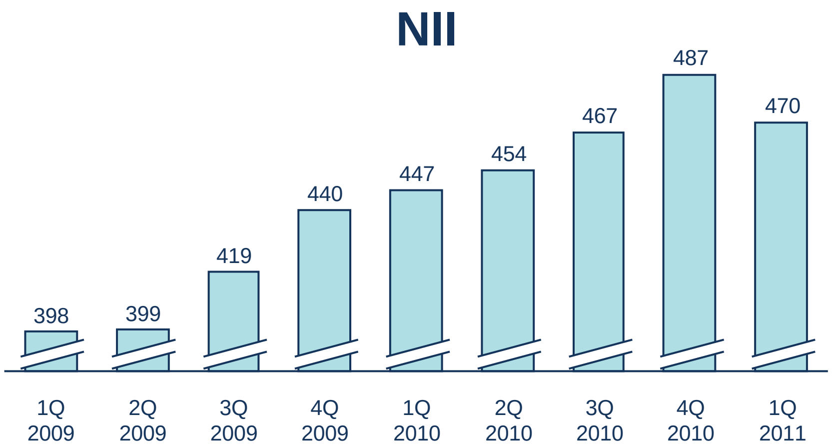
Organic growth(*)

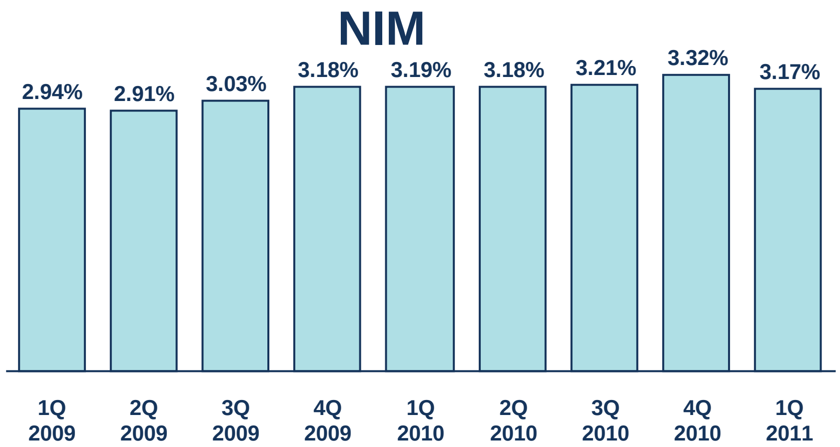
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+1%	+2%	+2%	+9%	+0%	+3%
SK	+2%	+8%	+3%	+23%	-5%	+1%
HU	-3%	-11%	-2%	-6%	-2%	-3%
PL	0%	-1%	0%	+1%	+3%	+13%
BU	-4%	-6%	-2%	-4%	+1%	-18%

- The total loan book stabilised q-o-q and y-o-y. On a y-o-y basis, the large relative decrease in Hungary (-11% y-o-y due to a decrease in the corporate loan book and mortgages) was mainly offset by increases in Slovakia (+8% y-o-y thanks to an increase in mortgage loans given a successful mortgage campaign in 2010) and the Czech Republic
- Total deposits stabilised q-o-q, but rose by 3% y-o-y (attributable primarily to Poland)
- Loan to deposit ratio at 76%

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

CEE Business Unit (3)



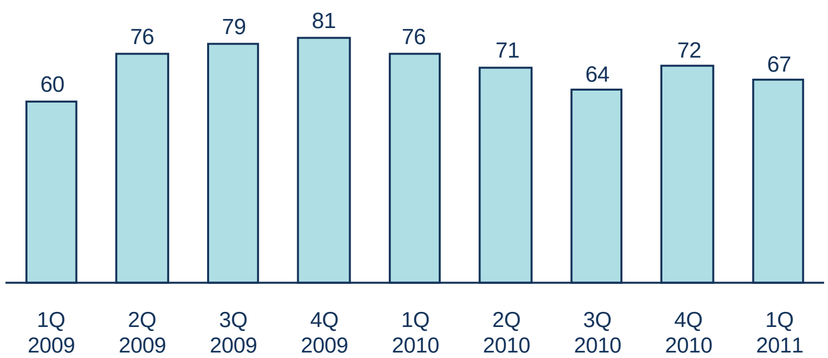


- Net interest income rose by 2% y-o-y, but fell by 5% q-o-q to 470m EUR (organic growth only).
- Net interest margin at 3.17%, down 15bps on the previous quarter, due entirely to technical elements. Excluding these technical factors, net interest income was remained unchanged q-o-q based on stable average interest-bearing assets in combination with a stable net interest margin

Amounts in m EUR

CEE Business Unit (4)

F&C



AUM

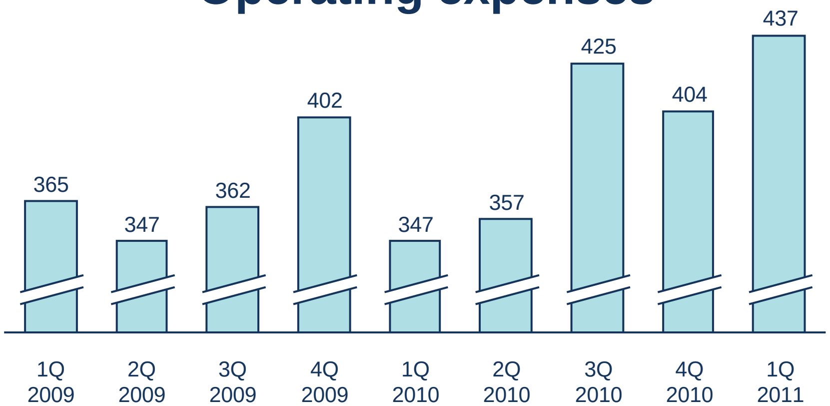
Amounts in bn EUR

- Net fee and commission income (67m EUR) decreased by 8% q-o-q on an organic basis (excluding FX impact)
  - This q-o-q decrease was driven almost entirely by the banking business (in all major banking entities), which is the result of lower assets under management
- Assets under management saw no net outflow and amounted to roughly 12bn EUR (-3% q-o-q due to price effects)

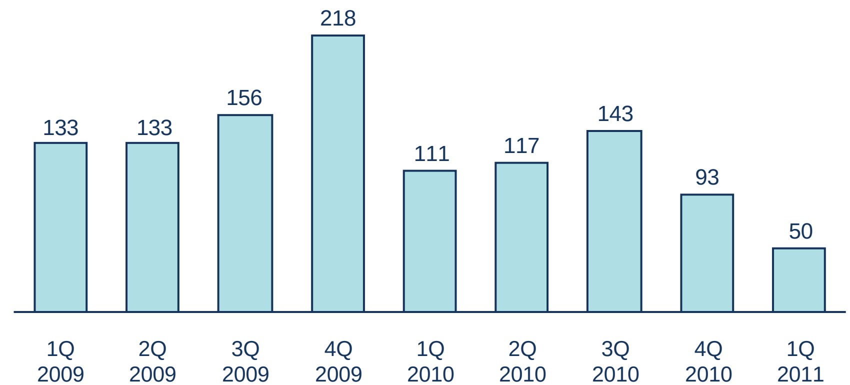
Amounts in m EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (437m EUR) rose by 7% q-o-q and 23% y-o-y on an organic basis (excluding FX impact)
  - The increase was chiefly caused by the recording of the Hung. bank tax for the full year (62m EUR pre-tax / 51m EUR post-tax)
  - Excluding the Hungarian bank tax, expenses fell by 8% q-o-q (thanks to lower marketing expenses) and rose by only 5% y-o-y (mainly driven by higher ICT expenses) on an organic basis
  - YTD cost/income ratio at 62% (52% excluding Hung. bank tax)
- Asset impairment at 50m, mainly on L&R
  - Credit cost ratio fell to only 0.51% in 1Q11 (1.22% in FY10) thanks to some impairment releases (typically in 1Q). NPL ratio at 5.7%

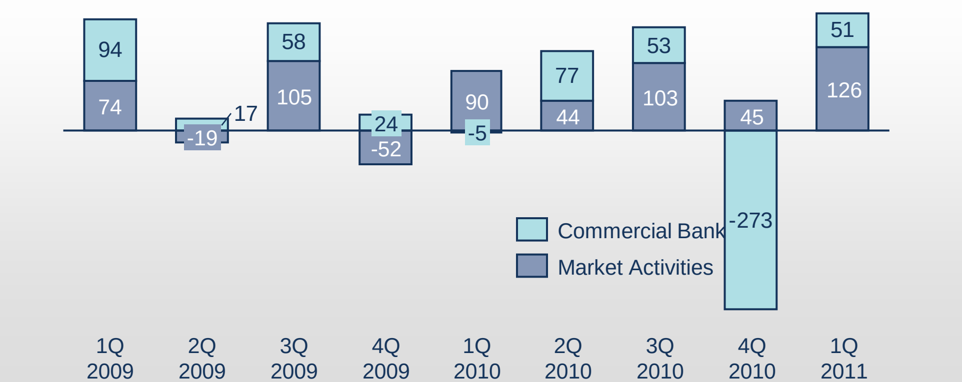
	Loan book	2008* CCR	2009* CCR	2009 CCR	2010 CCR	1Q11 CCR
CEE	**38bn**	**0.73%**	**2.12%**	**1.70%**	**1.22%**	**0.51%**
- Czech Rep.	19bn	0.38%	1.12%	1.12%	0.75%	0.39%
- Poland	8bn	0.95%	2.59%	2.59%	1.45%	-0.15%
- Hungary	6bn	0.41%	2.01%	2.01%	1.98%	1.72%
- Slovakia	4bn	0.82%	1.56%	1.56%	0.96%	0.08%
- Bulgaria	1bn	1.49%	2.22%	2.22%	2.00%	2.19%

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

Amounts in m EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	43bn	60bn
Growth q/q*	0%	-2%
Growth y/y*	-8%	+2%

non-annualised

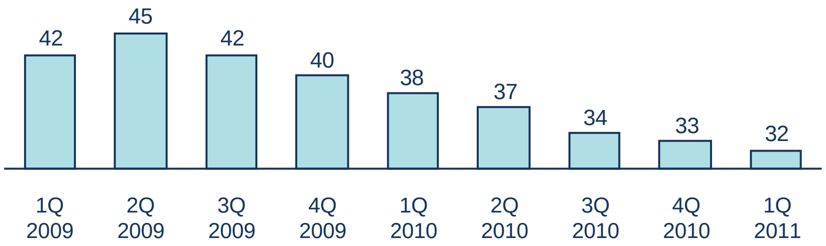
- Underlying net profit in Merchant Banking Business Unit (+177m EUR) significantly above the average of the last four quarters (33m EUR)
  - Result from Commercial Banking of 51m EUR, sharply higher than 4Q10 which was heavily impacted by higher impairments at KBC Bank Ireland and the one-off net provision of 125m EUR at KBC Lease (due to irregularities at KBC Lease UK)
  - Result from Market Activities of +126m EUR also up sharply q-o-q thanks to solid dealing room activity

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

Amounts in m EUR

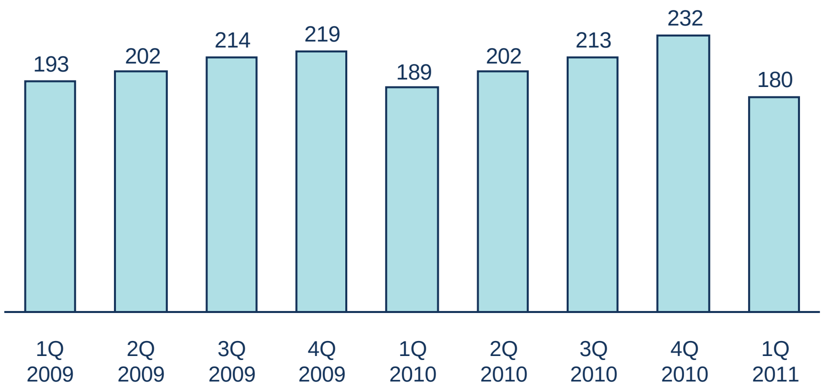
Merchant Banking Business Unit (2)

RWA banking (Commercial Banking)



Amounts in bn. EUR

NII (Commercial Banking)

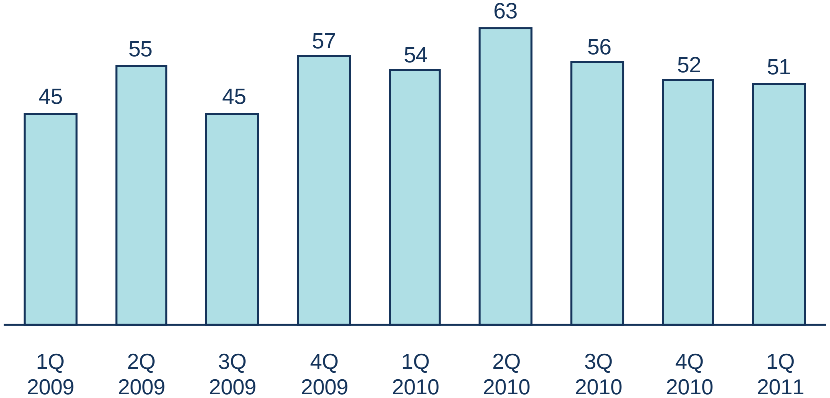


- Lower risk weighted assets in Commercial Banking due to further organic reduction in international corporate loan book
- Net interest income (relating to the Commercial Banking division) went down by 22% q-o-q (-4% y-o-y), primarily due to technical items (+31m positive impact in 4Q10) and following a reduced loan portfolio. As anticipated, volumes in this business unit went down (e.g. loans -0.4% q-o-q and -8.3% y-o-y). This decrease is expected to continue, as it is the result of the refocused strategy of the group (gradual scaling down of a large part of the international loan portfolio outside the home markets)

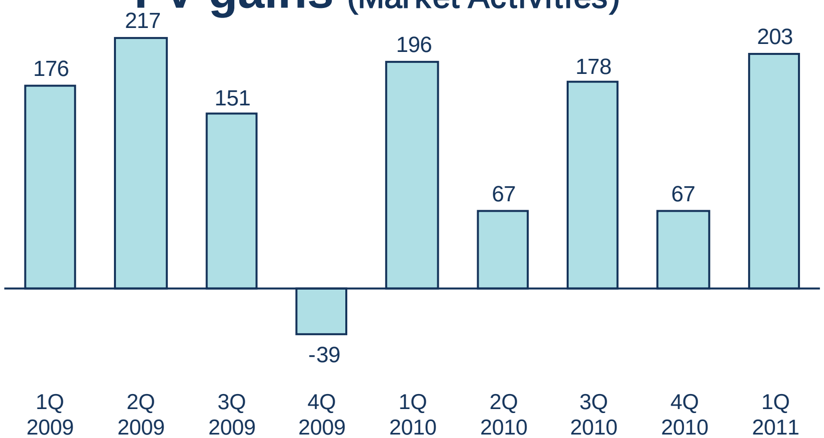
Amounts in m EUR

Merchant Banking Business Unit (3)

F&C



FV gains (Market Activities)



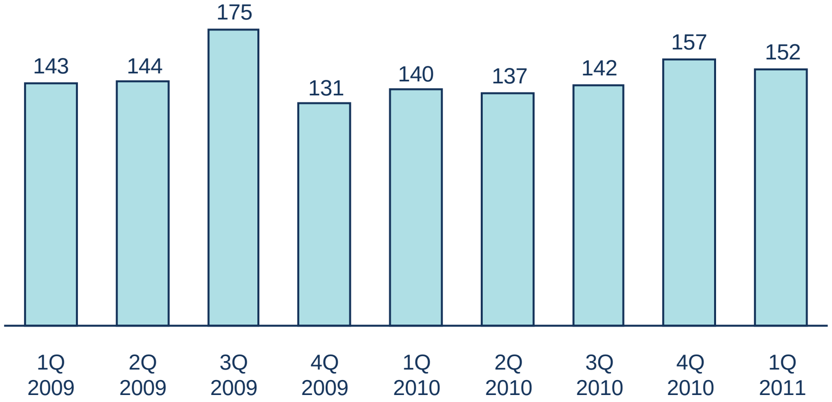
- Net fee and commission income of 51m EUR is roughly in line with the reference quarters

- High fair value gains within the ‘Market Activities’ sub-unit, mainly thanks to good dealing room activities

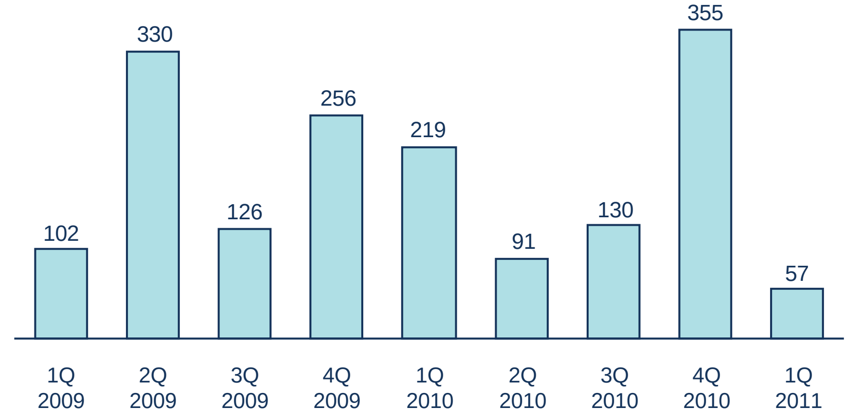
Amounts in m EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment



- Operating expenses increased by 9% year-on-year due to technical items, but fell by 3% quarter-on-quarter to 152m EUR
- Significantly lower impairments (57m EUR) in 1Q11, thanks entirely to lower impairment charges at KBC Bank Ireland and a 15m-euro write-back regarding Atomium assets
  - Credit cost ratio at 0.43% and NPL ratio at 5.6%

Amounts in m EUR

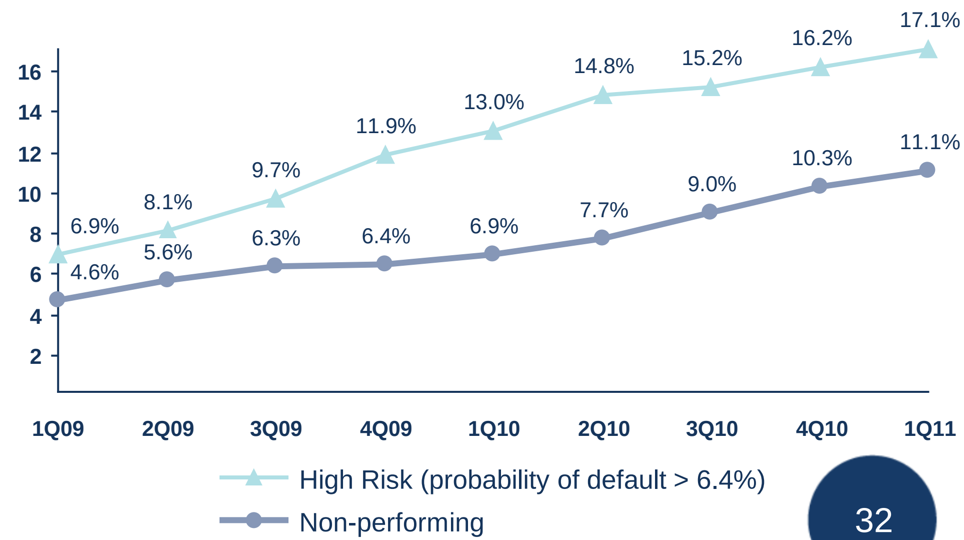
Update on Ireland

- Economy beginning to show signs of stabilisation as exports offset continued weakness in domestic spending
- Unemployment remains high, but there are signs of reduction in redundancies and small improvement in hiring. However, household incomes continue to be under pressure following recent budgetary measures
- Economic growth likely to be marginally positive in 2011, but progressive improvement expected in 2012 and 2013
- Initial EU/IMF programme targets met and new Irish bank stress tests seen as credible given the severity of the assumptions. The assumptions disclosed for the new PCAR test confirms sufficient provisioning for KBCBI in the base case scenario
- The Irish business contributed 13m EUR to group profit after a YTD loan impairment of 45m EUR
- NPL rose to 11.1% in 1Q11 (10.3% in 4Q10) which related mainly to the commercial portfolio and was due to a number of specific events in regard to already provisioned cases.
- Local tier-1 ratio was 9.9% at the end of 1Q11 (10.3% at the end of 4Q10)

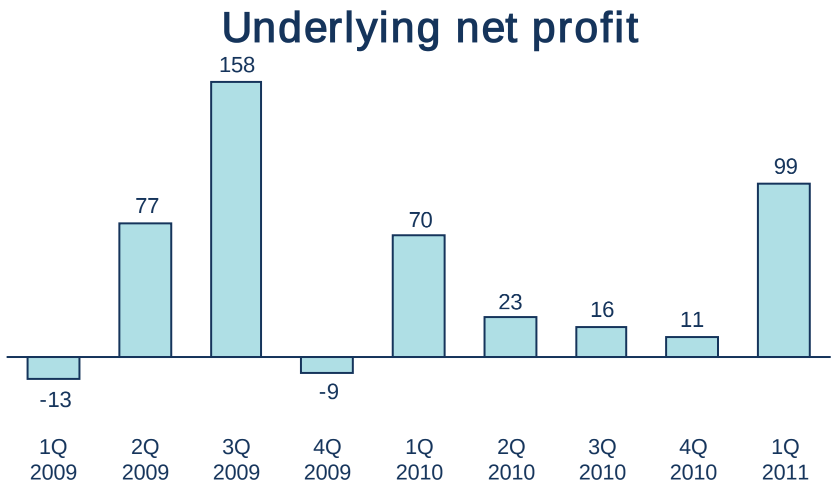
Irish loan book – key figures March 2011

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.7bn	7.7%	29%
Buy to let mortgages	3.3bn	12.2%	33%
SME /corporate	2.3bn	10.8%	41%
Real estate investment	1.3bn	16.0%	47%
Real estate development	0.6bn	48.8%	82%
	17.1bn	11.1%	42%

Proportion of High Risk and NPLs



Group Centre



- Besides the existing activities of the holding and shared-services companies at 'Group Centre', all upcoming divestments were shifted to 'Group Centre' from 1Q10 onwards. The increase in net group profit (both q-o-q and y-o-y) is largely attributable to the results of the companies that have been earmarked for divestment in the coming years. Note that the divestment of Centea, in a deal signed in 1Q11, should be finalised in the coming months
- Only the planned divestments are included. The Merchant Banking activities that will be wound down organically have NOT been shifted to the 'Group Centre'

Amounts in m EUR

Group Centre (2)

Breakdown of underlying net group profit

	1Q11
Group item (ongoing business)	**-36**
Planned divestments	**135**
- Centea	7
- Fidea	13
- 40% minority stake in CSOB Bank CZ	59
- Absolut Bank	26
- ‘old’ Merchant Banking activities	15
- KBL EPB	37
- Other	-22
TOTAL underlying net group profit	**99**

NPL, NPL formation and restructured loans in Russia

	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011
NPL	2.3%	3.3%	9.2%	14.0%	17.9%	17.8%	18.3%	16.8%	16.1%
NPL formation	1.8%	1.0%	5.9%	4.8%	3.9%	-0.1%	0.5%	-1.5%	-0.7%
Restructured loans	3.6%	7.2%	9.8%	11.2%	10.3%	10.3%	9.7%	6.3%	4.2%
Loan loss provisions (m EUR)	45	33	48	56	0	19	12	-9	-29

Amounts in m EUR

Section 3

Wrap up

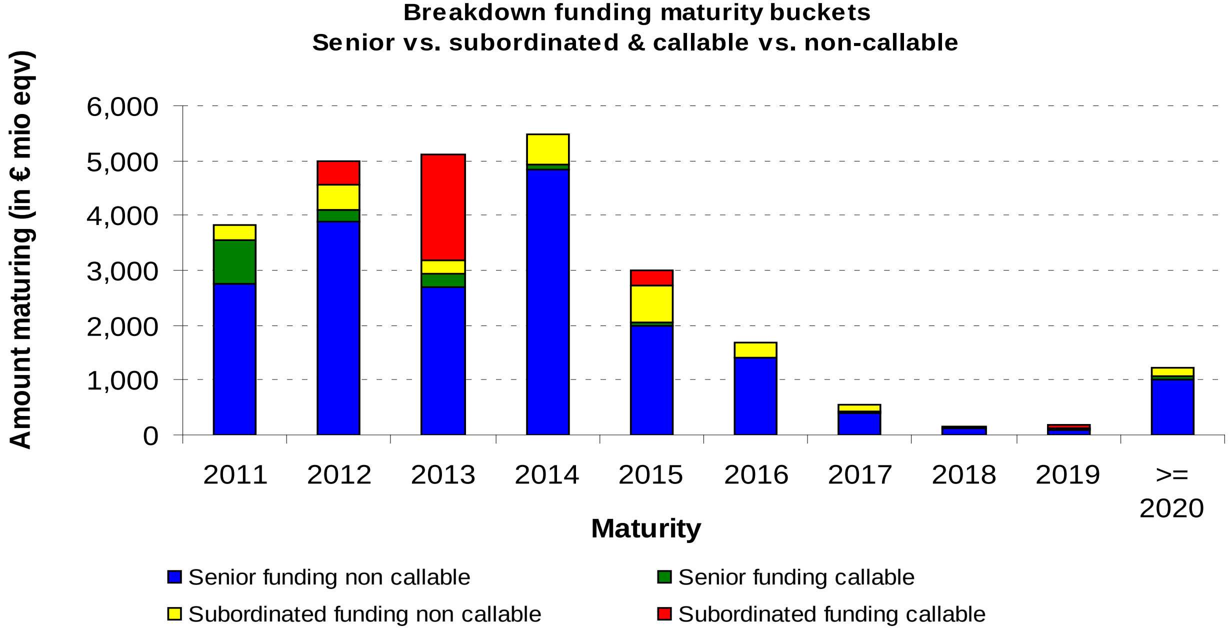
Financial highlights 1Q 2011

- Reported net profit up by more than 13% quarter-on-quarter
- Good level of net interest income with increased volumes
- Slightly reduced fee and commission income attributable to lower AuM, caused by both price effects and limited net outflow of funds
- Excellent combined ratio of 85% thanks to low claims; higher level of earned premiums in the CEE life insurance business
- Robust level of income generated by the dealing room
- Lower operational expenses, despite the recording of the Hungarian bank tax for the full year in 1Q11. Cost/Income ratio at a favourable 55%
- Exceptionally low loan loss provisions in all business units, with the most marked drop in Merchant Banking (including Ireland)
- Strong liquidity position
- Including the impact of the divestments already announced (Centea), regulatory capital accumulated in excess of the tier-1 solvency target of 10% amounted to roughly 4.8bn EUR at the end of 1Q11. Excluding all CDO effects since the end of 3Q09, available surplus capital at the end of 1Q11 amounted to roughly 4.0bn EUR (incl. the effect of divestments already announced)

Section 4

Additional data set

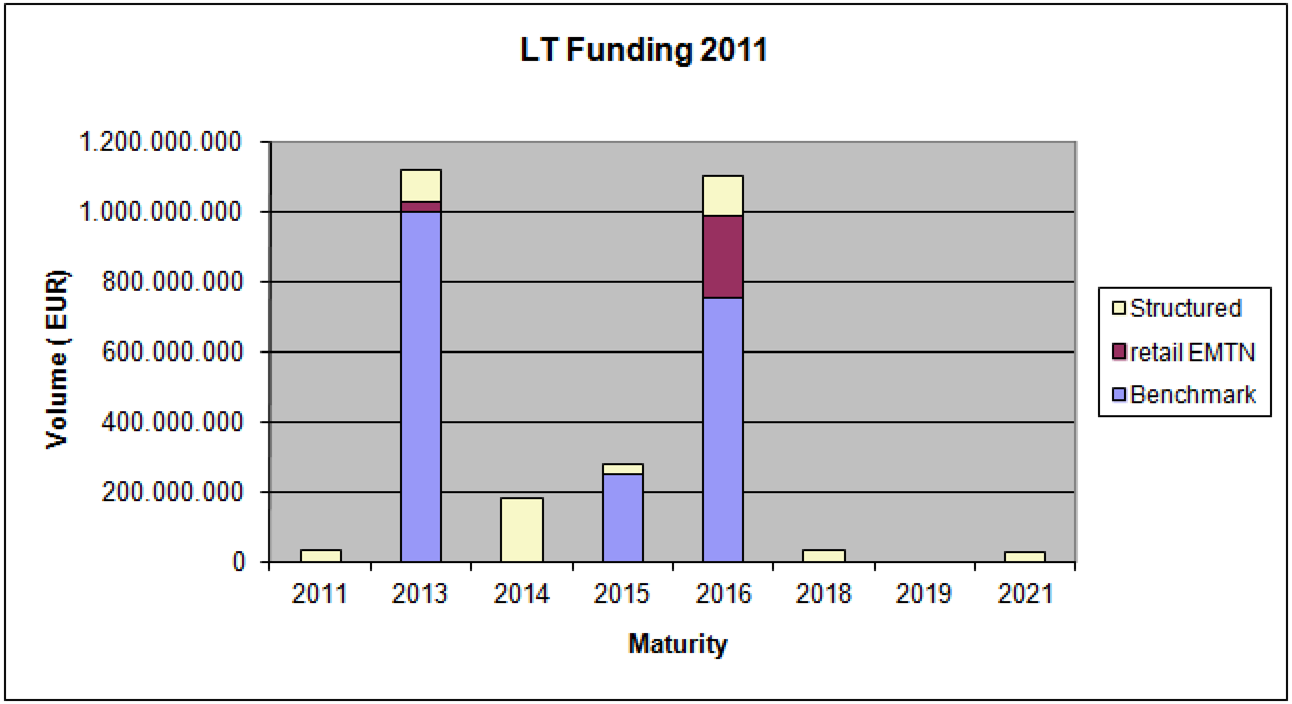
Upcoming mid-term funding maturities in 2011



KBC Bank NV has 3 solid sources of funding:

- Public Benchmark transactions
- Structured Notes using the Private Placement format
- Retail and Private Banking Network Notes

Overview of LT EMTN funding attracted in 2011



- KBC Bank NV (mainly through KBC Ifima NV, using its EMTN program (40bn EUR)) has already raised 2.8bn EUR LT in 2011 (by mid-May)
- KBC Bank NV also has a US MTN program (10bn USD) available for structuring debt capital market transactions in the US. This program was updated on 15 April 2011

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Exposure to Southern Europe

Total exposure to Greece, Portugal & Spain at the end of 1Q11 (bn EUR)

	Banking and Insurance book			Trading book Gov. Bonds	Total exposure
	Credit & corporate bonds	Bank bonds	Gov. bonds		
Greece	0.1	0.0	0.6	0.0	**0.7 (vs 0.7 end 2010)**
Portugal	0.3	0.0	0.3	0.0	**0.6 (vs 0.6 end 2010)**
Spain	1.8	0.6	2.2	0.1	**4.7 (vs 5.0 end 2010)**

- Total exposure to the most stressed countries Greece and Portugal amounted to only 1.3bn EUR at the end of 1Q11 (in line with the situation at the end of 2010)
- Total exposure to Spain amounted to 4.7bn EUR at the end of 1Q11 (versus 5.0bn EUR at the end of 2010)

Breakdown of government bond portfolio, banking and insurance, at the end of 1Q11 (bn EUR)

	Banking	Insurance	Total
Greece	0.4	0.2	**0.6**
Portugal	0.2	0.2	**0.3**
Spain	1.5	0.7	**2.2**
TOTAL	**2.0**	**1.1**	**3.1**

Hungary (1)

Should be profitable in 2011

- K&H Group realised an underlying net loss of 16m EUR in 1Q11, due entirely to the recognition of the Hungarian bank tax for the full year in 1Q11. The bank tax for 2011 amounted to 62m EUR before tax / 51m post-tax
- Barring unforeseen events, we expect K&H Group to remain profitable for 2011 as well

Economic scenario

- Economic recovery will remain supported by external demand as domestic demand is lagging. Although private consumption growth will continue to suffer from weak labour market conditions, investments could pick up as financial markets have stabilised. On balance, growth is expected to accelerate to around 2.7% in 2011 (from 1.1% in 2010)
- Budget deficit in 2011 will be below 3% of GDP - mainly as a result of short-term solutions (crisis taxes till 2013 and pension transfers). But the government also announced more structural measures to reduce the budget deficit further in the coming years: savings are coming from curbing early retirement, limiting disability pension, cutting drug and public transport subsidies. These measures, including the take-over of the private pension assets should result in a decline in public debt from 80% of GDP in 2010 to 66% of GDP in 2014. Nevertheless, it remains to be seen how much of the structural measures will actually be implemented

Sovereign exposure

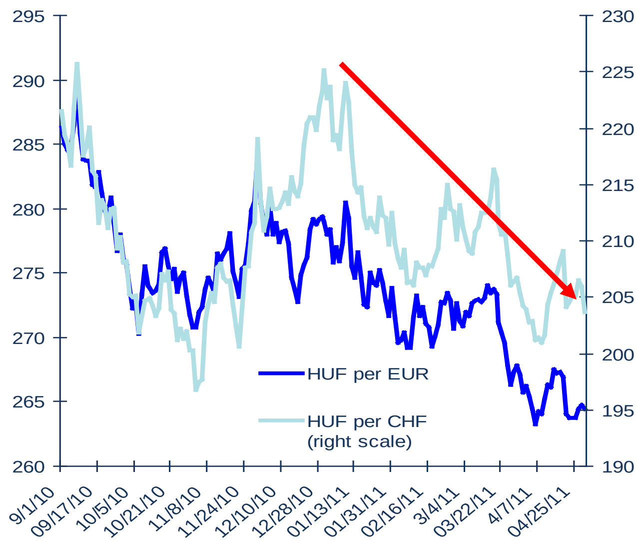
- Government bond exposure: 2.1bn EUR at the end of 1Q11 (versus 2.4bn at the end of 4Q10), of which the majority is held by K&H

Hungary (2)

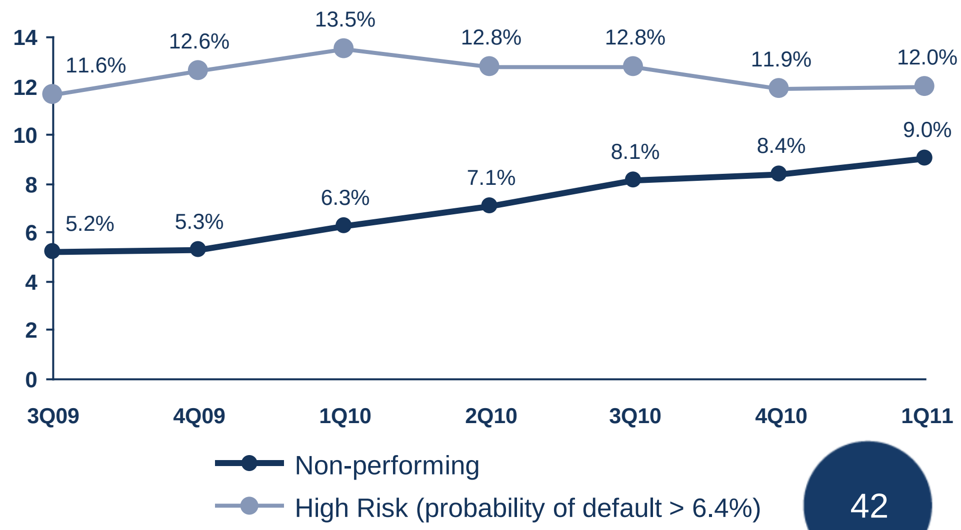
- 1Q11 loan loss provisions amounted to 28m EUR
- NPL rose to 9.0% in 1Q11 (8.4% in 4Q10), situated both in retail and corporate lending
- 78% of the outstanding portfolio remains low or medium risk
- Main driver for 2.2bn EUR FX mortgage portfolio is the CHF/HUF movement. The estimated impact of a further 30% rise (prolonged) in CHF/HUF is an increase of approximately 100m EUR in impairments based on the current portfolio

Hungarian loan book – key figures March 2011

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.9bn	7.8%	68%
Retail	3.4bn	9.9%	71%
o/w private	2.9bn	9.7%	70%
o/w companies	0.5bn	11.5%	78%
	6.3bn	9.0%	70%



Proportion of NPLs



Update on CDO exposure at KBC (end 1Q11)

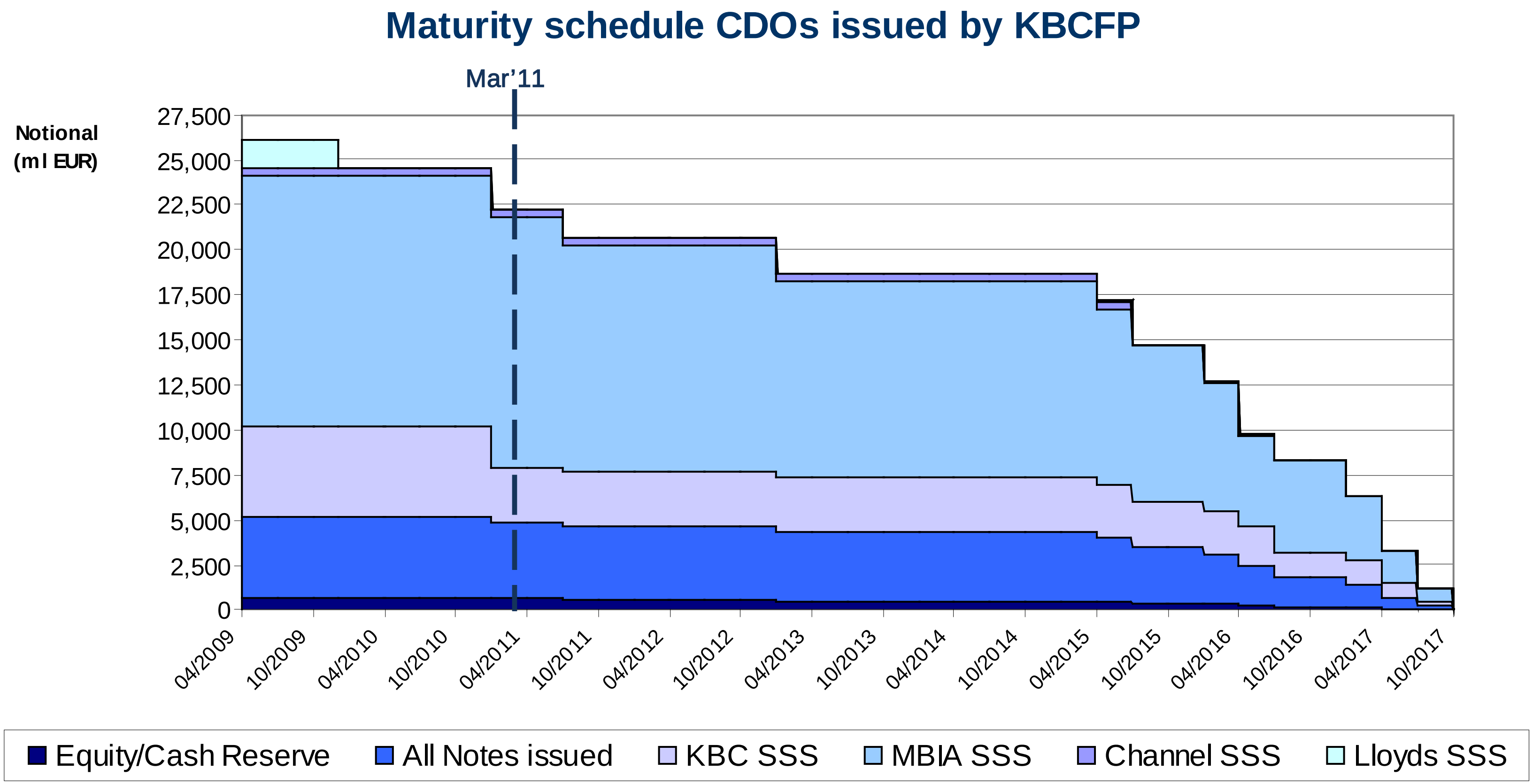
CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	14.4 7.5	-1.1 -4.6
TOTAL	**21.9**	**-5.7**

Amounts in bn EUR	**Total**
Value adjustments (excluding Aldersgate and Lancaster) “Expected” loss (i.e. expect. losses based on claimed credit events)* - Of which impact of settled credit events	-5.7 -2.1 -1.3

* Excl. impact on equity and junior CDO pieces

- The total notional amount decreased by roughly 0.6bn EUR, mainly as a result of relieving the risk of the Lancaster CDO
- Outstanding value adjustments amounted to 5.7bn EUR at the end of 1Q11
- Expected losses amounted to 2.1bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 14% cumulative loss in the underlying corporate risk (approx. 80% of the underlying collateral are corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee

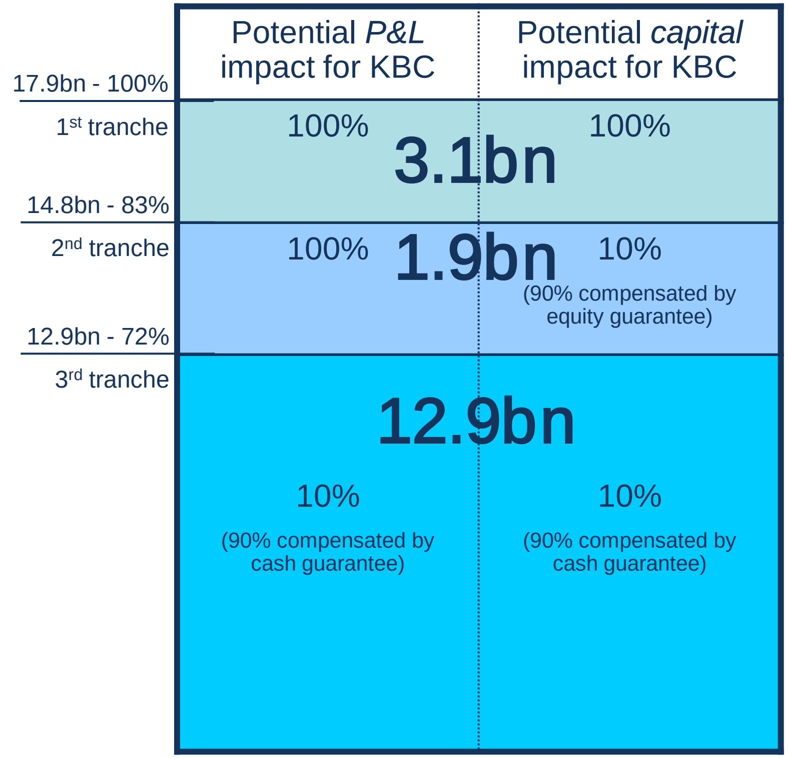
Maturity schedule for CDO portfolio



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

Summary of government transactions (1)

- State guarantee on 17.9bn euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (3.5bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (14.4bn EUR)
  - First and second tranche: 5.0bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.7bn EUR (90% of 1.9bn EUR) from the Belgian State
  - Third tranche: 12.9bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach



Summary of government transactions (2)

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

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