KBC GROUP

EXTENDED QUARTERLY REPORT

2Q 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].

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

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

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

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

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

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

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

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

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

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

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

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Report on 2Q and 1H2011

KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 9 August 2011, 7 a.m. CEST.

Summary: Strong first half profit at 1 154 million euros

KBC ended the second quarter of 2011 with a consolidated net profit of 333 million euros, compared with a net profit of 821 million euros in the previous quarter and 149 million euros in the year-earlier quarter. On a cumulative basis, this means that the KBC group has generated a net profit of 1 154 million euros in the first half of 2011, almost double the corresponding figure for 1H2010.

Disregarding one-off and exceptional items, the 'underlying' net result for the quarter under review came to 528 million euros, compared with 658 million euros in 1Q2011 and 554 million euros in 2Q2010. The underlying result for the first half of 2011 amounted to 1 186 million euros, compared to 1 097 million euros for the corresponding period in 2010.

Jan Vanhevel, Group CEO: *'The net result for the second quarter of 2011 amounted to 333 million euros – which when added to the first quarter result – brings the net result for the first half of 2011 to a very satisfying 1 154 million euros, almost twice as high as the figure in the corresponding period of 2010. This was due largely to sustained underlying revenues generated by our Belgium and Central & Eastern Europe Business Units, combined with well-controlled costs throughout the group. Loan loss impairment was up after the exceptionally low level in the first quarter and an impairment of 102 million euros after tax was also recorded on our Greek government bond portfolio, reducing the underlying result for this quarter. Our reported IFRS result also included some exceptional items, including a 0.1-billion-euro markdown on our CDO portfolio and a marked-to-market change of -0.1 billion euros in the value of our trading derivatives used for hedging purposes.'*
'In mid-July, we announced a substantial change to our strategic plan. The main change concerned replacing the originally intended IPO of a minority share in ČSOB Bank and K&H Bank by the sale of Kredyt Bank and Warta, our Polish subsidiaries. This adjustment has since been approved by the European Commission. We strongly believe this provides us with a solid basis for the future achievement of the goals set in our strategic refocusing exercise. Our bancassurance business model remains at the core of our strategy'

Overview (consolidated)	2Q2010	1Q2011	2Q2011	Cumul. 1H2010	Cumul. 1H2011
Net result, IFRS (in millions of EUR)	149	821	333	591	1 154
Earnings per share, basic, IFRS (in EUR)[1]	0.00	1.98	0.54	0.86	2.52
Underlying net result (in millions of EUR)	554	658	528	1 097	1 186
Underlying earnings per share, basic (in EUR)[1]	1.19	1.50	1.11	2.35	2.61
Breakdown of underlying net result per business unit (in millions of EUR)[2]					
Belgium	298	280	238	577	518
Central & Eastern Europe	112	101	137	222	239
Merchant Banking	121	177	63	206	240
Group Centre	23	99	90	93	189
Parent shareholders' equity per share (in EUR, end of period)	30.2	32.4	33.8	30.2	33.8

1 Note: the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region is deducted from earnings (*pro rata*) in the EPS calculation.
2 The changes in the strategic plan announced in mid-2011 are not yet reflected in the breakdown by business unit.

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

Financial highlights for 2Q2011 compared to 1Q2011:

- Continued high underlying net profit from day-to-day business even after impact of Greek sovereign bond impairment.
- Sustained level of net interest income. Modest increase in loan volume driven by mortgages.
- Slight decrease in net fee and commission income on account of somewhat lower AUM, given reduced investors' risk appetite.
- Excellent combined ratio of 87% year-to-date, thanks to low claims. Lower life insurance sales due to lower sales of interest guaranteed products.
- Modest level of income generated by the dealing room.
- Underlying cost/income ratio at a good 56% year-to-date.
- Credit cost ratio at a low 0.32% year-to-date. Post-tax impairment of 102 million euros for Greece.
- Consistently strong liquidity position.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 14.3%.

Financial highlights 2Q2011 (underlying)

Jan Vanhevel, Group CEO, summarises the ***underlying*** business performance for 2Q2011 as follows:

Gross income benefit from sustained net interest income and an improved technical insurance result.

- Underlying net interest income stood at 1 390 million euros, stable year-on-year and up 1% quarter-on-quarter. The net interest margin came to 1.98% for the quarter, up from 1.93% in 1Q2011. The net interest margin was also up on its 2Q2010 level of 1.87%. In the Belgium Business Unit, credit and deposit volumes rose by 2% and 3%, respectively, compared to their 1Q2011 levels. Compared to 2Q2010, credit volumes were up by as much as 4% (mortgages by a robust 7%) and deposit volumes by 6%. The loan book in the CEE Business Unit contracted slightly quarter-on-quarter, shrinking by 1% (but mortgages increased by 1%), while the deposit base was stable. Year-on-year, the CEE loan book grew by 1% (driven to a large extent by the 4% mortgage book growth) and the deposit base remained stable. The loan book in the Merchant Banking Business Unit contracted by 8% year-on-year (stable compared to the previous quarter), in line with the intention to run down international operations. The deposit base in this business unit shrank too, falling by 7% quarter-on-quarter and 9% year-on-year.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 123 million euros, up 85% year-on-year and 14% quarter-on-quarter. The combined ratio improved substantially from 104% for 2Q2010 to an excellent 90% for 2Q2011. The year-to-date ratio stood at 87%.
- The net result from financial instruments at fair value stood at a modest 102 million euros, lower than in the previous and year-earlier quarters, due to the moderate performance turned in by the dealing room in the quarter under review.
- Net fee and commission income amounted to 394 million euros, down 1% quarter-on-quarter and 13% year-on-year. The quarter-on-quarter performance is to a large extent accounted for by the volume of assets under management, which also fell by 1% in the second quarter of this year. Year-on-year, the decrease is due to a reduction in the fee business as well, as a result of the scaled-down international activities.
- The other income components came to an aggregate 151 million euros, up on the 134 million euros recorded in the previous quarter.

Operating expenses lower, impairment impacted by Greece.

- Operating expenses came to 1 155 million euros for the second quarter of 2011, flat on their year-earlier level but down 6% quarter-on-quarter. However, excluding the booking in 1Q2011 of the Hungarian bank tax for full year 2011, costs were more or less the same quarter-on-quarter too. All in all, costs remain under control.
- Loan loss impairment stood at 164 million euros in the second quarter, down on the 278 million euros recorded a year ago, but up on the low figure recorded in the previous quarter (97 million euros). As a consequence, the annualised credit cost ratio stood at a favourable 0.32% for the first six months of 2011; this breaks down into an excellent 0.10% for the Belgian retail book (down from 0.15% for FY2010), a very low 0.53% in Central and Eastern Europe (down from 1.22% for FY2010) and 0.58% for Merchant Banking (down from 1.38% for FY2010).
- Other impairment charges relate mainly to the value markdown on Greek government bonds (139 million euros before tax, 102 million euros after tax).

Strong capital position under Basel II.

- At the end of 2Q2011, the KBC group had generated capital of roughly 5.3 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 238 million euros to profit in 2Q2011. This was 42 million euros less than in 1Q2011, 30 million euros of which related to the impairment on Greek government bonds, with the rest mainly relating to slightly higher costs and loan loss impairments, despite an increase in total income.
- The CEE Business Unit contributed 137 million euros to profit in 2Q2011, compared to 101 million euros in the previous quarter. The increase is due largely to the full-year Hungarian bank tax being booked in the first quarter, though this has been offset in part by the 26-million-euro impairment recorded on Greek Government bonds in 2Q2011. The changes in the strategic plan, as approved by the European Commission at the end of July 2011 (see further), are not yet reflected in these figures.
- The Merchant Banking Business Unit contributed 63 million euros to profit in 2Q2011, down from the 177 million euros recorded in 1Q2011. The decrease is due mainly to much lower gains from financial instruments at fair value, driven by the modest level of income generated by the dealing room, lower net interest income (decreasing portfolio) and somewhat higher loan loss impairments.

- 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 2Q2011, the Group Centre's net result came to 90 million euros, compared to 99 million euros in the previous quarter. We repeat that the changes in the strategic plan, as approved by the European Commission at the end of July 2011, are not yet reflected in these figures.

Negative value adjustments dominate 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 2Q2011 amounted to a negative 0.2 billion euros.
- Apart from some smaller items, the main non-operating item in 2Q2011 was the valuation markdown of 0.1 billion euros on the CDO exposure, resulting mainly from a widening of corporate and ABS credit spreads. Besides this, there was a negative 0.1 billion euros marked-to-market change in the value of the position in trading derivatives used for hedging purposes, primarily because of a widening of government spreads.

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

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

- The IFRS net result for the first six months of 2011 (further referred to as 1H2011) amounted to a strong 1 154 million euros, significantly up on the 591 million euros recorded in the same period of 2010.
- Net interest income amounted to 2 801 million euros in 1H2011, down 9% on its 1H2010 level. On a comparable basis, credit volumes contracted by 8% year-on-year in Merchant Banking and by 11% in the Group Centre, in line with our intention to scale down our international loan book. On the other hand, the loan book in Belgium grew by 4% year-on-year, with mortgage loans up by as much as 7%, while loan volumes in CEE were up by 1% (sizeable increases in the Czech Republic and Slovakia), with mortgage loans going up by 4%. Year-on-year, customer deposits rose by 6% in Belgium, remained flat in CEE and decreased significantly in Merchant Banking and the Group Centre. The net interest margin widened from 1.84% in 1H2010 to 1.95% in 1H2011.
- Earned insurance premiums, before reinsurance, stood at 2 115 million euros in 1H2011, 12% down on the figure for 1H2010, due to life insurance. Net of technical charges and the ceded reinsurance result, technical insurance income came to 238 million euros, up 62% on the year-earlier figure. The first half of 2011 was characterised by a relatively low level of claims. The combined ratio for the group's insurance companies came to an excellent 87% for 1H2011, compared to 100% for FY2010.
- Net fee and commission income amounted to 597 million euros in 1H2011, down 9% on its 1H2010 level. Sales of commission-based products were subdued in the first half of 2011. Assets under management stood at 203 billion euros at the end of June 2011, 3% down on their year-earlier level on account of negative net entry effects, though partly mitigated by a positive investment performance.
- The net result from financial instruments at fair value (trading and fair value income) came to 279 million euros in 1H2011, compared to -733 million euros in 1H2010. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, results related to the activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 361 million euros in 1H2011.
- The remaining income components were as follows: dividend income from equity investments amounted to 53 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 76 million euros and other net income totalled 202 million euros. When aggregated, this figure was 14% lower year-on-year.
- Operating expenses amounted to 2 224 million euros in 1H2011, 5% higher than in 1H2010. The cost comparison is distorted by the booking (in 1Q2011) of the Hungarian bank tax for FY2011 (62 million euros). Excluding this item, costs increased by a mere 2% year-on-year. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 56% in 1H2011, in line with the figure recorded for FY2010.
- Impairment stood at 437 million euros in 1H2011. Impairment on loans and receivables amounted to 260 million euros, significantly less than the 633 million recorded in 1H2010. As a result, the annualised credit cost ratio for 1H2011 came to a favourable 0.32%, down on the figure of 0.91% for FY2010. Other impairment charges totalled 176 million euros in 1H2011 and relate mainly to Greek government bonds (139 million euros, pre-tax).
- Income tax amounted to 411 million euros for 1H2011.
- At the end of the first half of 2011, total equity came to 19.0 billion euros, a 0.3-billion-euro increase compared to the start of the year, due mainly to the inclusion of the positive result for the period under review (+1.2 billion euros) and partly offset by the dividend and state coupon paid (-0.9 billion euros, combined). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.9% at end-June 2011. Including the effect of sale agreements announced to date (Centea), the *pro forma* tier-1 ratio amounts to approximately 14.3%.

Table of results according to IFRS

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

Consolidated income statement according to IFRS, KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 1H2010	Cumul 1H2011
Net interest income	1 519	1 567	1 562	1 598	1 395	1 406	-	-	3 086	2 801
Interest income	2 621	2 651	2 627	2 642	3 047	3 195	-	-	5 273	6 241
Interest expense	-1 103	-1 085	-1 065	-1 045	-1 651	-1 789	-	-	-2 187	-3 440
Earned premiums, insurance (before reinsurance)	1 248	1 144	1 074	1 150	1 141	974	-	-	2 392	2 115
Technical charges, insurance (before reinsurance)	-1 163	-1 123	-957	-1 018	-1 012	-840	-	-	-2 286	-1 852
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-	-	41	-25
Dividend income	15	40	21	21	12	41	-	-	56	53
Net result from financial instruments at fair value through profit or loss	-11	-721	227	429	472	-194	-	-	-733	279
Net realised result from available-for-sale assets	19	30	11	29	34	42	-	-	50	76
Net fee and commission income	322	336	259	307	300	297	-	-	658	597
Fee and commission income	549	578	480	549	518	530	-	-	1 127	1 048
Fee and commission expense	-227	-242	-221	-242	-218	-233	-	-	-469	-452
Other net income	98	182	65	107	92	110	-	-	280	202
Total income	2 038	1 504	2 239	2 597	2 416	1 829	-	-	3 543	4 245
Operating expenses	-1 072	-1 044	-1 130	-1 190	-1 143	-1 081	-	-	-2 116	-2 224
Impairment	-383	-299	-420	-555	-105	-332	-	-	-681	-437
on loans and receivables	-355	-278	-357	-492	-97	-164	-	-	-633	-260
on available-for-sale assets	-1	-16	-5	-9	-6	-118	-	-	-17	-124
on goodwill	-27	-1	-13	-47	0	-17	-	-	-28	-17
on other	0	-3	-45	-6	-2	-33	-	-	-2	-35
Share in results of associated companies	-2	-9	-5	-46	1	0	-	-	-11	1
Result before tax	581	153	683	806	1 170	416	-	-	734	1 585
Income tax expense	-164	304	-124	-97	-334	-76	-	-	140	-411
Net post-tax result from discontinued operations	31	-302	-7	24	0	0	-	-	-271	0
Result after tax	448	155	553	733	835	340	-	-	603	1 175
attributable to minority interests	6	6	8	8	14	6	-	-	12	20
attributable to equity holders of the parent	**442**	**149**	**545**	**724**	**821**	**333**	**-**	**-**	**591**	**1 154**
Belgium	283	131	321	453	385	158	-	-	414	543
Central & Eastern Europe*	99	119	76	146	117	137	-	-	218	254
Merchant Banking	64	73	173	-138	203	69	-	-	137	272
Group Centre*	-3	-174	-24	264	116	-31	-	-	-177	85
Earnings per share, basic (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-	-	0.86	2.52
Earnings per share, diluted (EUR)	0.86	0.00	1.17	1.69	1.98	0.54	-	-	0.86	2.52

* The changes in the strategic plan announced in mid-2011 are not yet reflected in the figures for these business units.

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2010	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011	30-09-2011	31-12-2011
Total assets	340 128	350 232	328 590	320 823	322 493	312 899	-	-
Loans and advances to customers*	153 640	157 024	149 982	150 666	147 625	143 182	-	-
Securities (equity and debt instruments)*	101 984	95 910	96 876	89 395	88 839	85 144	-	-
Deposits from customers and debt certificates*	203 367	205 108	198 825	197 870	192 412	188 116	-	-
Technical provisions, before insurance*	23 222	22 384	22 843	23 255	23 870	24 084	-	-
Liabilities under investment contracts, insurance*	7 908	6 496	6 488	6 693	6 568	6 638	-	-
Parent shareholders' equity	10 677	10 259	11 245	11 147	11 011	11 500	-	-
Non-voting core-capital securities	7 000	7 000	7 000	7 000	7 000	7 000	-	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				11%		16%	-	-
Cost/income ratio, banking				56%		56%	-	-
Combined ratio, non-life insurance				100%		87%	-	-
KBC Group solvency								
Tier-1 ratio				12.6%		13.9%	-	-
Core tier-1 ratio				10.9%		12.1%	-	-

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

Table of underlying results

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

Consolidated income statement, KBC Group, underlying (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 1H2010	Cumul 1H2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	-	-	2 738	2 764
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	-	-	2 395	2 116
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-	-	-2 297	-1 859
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-	-	41	-26
Dividend income	8	36	12	18	8	37	-	-	43	45
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	-	-	467	361
Net realised result from available-for-sale assets	24	41	6	28	53	42	-	-	64	95
Net fee and commission income	429	454	367	417	399	394	-	-	883	794
Other net income	85	68	62	-96	73	72	-	-	153	145
Total income	2 282	2 205	2 206	2 051	2 274	2 161	-	-	4 487	4 434
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-	-	-2 307	-2 382
Impairment	-356	-298	-361	-510	- 105	-333	-	-	-653	-439
on loans and receivables	-355	-278	-356	-492	-97	-164	-	-	-633	-261
on available-for-sale assets	-1	-17	-5	-10	-6	-135	-	-	-18	-141
on goodwill	0	0	0	0	0	0	-	-	0	0
on other	0	-3	0	-7	-2	-35	-	-	-2	-37
Share in results of associated companies	-1	-9	-5	-46	1	0	-	-	-10	1
Result before tax	767	749	626	184	943	673	-	-	1 516	1 615
Income tax expense	-218	-189	-173	-7	- 271	-138	-	-	-407	-410
Result after tax	549	559	453	177	671	534	-	-	1 109	1 206
attributable to minority interests	6	6	8	9	14	6	-	-	12	20
attributable to equity holders of the parent	**543**	**554**	**445**	**168**	**658**	**528**	**-**	**-**	**1 097**	**1 186**
Belgium	279	298	220	255	280	238	-	-	577	518
Central & Eastern Europe*	110	112	53	131	101	137	-	-	222	239
Merchant Banking	85	121	156	-228	177	63	-	-	206	240
Group Centre*	70	23	16	11	99	90	-	-	93	189
Earnings per share, basic (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-	-	2.35	2.61
Earnings per share, diluted (EUR)	1.16	1.19	0.87	0.06	1.50	1.11	-	-	2.35	2.61

* The changes in the strategic plan announced in mid-2011 are not yet reflected in the figures for these business units.

Reconciliation between underlying result and result according to IFRS KBC Group (in millions of EUR)	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	Cumul. 1H2010	Cumul 1H2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	543	554	445	168	658	528	-	-	1 097	1 186
+ MTM of derivatives for ALM hedging	-57	-179	16	41	96	-77	-	-	-236	19
+ gains/losses on CDOs	176	326	221	304	124	-86	-	-	502	39
+ MTM of CDO guarantee and commitment fee	-33	-18	-23	6	-10	-22	-	-	-51	-31
+ impairment on goodwill (and associated companies)	-27	-1	-43	-47	0	-17	-	-	-28	-17
+ result on legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	-	-	-336	57
+ MTM of own debt issued	-2	33	-34	41	-16	-25	-	-	31	-41
+ Results on divestments	0	-338	-44	206	-45	-12	-	-	-338	-56
+ other	-32	-18	2	46	0	0	-	-	-51	0
Result after tax, attributable to equity holders of the parent: IFRS	442	149	545	724	821	333	-	-	591	1 154

Other information

Strategy highlights and main events

- KBC posted a good result for the first half of 2011. The group has a sound bancassurance business model which is and remains at the core of our strategy. The result for the period under review indicates that this underlying business strategy is working and reflects the current status of the economies in the markets KBC is active in.

- In the first half of 2011, we continued to implement our strategic refocusing plan. In March 2011, it was announced that Crédit Agricole (Belgium) would acquire Centea. This deal, which was closed on 1 July 2011, 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%.

- As stated during the previous quarter, we have restarted the sales process for KBL EPB.

- 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.

- During the second quarter of 2011, KBC Bank and the International Finance Corporation (IFC) – the private sector arm of the World Bank Group – signed and closed an agreement through which KBC Bank would acquire a large part of IFC's 5% stake in Absolut Bank. The sale is the result of the IFC exercising the put option it had agreed with KBC Bank in 2007. As a result, KBC Bank now holds a 99% stake in Absolut Bank. The transaction did not have any impact on KBC's capital position.

- Beginning of August, KBC Securities has completed the divestments of its operations in Serbia and Romania, reaching an agreement on management buy-outs with local management.

- A number of companies are still scheduled for divestment as part of the planned reduction in the international loan portfolio. The sales process for KBL EPB and for Fidea is ongoing, the sales process for KBC Bank Deutschland has started, and the files for the sales process for Antwerp Diamond Bank are being prepared.

- On 13 July 2011, it was announced that KBC had formally applied to the European Commission to amend its 2009 strategic plan. Due to the impact of certain changes in the regulatory environment (especially Basel III and draft IFRS rules on leases) and the difficulty involved in floating K&H Bank in the current circumstances, some measures presented in the initial plan had become less effective in achieving the intended aim. KBC and the Belgian Authorities formally applied to the European Commission for its approval to replace the planned IPOs of a minority stake in ČSOB Bank (Czech Republic) and K&H Bank (Hungary), as well as the sale and lease back of KBC's head offices in Belgium, by the divestment of KBC's Polish banking and insurance subsidiaries, Kredyt Bank and Warta (and their subsidiaries), and the sale or unwinding of selected ABS and CDO assets. The application was approved by the European Commission on 27 July 2011. KBC believes that the amendments will help the group achieve its objectives. KBC's main objective is and remains to execute the plan within the agreed timeframe and to repay the Belgian authorities in a timely manner.

- As a result of the current credit stress on Greek government bonds, KBC decided to record an impairment of 0.1 billion euros (post-tax) on its Greek government bond exposure (0.5 billion euros, pre-impairment book value). It supports the voluntary rollover of Greek debt, as proposed by the IIF.

- Given the current economy and domestic Irish Marketplace has not improved as was envisaged and the austerity measures do have a sizeable impact on households, challenging credit conditions will remain, fuelled by continued downward pressure on asset values and rising interest rates generating pressure on borrowers. This might lead to a higher loan loss provisions rate in the next quarters.

- KBC Bank (a fully owned subsidiary of KBC Group NV) was subjected to the 2011 EU-wide stress test conducted by the European Banking Authority (EBA) in co-operation with the National Bank of Belgium, the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB). The test seeks to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions. The assumptions and methodology were established to assess banks' capital adequacy against a 5% Core Tier-1 capital benchmark and are intended to restore confidence in the resilience of the banks tested. The adverse stress test scenario was set by the ECB and covers a two-year time horizon (2011-2012). The stress test was carried out using a static balance sheet assumption as at December 2010. It does not take into account future business strategies and management actions and is not a forecast of KBC Bank's profits. As a result of the assumed shock, the estimated consolidated Core Tier-1 capital ratio of KBC Bank would change to 10.0% under the adverse scenario in 2012 compared to 10.5% at year-end 2010. This result incorporates the effects of the mandatory restructuring plans agreed with the EU Commission before 31 December 2010.

- KBC also intends to maintain a regulatory tier-1 capital ratio of 10%, 8% of which is core capital, according to 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 Group NV 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 Group NV'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 be the extent and duration of the ongoing slowdown of growth worldwide. In particular, future job creation on the US labour market and the further development of the EMU (and US) sovereign risk issue will be critical determinants.

Analysis of underlying earnings components

KBC Group, 2Q2011

Unless otherwise specified, all amounts are given in euros

Please note that the breakdown of results by business unit in this report is based on the situation *before* the changes to the strategic plan (approved on 27 July 2011). As of the next report, the new strategy will be fully reflected in the business unit breakdown (with retroactive effect).

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	1 344	1 394	1 406	1 459	1 374	1 390	-	-
Earned premiums, insurance (before reinsurance)	1 249	1 146	1 075	1 151	1 141	975	-	-
Non-life	489	480	495	451	451	468	-	-
Life	760	666	580	699	691	507	-	-
Technical charges, insurance (before reinsurance)	-1 168	-1 129	-962	-1 022	-1 016	-843	-	-
Non-life	-330	-378	-307	-234	-234	-245	-	-
Life	-838	-751	-655	-788	-782	-599	-	-
Ceded reinsurance result	-9	50	-23	-26	-17	-8	-	-
Dividend income	8	36	12	18	8	37	-	-
Net result from financial instruments at fair value through profit or loss	320	147	264	124	259	102	-	-
Net realised result from available-for-sale assets	24	41	6	28	53	42	-	-
Net fee and commission income	429	454	367	417	399	394	-	-
Banking	542	547	470	510	497	488	-	-
Insurance	-113	-93	-104	-93	-98	-93	-	-
Other net income	85	68	62	-96	73	72	-	-
Total income	2 282	2 205	2 206	2 051	2 274	2 161	-	-
Belgium	818	864	768	868	845	864	-	-
Central & Eastern Europe	657	655	679	704	699	690	-	-
Merchant Banking	482	361	495	202	469	340	-	-
Group Centre	325	324	263	277	261	267	-	-

Net interest income in the quarter under review amounted to 1 390 million, virtually the same as the year-earlier figure (the decrease in Merchant Banking and the Group Centre was offset by an increase in the other business units). The net interest margin stood at 1.98% in 2Q2011, an 11 basis-point increase year-on-year. While the group's loan portfolio was more or less unchanged on its year-earlier level, deposits decreased slightly (-2%) over the same period. The situation regarding the loan portfolio results from two distinct trends: whereas the loan books of the Merchant Banking Business Unit and the Group Centre are being intentionally run down (-8% and -11% year-on-year, respectively), those of the Belgium and CEE Business Units are expanding (+4% for the Belgian retail loan book, +1% for the core CEE loan books, combined). Almost the same picture applies for the year-on-year change in customer deposits: a decrease in the Merchant Banking Business Unit and the Group Centre, but an increase in the Belgium Business Unit (the CEE Business Unit remained stable).
Compared to the previous quarter, net interest income went up by 1%. Quarter-on-quarter movements in loan-book and deposit volumes were limited (+0.5% for loans, -1% for deposits) and, excluding a technical element, the net interest margin was roughly flat in the quarter under review (both in Belgium and CEE).

Earned insurance premiums amounted to 975 million in 2Q2011, which breaks down into 507 million for life insurance and 468 million for non-life insurance.
Non-life premium income was up 4% quarter-on-quarter and 7% year-on-year (Secura was excluded from the latter figure, since it was sold in 4Q2010). Thanks in part to a relatively low claims level, the non-life combined ratio for the first six months of the year stood at a very good 87%, a significant improvement on the 100% recorded for FY2010. The 1H2011 combined ratio breaks down into 81% for Belgium (significant further improvement on the 95% recorded in FY2010) and 93% for CEE (likewise significantly better than the 108% for FY2010, which was impacted by the storms and floods in the region).
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (simplified, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to almost 1 billion in the quarter under review, down one-third on life insurance sales in 2Q2010 (which had benefited from high sales of unit-linked products at VITIS Life (KBL EPB group)), and 5% lower than the previous quarter, with a quarter-on-quarter shift from interest-guaranteed to unit-linked products in Belgium. For the group as a whole, interest-guaranteed products accounted for 56% of life insurance sales in the quarter under review, while unit-linked insurance products increased to 44%.

At 394 million, net fee and commission income fell by 1% quarter-on-quarter and by some 13% year-on-year, with much of the decrease being related to the lower level of fee income generated by the asset management business (lower management fees and lower entry fees for mutual funds, *cf.* decreased risk appetite of investors). At end-June 2011, total assets under management of the group stood at 203 billion, 1% less than three months ago (due to a decline in net entries) and 3% less than one year ago (due to a combination of fewer net entries and a positive price effect).

The other income components were as follows: dividend income amounted to 37 million (comparable to a year ago, but significantly up quarter-on-quarter since the bulk of dividends is traditionally received in the second quarter) , trading and fair value income ('Net result from financial instruments at fair value') amounted to a relatively weak 102 million (due to a modest dealing room result, following the strong performance in the previous quarter), the realised result on available-for-sale assets stood at 42 million (up somewhat on the average of 32 million for the last four quarters) and other net income amounted to 72 million.

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, results 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 section of the report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Staff expenses	-691	-674	-697	-745	-694	-701	-	-
General administrative expenses	-371	-382	-422	-468	-444	-366	-	-
Depreciation and amortisation of fixed assets	-96	-94	-95	-97	-89	-87	-	-
Operating expenses	-1 158	-1 150	-1 214	-1 311	-1 227	-1 155	-	-
Belgium	-407	-394	-414	-488	-429	-446	-	-
Central & Eastern Europe	-347	-357	-425	-404	-437	-392	-	-
Merchant Banking	-140	-137	-142	-157	-152	-142	-	-
Group Centre	-264	-263	-233	-262	-209	-175	-	-

At 1 155 million, operating expenses remained under control in the quarter under review. Compared to the previous quarter, costs decreased by 6%. However, that was largely attributable to the fact that the first quarter had included the booking of 62 million for the Hungarian bank tax for full year 2011. Excluding this factor, costs were roughly in line (-1%) with the previous quarter.
Compared to a year ago, costs were flat, which was the result of (compensating) elements such as higher costs for the Belgian deposit guarantee scheme, somewhat higher staff expenses (wage increases, inflation), lower costs at KBL EPB, changes in the scope of consolidation and a number of technical elements.
Quarter-on-quarter, costs increased by 4% in the Belgium Business Unit (higher staff expenses and marketing & communication expenses, among other elements), but decreased by 10% in the CEE Business Unit (*cf.* booking of the FY2011 Hungarian bank tax in the previous quarter, the FX effect, etc.) and fell by 7% in the Merchant Banking Business Unit.

As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at a favourable 56% in the first six months of the year, which was in line with the FY2010 level. The 1H2011 cost/income ratio breaks down per business unit as follows: 58% for Belgium, 59% for CEE and 36% for Merchant Banking. The non-life insurance cost ratio (net costs/net written premiums) stood at 30% in 1H2011, 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	-164	-	-
Impairment on available-for-sale assets	-1	-17	-5	-10	-6	-135	-	-
Impairment on goodwill	0	0	0	0	0	0	-	-
Impairment on other	0	-3	0	-7	-2	-35	-	-
Impairment	-356	-298	-361	-510	-105	-333	-	-
Belgium	-3	-39	-27	-35	-15	-74	-	-
Central & Eastern Europe	-111	-117	-143	-93	-50	-112	-	-
Merchant Banking	-219	-91	-130	-355	-57	-112	-	-
Group Centre	-22	-51	-61	-27	17	-36	-	-

In 2Q2011, total impairment charges stood at 333 million.

Impairment *on loans and receivables* (loan loss provisions) stood at 164 million. This is higher than the 97 million recorded in the previous quarter, but that quarter had benefited from a number of exceptional loan loss releases (in Poland, Russia, etc.). Compared to the year-earlier quarter (278 million), loan loss provisions are at a much lower level, with the main decreases occurring in CEE (thanks mainly to lower loan losses in the Czech Republic and Poland) and the Group Centre (Russia, Antwerp Diamond Bank, etc.).
Overall, this enabled the credit cost ratio for the first six months of the year to improve to an annualised 32 basis points, compared to 91 basis points for FY2010. The 1H2011 credit cost ratio stood at an excellent 10 basis points for the Belgium Business Unit, a further decrease on the 15 basis points recorded in FY2010. In Central and Eastern Europe, it was 53 basis points, a significant improvement on the 122 basis points recorded in FY2010 (note that the 1H2011 ratio benefits from the reversal of an impairment loss relating to the sale of part of the non-performing consumer finance portfolio in Poland). In Merchant Banking, the 1H21011 credit cost ratio stood at 58 basis points, which is also a significant improvement on FY2010 (138 basis points – negatively impacted by the significant increase in loan loss provisions for Ireland in the last quarter of that year). Finally, the credit cost ratio in the Group Centre amounted to -25 basis points (a negative figures

indicates net recovery of provisions), down from 1.03% in FY2010, thanks in part to a net reversal of loan loss impairments at Absolut Bank. At the end of June 2011, non-performing loans accounted for some 4.3% of the total loan book, more or less in line with the 4.2% registered three months earlier (an improvement in the Belgium and CEE Business Units, but a deterioration in the Merchant Banking Business Unit).

Other impairment in the quarter under review related primarily to Greek government bonds (write-down to fair value on 30 June 2010 for *available-for-sale* bonds, write-down of 21% for *held-to-maturity* bonds), which had a combined pre-tax impact of -139 million (-102 million after tax) on 'Impairment on available-for-sale assets' and 'Impairment on other'. The impact was spread over all the business units (see next section).

It should be noted that impairment on *goodwill* booked on group companies is always excluded from the underlying results, and hence it is always zero in the table above.

Analysis of other earnings components (underlying figures)

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

The share in the results of associated companies was close to zero in the quarter under review (this item traditionally includes the result of KBC's minority participation in NLB in Slovenia). Underlying group tax amounted to 138 million in 2Q2011 and minority interests in the result amounted to 6 million.

Underlying results per business unit

KBC Group, 2Q2011

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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.

Please note that the breakdown of results by business unit in this report is based on the situation *before* the changes to the strategic plan (approved on 27 July 2011). As of the next report, the new strategy will be fully reflected in the business unit breakdown (with retroactive effect).

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail and private bancassurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, KBC Asset Management, part of KBC Lease, Secura (now sold), KBC Group Re (the former Assurisk) and VAB). It should be noted that the entities that are earmarked for divestment under the strategic plan (Centea, sold early July 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	581	-	-
Earned premiums, insurance (before reinsurance)	839	721	631	694	615	512	-	-
Technical charges, insurance (before reinsurance)	-823	-721	-608	-699	-593	-507	-	-
Ceded reinsurance result	-4	10	-12	-5	-8	-1	-	-
Dividend income	5	25	8	13	6	26	-	-
Net result from financial instruments at fair value through profit or loss	21	25	9	6	10	12	-	-
Net realised result from available-for-sale assets	2	13	-5	42	22	24	-	-
Net fee and commission income	193	207	170	201	186	178	-	-
Other net income	35	23	24	38	41	37	-	-
Total income	818	864	768	868	845	864	-	-
Operating expenses	-407	-394	-414	-488	-429	-446	-	-
Impairment	-3	-39	-27	-35	-15	-74	-	-
on loans and receivables	-2	-25	-21	-33	-11	-16	-	-
on available-for-sale assets	-1	-13	-7	-2	-4	-53	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	0	0	0	0	0	-5	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	408	432	327	346	402	344	-	-
Income tax expense	-127	-133	-106	-91	-121	-105	-	-
Result after tax	280	299	222	255	281	238	-	-
attributable to minority interests	2	1	1	0	1	0	-	-
attributable to equity holders of the parent	**279**	**298**	**220**	**255**	**280**	**238**	**-**	**-**
Banking	197	221	156	151	175	147	-	-
Insurance	81	77	64	103	106	91	-	-
Risk-weighted assets, group (end of period, Basel II)	29 038	28 609	28 358	28 744	29 104	29 158	-	-
of which banking	18 293	17 699	17 288	17 669	18 086	18 013	-	-
Allocated equity (end of period, Basel II)	2 771	2 741	2 726	2 751	2 775	2 786	-	-
Return on allocated equity (ROAC, Basel II)	39%	42%	30%	35%	39%	32%	-	-
Cost/income ratio, banking	53%	48%	57%	62%	57%	60%	-	-
Combined ratio, non-life insurance	90%	96%	96%	103%	74%	89%	-	-

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

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

In the quarter under review, the Belgium Business Unit generated an underlying profit of 238 million, somewhat below the average of 263 million for the last four quarters. It should be noted, however, that the 2Q2011 figures include an after-tax impact of -30 million related to Greek government bonds (see below).

Net interest income up; credit and deposit volumes increase

Net interest income stood at 581 million in the quarter under review, up 3% on the level recorded in the previous quarter and up almost 5% on the year-earlier quarter (in the year-on-year comparison, we have excluded Secura, which was sold in 4Q2010). Both insurance (higher interest income from the bond portfolio) and banking activities (see below) contributed to the increase in net interest income.

The net interest margin of the bank in Belgium stood at 1.42% in 2Q2011, stable compared to the previous quarter, but down 6 basis points on the year-earlier quarter. 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 was unchanged year-on-year, the Belgian retail loan book increased by 4% (2% of which was in 2Q2011). Mortgage loans remained an important driver for this volume growth, with volume increases of as much as 7% year-on-year (2% of which was in 2Q2011). Retail customers' deposits increased by 3% quarter-on-quarter and by 6% year-on-year.

Combined ratio for non-life at excellent level; sales of unit-linked life insurance products increase

Earned insurance premiums in the quarter under review amounted to 512 million and break down into 297 million for life insurance and 216 million for non-life insurance.

Non-life sales went up almost 2% compared to both the previous and year-earlier quarters (the latter comparison excludes Secura). Though technical charges were somewhat higher than in 1Q2011, the overall claims level for 1H2011 remained favourable, resulting in an excellent combined ratio of 81%, a significant further improvement on the already good 95% registered for FY2010.

Life sales, including unit-linked products (which – simplified – are not included in the premium figures under IFRS), amounted to 0.6 billion in 2Q2011, slightly down on their 1Q2011 and 2Q2010 levels, with the decrease in the sales of interest-guaranteed products being partially offset by an increase in the sale of unit-linked insurance products in the quarter under review. As a result, interest-guaranteed products and unit-linked products each accounted for roughly half the life sales in the quarter under review, as opposed to a traditional overweighting of interest-guaranteed products in previous quarters. At the end of 2Q2011, the life reserves of this business unit amounted to 21.6 billion.

Lower asset management related fee and commission income

Total net fee and commission income amounted to 178 million in the quarter under review, down 4% on the previous quarter and some 17% (disregarding Secura) on the relatively high level recorded in the year-earlier quarter. In both cases, the decrease was largely attributable to the asset management business, which generated lower entry fees and lower management fees on mutual funds, the latter development being related mainly to the decrease in assets under management. At 30 June 2011, assets under management of this business unit stood at 144 billion, down 1% quarter-on-quarter and 4% year-on-year, in both cases resulting from the decrease in net entries not entirely being offset by price increases.

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 12 million in the quarter under review, in line with the average of the last four quarters. Dividend income – which is traditionally received in the second quarter of the year – stood at 26 million, a 20 million increase on the previous quarter. The realised result on available-for-sale assets amounted to 24 million, above the average of 18 million for the last four quarters. Other net income came to 37 million in 2Q2011, and benefited from, *inter alia*, a 15 million gain on the sale of a building.

Comfortable cost/income ratio

The operating expenses of the Belgium Business Unit stood at 446 million in the quarter under review. This is 4% higher than the level recorded in the previous quarter, due to higher staff costs (related to inflation, etc.), higher marketing and communication expenses and some other (technical) elements. Compared to the year-earlier quarter, costs rose by 13%, but that includes the higher costs relating to the deposit guarantee scheme in Belgium. Excluding this and other one-off or technical elements, the year-on-year cost increase was roughly 3%, caused primarily by higher staff costs. The cost/income ratio for the first six months of the year remained at a comfortable 58%, somewhat above the FY2010 figure of 55%.

Favourable credit cost ratio; impairment on Greek government bonds

As was the case in previous quarters, loan loss impairment on the Belgian retail loan book remained at a comparatively low level (16 million in the quarter under review), resulting in a favourable annualised credit cost ratio of just 10 basis points for the first six months of the year, compared to a similarly excellent 15 basis points recorded in FY2010. At the end of 2Q2011, around 1.5% of the Belgian retail loan book was non-performing, slightly down on the figure recorded three months earlier (1.6%).

Other impairment charges amounted to 58 million in the quarter under review. They related mainly to Greek government bonds (an impact of 45 million (30 million after tax) on 'Impairment on available-for-sale assets' and 'Impairment on other', and to a lesser extent to shares in the insurer's portfolio (with a 12-million impact in the quarter under review).

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 was scheduled in the group's original strategic plan.

** Please note that the impact of the recent changes to the strategic plan are not yet included in this report. Hence, Poland is still included in the results of the CEE Business Unit and a part of ČSOB's results in the Czech Republic remains in the Group Centre (related to the originally planned IPO of a minority stake in this company).*

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	473	-	-
Earned premiums, insurance (before reinsurance)	303	358	354	345	428	380	-	-
Technical charges, insurance (before reinsurance)	-228	-338	-267	-221	-312	-264	-	-
Ceded reinsurance result	-10	33	-8	-23	-12	-9	-	-
Dividend income	0	2	0	0	0	1	-	-
Net result from financial instruments at fair value through profit or loss	45	37	49	52	39	15	-	-
Net realised result from available-for-sale assets	10	14	8	-12	6	3	-	-
Net fee and commission income	76	71	64	72	67	77	-	-
Other net income	14	25	11	4	14	13	-	-
Total income	657	655	679	704	699	690	-	-
Operating expenses	-347	-357	-425	-404	-437	-392	-	-
Impairment	-111	-117	-143	-93	-50	-112	-	-
on loans and receivables	-111	-114	-142	-85	-48	-54	-	-
on available-for-sale assets	0	0	0	0	0	-53	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	0	-3	0	-9	-2	-5	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	200	182	111	208	212	187	-	-
Income tax expense	-33	-17	-10	-26	-45	-4	-	-
Result after tax	167	165	101	182	168	183	-	-
attributable to minority interests	57	54	48	51	66	45	-	-
attributable to equity holders of the parent	**110**	**112**	**53**	**131**	**101**	**137**	**-**	**-**
Banking	103	116	48	109	80	113	-	-
Insurance	7	-4	5	22	21	25	-	-
Risk-weighted assets, group (end of period, Basel II)	34 425	33 363	33 383	33 288	34 164	34 374	-	-
of which banking	31 900	30 840	30 793	30 648	31 420	31 511	-	-
Allocated equity (end of period, Basel II)	2 906	2 820	2 826	2 821	2 898	2 922	-	-
Return on allocated equity (ROAC, Basel II)	19%	19%	10%	22%	19%	21%	-	-
Cost/income ratio, banking	50%	50%	60%	56%	62%	56%	-	-
Combined ratio, non-life insurance	110%	117%	110%	95%	95%	91%	-	-

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

Reconciliation between underlying result and result according to IFRS CEE Business Unit (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	110	112	53	131	101	137	-	-
+ MTM of derivatives for ALM hedging	-16	-24	31	20	21	-1	-	-
+ gains/losses on CDOs	6	26	-2	-1	2	0	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	-	-
+ impairment on goodwill	0	0	0	-3	0	-1	-	-
+ result on divestments	0	0	0	0	-5	1	-	-
+ other	-2	6	-5	-2	-2	1	-	-
Result after tax, attributable to equity holders of the parent: IFRS	99	119	76	146	117	137	-	-

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
2Q2011 / 1Q2011	0%	-	2%	0%	0%
2Q2011 / 2Q2010	5%	-	3%	1%	0%

In the quarter under review, the CEE Business Unit generated an underlying net result of 137 million, significantly above the average figure of 99 million for the last four quarters. Please note that the comparison with the previous quarter is distorted by the booking in 1Q2011 of the Hungarian bank tax (-51 million after tax) for FY2011 and the booking of an impairment charge on Greek sovereign bonds (-26 million, after tax) in 2Q2011 (see below).

The CEE Business Unit‘s net profit for 2Q2011 breaks down as follows: 67 million for the Czech Republic (it is important to repeat that part of ČSOB Bank’s result – related to the originally planned IPO of a minority shareholding in this company – is still included under the Group Centre in this report), 18 million for Slovakia, 40 million for Hungary, 32 million for Poland, 4 million for Bulgaria and -24 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 this business unit amounted to 473 million in the quarter under review. On an organic basis, this is more or less in line with both the previous and year-earlier quarters, due – generally speaking – to rather stable volumes and a stable net interest margin (3.18% in 2Q2011).
As regards volumes, the combined loan book for the business unit was up 1% year-on-year and customer deposits remained unchanged. However, movements were more marked at country level, with significant year-on-year increases in the Czech and Slovak loan books being offset by decreases in Hungary, Poland and Bulgaria.

Life insurance sales somewhat down on the strong previous quarter; favourable combined ratio in non-life

Earned insurance premiums amounted to 380 million, which breaks down into 161 million for life insurance and 219 million for non-life insurance.
On an organic basis, non-life premium income was up 5% quarter-on-quarter and 11% year-on-year, thanks mainly in both cases to increased sales in Poland. The combined ratio in the first six months of the year stood at a favourable 93%, well below the high 108% recorded in FY2010, which had been impacted by storms and floods in the region. Moreover, the combined ratio for 1H2011 remained well below 100% in each individual CEE country.
Life sales, including unit-linked products (which – simplified – are not included in the premium figures under IFRS) amounted to 0.3 billion in the quarter under review. This was comparable to 2Q2010, but down some 8% on the relatively high sales volumes recorded in 1Q2011, which had benefited from comparatively high unit-linked sales in the Czech Republic. In the quarter under review, interest-guaranteed life products accounted for some two-thirds of life insurance sales, with unit-linked products accounting for the remainder. At the end of 2Q2011, the outstanding life reserves in this business unit stood at 2.2 billion.

Net fee and commission income stable

Net fee and commission income amounted to 77 million in the quarter under review. Technical elements aside, this is more or less in line with both the previous and year-earlier quarters. Total assets under management of this business unit amounted to 12 billion at end-June 2011, stable quarter-on-quarter and down 3% year-on-year, due to a combination of volume and price effects.

Other income components

Trading and fair value income (recorded under ‘Net result from financial instruments at fair value’) came to 15 million, below the average of 44 million for the last four quarters. The net realised result from available-for-sale assets amounted to 3 million, dividend income to 1 million and other net income to 13 million.

Costs – excluding technical and one-off elements – in line with previous quarter

The operating expenses of this business unit came to 392 million. In organic terms, this was 11% lower than in the previous quarter and is accounted for primarily by the booking in 1Q2011 of the Hungarian bank tax for FY2011 (62 million). Excluding this and other one-off or technical elements, costs were in line (+1%) with their 1Q2011 level. Costs were up 7% year-on-year on an organic basis (excluding one-off and technical elements: +3% due to higher staff expenses, among other factors). The cost/income ratio of the CEE banking activities stood at 59% for the first six months of the year (including the impact of the Hungarian bank tax referred to above), compared to 54% in FY2010.

Relatively low loan loss provisions; impairment on Greek government bonds

In the quarter under review, impairment on loans and receivables (loan losses) remained at a relatively low 54 million, slightly up on the 48 million booked in the previous quarter (which had, however, benefited from exceptional loan loss

impairment reversals in Poland, among other things). Loan loss impairments were significantly down, however, on the 114 million booked in the year-earlier quarter, with improvements noticeable in every relevant CEE country.
As a result, the annualised credit cost ratio of this business unit amounted to 53 basis points for the first six months of the year, well below the 122 basis points recorded for FY2010. At country level, this breaks down as follows: 32 basis points for the Czech Republic, 41 basis points for Slovakia, 139 basis points for Hungary, 23 basis points for Poland (positively influenced by the net loan loss retrieval in the first quarter) and 190 basis points for Bulgaria. At the end of 2Q2011, non-performing loans accounted for some 5.3% of the CEE loan book, down on the 5.7% recorded three months earlier.
Impairment on assets other than loans and receivables amounted 58 million in the quarter under review and includes 53 million related to Greek government bonds (recorded under 'Impairment on available-for-sale assets'). After tax and after shifting to the Group Centre that part of ČSOB's net result related to the originally planned IPO of a minority share, the net impact of the impairment of Greek government bonds on this business unit's net result after taxes came to 26 million.

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	261	-	-
Earned premiums, insurance (before reinsurance)	91	121	88	102	178	96	-	-
Technical charges, insurance (before reinsurance)	-67	-96	-67	-74	-151	-71	-	-
Ceded reinsurance result	-4	-4	-1	-3	-2	-2	-	-
Dividend income	0	1	0	0	0	1	-	-
Net result from financial instruments at fair value through profit or loss	21	6	8	19	26	12	-	-
Net realised result from available-for-sale assets	3	7	5	-11	5	3	-	-
Net fee and commission income	46	47	42	42	42	49	-	-
Other net income	7	7	-1	0	4	2	-	-
Total income	337	341	331	350	361	351	-	-
Operating expenses	-134	-145	-154	-170	-158	-165	-	-
Impairment	-31	-38	-46	-31	-18	-65	-	-
Of which on loans and receivables	-31	-36	-46	-25	-18	-13	-	-
Of which on available-for-sale assets	0	0	0	0	0	-52	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	171	158	131	148	185	121	-	-
Income tax expense	-26	-16	-11	-22	-28	-13	-	-
Result after tax	146	142	120	127	157	108	-	-
attributable to minority interests	54	53	46	48	59	40	-	-
attributable to equity holders of the parent	**92**	**89**	**74**	**79**	**97**	**67**	**-**	**-**
banking	81	79	69	72	89	61	-	-
insurance	11	10	5	8	8	7	-	-
Risk-weighted assets, group (end of period, Basel II)	14 833	14 001	13 582	13 496	13 854	13 937	-	-
of which banking	14 060	13 229	12 790	12 707	13 015	13 080	-	-
Allocated equity (end of period, Basel II)	1 233	1 166	1 134	1 127	1 159	1 166	-	-
Return on allocated equity (ROAC, Basel II)	41%	41%	34%	38%	47%	30%	-	-
Cost/income ratio, banking	40%	42%	46%	48%	43%	46%	-	-
Combined ratio, non-life insurance	92%	98%	103%	92%	87%	91%	-	-

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

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

Income statement, Poland, underlying (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Net interest income	81	78	82	87	85	92	-	-
Earned premiums, insurance (before reinsurance)	147	174	205	176	187	218	-	-
Technical charges, insurance (before reinsurance)	-113	-182	-157	-97	-123	-149	-	-
Ceded reinsurance result	-6	33	-5	-20	-7	-5	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	7	8	11	3	6	1	-	-
Net realised result from available-for-sale assets	3	3	4	-1	0	0	-	-
Net fee and commission income	-5	-7	-8	-4	-9	-9	-	-
Other net income	5	8	9	4	6	5	-	-
Total income	119	115	140	148	144	153	-	-
Operating expenses	-83	-87	-86	-94	-87	-90	-	-
Impairment	-22	-34	-30	-28	2	-15	-	-
Of which on loans and receivables	-22	-34	-30	-26	3	-12	-	-
Of which on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	14	-6	23	27	58	48	-	-
Income tax expense	-4	1	-7	-3	-13	-12	-	-
Result after tax	11	-5	17	24	45	36	-	-
attributable to minority interests	3	1	3	3	7	4	-	-
attributable to equity holders of the parent	**8**	**-6**	**14**	**21**	**38**	**32**	**-**	**-**
banking	12	3	11	11	27	18	-	-
insurance	-4	-9	3	10	11	14	-	-
Risk-weighted assets, group (end of period, Basel II)	8 292	8 285	8 478	8 544	8 588	8 599	-	-
of which banking	7 143	7 139	7 287	7 299	7 311	7 246	-	-
Allocated equity (end of period, Basel II)	732	732	750	758	764	769	-	-
Return on allocated equity (ROAC, Basel II)	1%	-8%	4%	8%	19%	13%	-	-
Cost/income ratio, banking	59%	61%	56%	62%	60%	60%	-	-
Combined ratio, non-life insurance	118%	123%	110%	96%	99%	93%	-	-

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

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	-36	-	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-1	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	-	-
Ceded reinsurance result	0	0	0	0	0	0	-	-
Dividend income	0	0	0	0	0	0	-	-
Net result from financial instruments at fair value through profit or loss	0	10	0	6	0	-11	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	0	-2	0	0	-2	2	-	-
Other net income	1	1	1	0	1	1	-	-
Total income	-29	-24	-34	-29	-38	-46	-	-
Operating expenses	-8	-4	-6	-10	-9	-11	-	-
Impairment	-3	0	0	0	0	-1	-	-
Of which on loans and receivables	-3	0	0	0	0	0	-	-
Of which on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Result before tax	-40	-28	-40	-39	-47	-57	-	-
Income tax expense	12	14	12	13	3	34	-	-
Result after tax	-28	-14	-29	-26	-44	-24	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	**-28**	**-14**	**-29**	**-26**	**-44**	**-24**	**-**	**-**
banking	-23	-9	-22	-26	-36	-19	-	-
insurance	-5	-5	-6	-1	-7	-5	-	-

Merchant Banking Business Unit (underlying trend)

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

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

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

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

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 63 million, compared to the 56-million average for the last four quarters (however, this average was negatively impacted by the net loss in 4Q2010). Please note that the 2Q2011 figures include a 4 million after-tax impact related to Greek government bonds (see below).
The 2Q2011 underlying result breaks down as follows: 14 million for commercial banking activities and 48 million for market activities.

Total income down, due mainly to lower trading and fair value income
Total income for this business unit amounted to 340 million in the quarter under review, and, as usual, is accounted for primarily by trading and fair value income (chiefly related to market activities and reflected in 'Net result from financial instruments at fair value') and net interest income (related to commercial banking activities).
Trading and fair value income stood at 87 million in the quarter under review, significantly lower than the high 213 million registered in the previous quarter, but somewhat higher than the 67 million recorded in 2Q2010. In both cases, the difference is accounted for mainly by the performance of the dealing rooms (modest in the quarter under review, very good in the previous quarter, very weak in the year-earlier quarter).
Net interest income stood at 167 million, down 7% quarter-on-quarter and 17% year-on-year, which is due in part to the ongoing reduction of the international loan portfolio outside the home markets. The year-on-year decline is a consequence of the implementation of the group's 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. As a result, the Merchant Banking's loan portfolio contracted some 8% in one year's time.
The other income components added up to 85 million in the quarter under review and comprise net fee and commission income of 53 million (in line with the average of the last four quarters), dividend income of 4 million, a net realised result from available-for-sale assets (shares) of 11 million, and other net income of 17 million.

Costs down quarter-on-quarter
Operating expenses in the quarter under review amounted to 142 million, 7% less than in 1Q2011, and 3% more than in 2Q2010. The cost/income ratio stood at 36% in the first six months of the year, in line with the 37% recorded for FY2010.

Loan losses somewhat up on the favourable previous quarter
Following a low loan loss impairment of 57 million in the previous quarter (which included a loan loss impairment retrieval for Atomium assets, i.e. asset-backed securities booked as loans), impairments *on loans and receivables* amounted to 95 million in the quarter under review. This includes 49 million for KBC Bank Ireland (45 million booked in the previous quarter and 28 million in 2Q2010).
As a result, the credit cost ratio for the first six months of the year now stands at an annualised 58 basis points, still significantly below the 138 basis points recorded in FY2010. At the end of 2Q2011, approximately 6.4% of the Merchant Banking Business Unit's loan book was non-performing, up on the 5.6% recorded three months earlier. Specifically for KBC Bank Ireland, the annualised credit cost ratio stood at 111 basis points in 1H2011, compared to 298 basis points for FY2010, while the non-performing ratio came to 13.2% at the end of 2Q2011, up from 11.1% three months earlier.
Other impairment charges for this business unit stood at 17 million in 2Q2011, and related to Greek government bonds (an impact of 5 million (4 million after tax) on 'Impairment on available-for-sale assets' and 'Impairment on other' and to investment property (an impact of 12 million on 'Impairment on other').

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

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

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

Group Centre (underlying trend)

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

** Please note that the impact of the recent changes to the strategic plan are not yet included in this report. Hence, Poland is still included in the results of the CEE Business Unit and a part of ČSOB results in the Czech Republic remains in the Group Centre (related to the originally planned IPO of a minority stake in this company).*

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	168	-	-
Earned premiums, insurance (before reinsurance)	107	66	91	111	98	82	-	-
Technical charges, insurance (before reinsurance)	-117	-69	-87	-102	-110	-72	-	-
Ceded reinsurance result	5	7	-3	2	3	2	-	-
Dividend income	3	7	1	3	2	6	-	-
Net result from financial instruments at fair value through profit or loss	45	19	10	-1	-3	-12	-	-
Net realised result from available-for-sale assets	10	13	1	-1	22	3	-	-
Net fee and commission income	105	113	77	92	95	86	-	-
Other net income	9	-7	1	11	-3	4	-	-
Total income	325	324	263	277	261	267	-	-
Operating expenses	-264	-263	-233	-262	-209	-175	-	-
Impairment	-22	-51	-61	-27	17	-36	-	-
on loans and receivables	-22	-49	-61	-26	18	2	-	-
on available-for-sale assets	0	-2	0	-2	-2	-28	-	-
on goodwill	0	0	0	0	0	0	-	-
on other	0	0	0	0	0	-9	-	-
Share in results of associated companies	-2	-9	-5	-46	1	0	-	-
Result before tax	37	2	-36	-59	69	56	-	-
Income tax expense	-22	-31	6	22	-28	-8	-	-
Result after tax	14	-30	-30	-36	41	49	-	-
attributable to minority interests	-55	-53	-46	-47	-58	-41	-	-
attributable to equity holders of the parent	**70**	**23**	**16**	**11**	**99**	**90**	**-**	**-**
Banking	82	23	13	0	118	80	-	-
Insurance	1	9	5	12	9	11	-	-
holding company	-14	-8	-2	-1	-29	-2	-	-
Risk-weighted assets, group (end of period, Basel II)	28 383	25 236	23 930	22 685	22 376	21 395	-	-
of which banking	26 275	23 139	21 990	20 725	20 453	19 426	-	-
Allocated equity (end of period, Basel II)	2 356	2 103	1 994	1 894	1 867	1 790	-	-

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

Reconciliation between underlying result and result according to IFRS, Group Centre (in millions of EUR)	1Q2010	2Q2010	3Q2010	4Q2010	1Q2011	2Q2011	3Q2011	4Q2011
Result after tax, attributable to equity holders of the parent: underlying	70	23	16	11	99	90	-	-
+ MTM of derivatives for ALM hedging	-10	-13	-12	11	9	-13	-	-
+ gains/losses on CDOs	118	347	87	129	55	-84	-	-
+ MTM of CDO guarantee and commitment fee	-28	-15	-20	5	-8	-18	-	-
+ impairment on goodwill (incl. associated companies)	-27	0	-31	-26	0	-11	-	-
+ MTM of own debt issued	-2	33	-34	41	-16	-25	-	-
+ legacy structured derivative business (KBC FP)	-126	-210	6	-42	14	43	-	-
+ Results on divestments	0	-335	-42	132	-38	-12	-	-
+ other	2	-6	5	2	2	-1	-	-
Result after tax, attributable to equity holders of the parent: IFRS	-3	-174	-24	264	116	-31	-	-

The Group Centre's net result amounted to 90 million in 2Q2011. As mentioned before, this mainly includes the results of the companies that are earmarked for divestment, whose combined net result came to 95 million in 2Q2011, down on the 135 million recorded in 1Q2011. Please note that the 2Q2011 figures include the after-tax impact of 42 million related to Greek government bonds, mainly in the (former) European Private Banking and CEE Business Units.

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

- Ex-Belgium Business Unit: 26 million, compared with 20 million in the previous quarter.
- Ex-CEER Business Unit: 55 million, compared with 87 million in the previous quarter. It should be noted that 40 million of the 55 million contributed to profit concerns the portion of ČSOB's results that is related to the originally planned IPO of a minority stake in that company (this operation has since been abandoned).
- Ex-Merchant Banking Business Unit: 15 million, the same as in the previous quarter.
- Ex-European Private Banking Business Unit: 11 million, compared with 37 million in the previous quarter. That quarter benefited from a number of positive one-off items, whereas 2Q2011 was negatively impacted by the impairment on Greek government bonds.
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): -13 million, compared with -25 million in the previous quarter.

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Consolidated financial statements according to IFRS

KBC Group, 2Q 2011 and 1H 2011

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Net interest income	3	1 567	1 395	1 406	3 086	2 801
Interest income		2 651	3 047	3 195	5 273	6 241
Interest expense		- 1 085	- 1 651	- 1 789	- 2 187	- 3 440
Earned premiums, insurance (before reinsurance)	9	1 144	1 141	974	2 392	2 115
Non-life		480	450	468	969	918
Life		664	690	506	1 423	1 196
Technical charges, insurance (before reinsurance)	9	- 1 123	- 1 012	- 840	- 2 286	- 1 852
Non-life		- 378	- 234	- 245	- 709	- 479
Life		- 745	- 778	- 595	- 1 577	- 1 374
Ceded reinsurance result	9	50	- 17	- 8	41	- 25
Dividend income		40	12	41	56	53
Net result from financial instruments at fair value through profit or loss		- 721	472	- 194	- 733	279
Net realised result from available-for-sale assets	6	30	34	42	50	76
Net fee and commission income	7	336	300	297	658	597
Fee and commission income		578	518	530	1 127	1 048
Fee and commission expense		- 242	- 218	- 233	- 469	- 452
Other net income	8	182	92	110	280	202
TOTAL INCOME		1 504	2 416	1 829	3 543	4 245
Operating expenses	12	- 1 044	- 1 143	- 1 081	- 2 116	- 2 224
Staff expenses		- 609	- 637	- 648	- 1 241	- 1 285
General administrative expenses		- 345	- 421	- 351	- 693	- 772
Depreciation and amortisation of fixed assets		- 89	- 84	- 83	- 181	- 167
Impairment	14	- 299	- 105	- 332	- 681	- 437
on loans and receivables		- 278	- 97	- 164	- 633	- 260
on available-for-sale assets		- 16	- 6	- 118	- 17	- 124
on goodwill		- 1	0	- 17	- 28	- 17
on other		- 3	- 2	- 33	- 2	- 35
Share in results of associated companies		- 9	1	0	- 11	1
RESULT BEFORE TAX		153	1 170	416	734	1 585
Income tax expense		304	- 334	- 76	140	- 411
Net post-tax result from discontinued operations	46	- 302	0	0	- 271	0
RESULT AFTER TAX		155	835	340	603	1 175
Attributable to minority interest		6	14	6	12	20
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**149**	**821**	**333**	**591**	**1 154**
of which relating to discontinued operations		*- 302*	*0*	*0*	*- 271*	*0*

Earnings per share (in EUR)						
Basic		0,00	1,98	0,54	0,86	2,52
Diluted		0,00	1,98	0,54	0,86	2,52

Condensed consolidated statement of comprehensive income

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
RESULT AFTER TAX	155	835	340	603	1 175
attributable to minority interest	6	14	6	12	20
attributable to equity holders of the parent	149	821	333	591	1 154
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	- 129	- 9	- 25	- 66	- 35
Net change in revaluation reserve (AFS assets) - Bonds	- 204	- 291	224	326	- 67
Net change in revaluation reserve (AFS assets) - Other	1	- 1	0	1	- 1
Net change in hedging reserve (cash flow hedge)	- 148	171	- 27	- 283	144
Net change in translation differences	- 96	19	- 6	33	13
Other movements	- 1	1	- 3	- 2	- 2
TOTAL COMPREHENSIVE INCOME	**- 423**	**724**	**502**	**612**	**1 226**
attributable to minority interest	- 5	10	12	15	22
attributable to equity holders of the parent	- 418	714	490	597	1 204

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2010	30-06-2011
Cash and cash balances with central banks		15 292	7 973
Financial assets	18	281 240	270 653
Held for trading		30 287	27 435
Designated at fair value through profit or loss		25 545	25 254
Available for sale		54 143	52 071
Loans and receivables		157 024	151 565
Held to maturity		13 955	13 974
Hedging derivatives		286	355
Reinsurers' share in technical provisions		280	290
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		218	143
Tax assets		2 534	2 190
Current tax assets		167	104
Deferred tax assets		2 367	2 086
Non-current assets held for sale and assets associated with disposal groups	46	12 938	22 749
Investments in associated companies		496	499
Investment property		704	820
Property and equipment		2 693	2 647
Goodwill and other intangible assets		2 256	2 251
Other assets		2 172	2 685
TOTAL ASSETS		320 823	312 899

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2010	30-06-2011
Financial liabilities	18	260 582	242 374
Held for trading		24 136	19 965
Designated at fair value through profit or loss		34 615	32 882
Measured at amortised cost		200 707	188 622
Hedging derivatives		1 124	905
Technical provisions, before reinsurance		23 255	24 084
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		468	349
Current tax liabilities		345	221
Deferred tax liabilies		123	128
Liabilities associated with disposal groups	46	13 341	22 376
Provisions for risks and charges	36	600	561
Other liabilities		3 902	4 136
TOTAL LIABILITIES		302 149	293 879
Total equity		18 674	19 020
Parent shareholders' equity	39	11 147	11 500
Non-voting core-capital securities	39	7 000	7 000
Minority interests		527	520
TOTAL LIABILITIES AND EQUITY		320 823	312 899

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
30-06-2010											
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	591	0	591	0	12	603
Other comprehensive income for the period	0	0	0	259	- 284	- 2	33	6	0	3	9
Total comprehensive income	**0**	**0**	**0**	**259**	**- 284**	**589**	**33**	**597**	**0**	**15**	**612**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	5	0	0	0	0	5	0	0	5
Impact business combinations	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	9	9
Total change	**0**	**0**	**5**	**259**	**- 284**	**584**	**33**	**597**	**0**	**24**	**621**
Balance at the end of the period	**1 245**	**4 339**	**- 1 554**	**715**	**- 658**	**6 478**	**- 306**	**10 259**	**7 000**	**539**	**17 798**
of which revaluation reserve for shares				321							
of which revaluation reserve for bonds				394							
of which revaluation reserve for other assets than bonds and shares				1							
of which relating to non-current assets held for sale and disposal groups				18	0		8	26		0	26
30-06-2011											
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	1 154	0	1 154	0	20	1 175
Other comprehensive income for the period	0	0	0	- 103	144	- 2	11	50	0	2	52
Total comprehensive income	**0**	**0**	**0**	**- 103**	**144**	**1 152**	**11**	**1 204**	**0**	**22**	**1 226**
Dividends	0	0	0	0	0	- 850	0	- 850	0	0	- 850
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 1	0	- 1	0	0	- 1
Change in minorities	0	0	0	0	0	0	0	0	0	- 29	- 29
Total change	**0**	**0**	**0**	**- 103**	**144**	**301**	**11**	**353**	**0**	**- 7**	**346**
Balance at the end of the period	**1 245**	**4 340**	**- 1 529**	**- 37**	**- 299**	**8 050**	**- 271**	**11 500**	**7 000**	**520**	**19 020**
of which revaluation reserve for shares				401							
of which revaluation reserve for bonds				- 438							
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				- 17			12	- 5			- 5

The changes in equity of the first half year 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	1H 2010	1H 2011
Net cash from (used in) operating activities	10 970	1 923
Net cash from (used in) investing activities	- 593	- 36
Net cash from (used in) financing activities	928	- 882
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	11 304	1 004
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	1 400	- 782
Cash and cash equivalents at the end of the period	18 192	17 930

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: 29 million euros (amount at 30 June 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 -230 million euros for the first half of 2011.

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 1H 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)
- Merchant Banking (commercial banking and market activities in Belgium and selected countries in Europe, America and Southeast Asia; companies that are planned for divestment are moved to Group Centre)
- Group Centre (companies that are planned for divestment, as well as KBC Group NV, KBC Global Services NV and some allocated costs (the allocation of results of KBC Bank Belgium and KBC Insurance NV to the Group Centre are limited to those results that cannot be allocated in a reliable way to other segments).

On the 13th of July, KBC Group NV has applied to the European Commission to amend its strategic plan (see further in note on Post-balance sheet events). On 27 July KBC Group has received approval from the European Commission to amend its strategic plan. This amendment will change the segment reporting of the KBC Group (retroactively) and will take effect as of 3Q 2011.

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

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

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

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

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

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

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

Reconciliation between underlying result and result according to IFRS [1] KBC Group, in millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Result after tax, attributable to equity holders of the parent, UNDERLYING	554	658	528	1097	1186
+ MTM of derivatives for ALM hedging	-179	96	-77	-236	19
+ gains/losses on CDOs	326	124	-86	502	39
+ MTM of CDO guarantee and commitment fee	-18	-10	-22	-51	-31
+ impairment on goodwill (and associated companies)	-1	0	-17	-28	-17
+ result on legacy structured derivative business (KBC FP)	-210	14	43	-336	57
+ MTM of own debt issued	33	-16	-25	31	-41
+ Results on divestments	-338	-45	-12	-338	-56
+ other	-18	0	0	-51	0
Result after tax, attributable to equity holders of the parent: IFRS	149	821	333	591	1154

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 second quarter of 2011, the market price for corporate credit, reflected in credit default swap spreads, decreased generating a value mark-down of KBC's CDO exposure. The negative earnings impact from CDO revaluation amounted to -0.1 billion euros for 2Q 2011 (+0.1 billion euros for 1H 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 - 1H 2010						
Net interest income	1 112	901	391	333	0	2 738
Earned premiums, insurance (before reinsurance)	1 561	661	0	232	- 59	2 395
Non-life	523	383	0	85	- 22	969
Life	1 038	278	0	146	- 36	1 426
Technical charges, insurance (before reinsurance)	- 1 544	- 566	0	- 223	36	- 2 297
Non-life	- 339	- 321	0	- 47	- 2	- 709
Life	- 1 206	- 245	0	- 176	38	- 1 589
Ceded reinsurance result	6	23	0	- 4	16	41
Dividend income	29	2	3	10	0	43
Net result from financial instruments at fair value through profit or loss	46	81	276	64	0	467
Net realised result from available-for-sale assets	15	25	2	23	0	64
Net fee and commission income	399	148	117	218	0	883
Other net income	57	39	54	10	- 8	153
TOTAL INCOME	**1 682**	**1 313**	**843**	**663**	**- 14**	**4 487**
Operating expenses	- 800	- 703	- 277	- 540	14	- 2 307
Impairment	- 42	- 228	- 310	- 74	0	- 653
on loans and receivables	- 28	- 225	- 308	- 72	0	- 633
on available-for-sale assets	- 14	0	- 2	- 2	0	- 18
on goodwill	0	0	0	0	0	0
on other	0	- 2	0	0	0	- 2
Share in results of associated companies	0	1	0	- 11	0	- 10
RESULT BEFORE TAX	**840**	**382**	**255**	**38**	**0**	**1 516**
Income tax expense	- 260	- 50	- 43	- 54	0	- 407
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**580**	**333**	**212**	**- 16**	**0**	**1 109**
attributable to minority interests	3	110	7	- 108	0	12
attributable to equity holders of the parent	**577**	**222**	**206**	**93**	**0**	**1 097**
INCOME STATEMENT - underlying results - 1H 2011						
Net interest income	1 148	943	348	325	0	2 764
Earned premiums, insurance (before reinsurance)	1 128	808	0	225	- 46	2 116
Non-life	428	427	0	81	- 18	918
Life	699	382	0	144	- 28	1 197
Technical charges, insurance (before reinsurance)	- 1 100	- 576	0	- 215	32	- 1 859
Non-life	- 208	- 232	0	- 42	3	- 479
Life	- 892	- 345	0	- 173	29	- 1 381
Ceded reinsurance result	- 9	- 22	0	- 2	7	- 26
Dividend income	32	1	4	8	0	45
Net result from financial instruments at fair value through profit or loss	22	54	300	- 15	0	361
Net realised result from available-for-sale assets	46	9	14	25	0	95
Net fee and commission income	365	144	104	181	0	794
Other net income	78	27	39	9	- 8	145
TOTAL INCOME	**1 709**	**1 389**	**809**	**542**	**- 15**	**4 434**
Operating expenses	- 875	- 829	- 294	- 398	15	- 2 382
Impairment	- 89	- 162	- 169	- 19	0	- 439
on loans and receivables	- 27	- 101	- 152	20	0	- 261
on available-for-sale assets	- 57	- 53	- 1	- 30	0	- 141
on goodwill	0	0	0	0	0	0
on other	- 5	- 8	- 16	- 8	0	- 37
Share in results of associated companies	0	1	0	1	0	1
RESULT BEFORE TAX	**745**	**399**	**345**	**125**	**0**	**1 615**
Income tax expense	- 226	- 49	- 99	- 36	0	- 410
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**520**	**350**	**247**	**89**	**0**	**1 206**
attributable to minority interests	1	111	7	- 99	0	20
attributable to equity holders of the parent	**518**	**239**	**240**	**189**	**0**	**1 186**

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 30-06-2011					
Total loans to customers	53 364	32 789	49 876	7 153	143 182
Of which mortgage loans	27 833	15 099	12 550	1 249	56 731
Of which reverse repos	0	20	7 487	0	7 508
Customer deposits	70 802	44 941	69 653	2 720	188 116
Of which repos	0	3 086	13 642	0	16 728

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

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

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

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
1H 2010				
Total income from external customers (underlying)	2 012	1 472	1 002	4 487
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
1H 2011				
Total income from external customers (underlying)	2 077	1 566	790	4 434
30-06-2011				
Total assets (period-end)	205 095	62 636	45 168	312 899
Total liabilities (period-end)	191 318	56 479	46 082	293 879

Other notes

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

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Total	1 567	1 395	1 406	3 086	2 801
Interest income	2 651	3 047	3 195	5 273	6 241
Available-for-sale assets	496	467	481	969	948
Loans and receivables	1 674	1 628	1 671	3 325	3 299
Held-to-maturity investments	135	140	160	268	299
Other assets not at fair value	8	8	8	15	17
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 313	*2 242*	*2 321*	*4 577*	*4 563*
Financial assets held for trading	93	547	620	197	1 167 (*)
Hedging derivatives	92	108	134	166	242
Other financial assets at fair value through profit or loss	153	149	121	332	270
Interest expense	- 1 085	- 1 651	- 1 789	- 2 187	- 3 440
Financial liabilities measured at amortised cost	- 782	- 773	- 828	- 1 587	- 1 601
Other	6	0	0	2	- 1
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	- 777	- 773	- 828	- 1 585	- 1 601
Financial liabilities held for trading	- 26	- 616	- 667	- 47	- 1 283 (*)
Hedging derivatives	- 213	- 197	- 215	- 417	- 411
Other financial liabilities at fair value through profit or loss	- 68	- 65	- 79	- 138	- 144

(*) including interest on ALM derivatives as of 1H 2011: +1 023 million euro interest income and -1 253 million euro interest expense

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

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Total	30	34	42	50	76
Breakdown by portfolio					
Fixed-income securities	20	7	3	36	10
Shares	10	27	39	14	66

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

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Total	336	300	297	658	597
Fee and commission income	578	518	530	1 127	1 048
Securities and asset management	314	245	235	599	480
Margin on deposit accounting (life insurance investment contracts without DPF)	5	9	10	12	19
Commitment credit	70	70	73	134	143
Payments	126	135	137	251	273
Other	63	58	76	131	134
Fee and commission expense	- 242	- 218	- 233	- 469	- 452
Commission paid to intermediaries	- 117	- 122	- 120	- 249	- 242
Other	- 126	- 97	- 113	- 220	- 210

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

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Total	182	92	110	280	202
Of which net realised result following					
The sale of loans and receivables	1	- 2	- 10	4	- 12
The sale of held-to-maturity investments	1	0	0	0	0
The sale of financial liabilities measured at amortised cost	0	0	- 1	0	- 1
Other: of which:	180	94	121	276	215
Irregularities in KBC Lease UK	0	0	2	0	2
Income concerning leasing at the KBC Lease-group	14	21	23	36	44
Income from consolidated private equity participations	14	16	12	27	28
Income from Group VAB	12	17	15	33	32
Moratorium interests on tax recuperation	14	0	0	14	0
Realised gain on sale of building Louvain	0	0	15	0	15
Realised gains or losses on divestments	0	- 5	20	0	15

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

	Life	Non-life	Non-technical account	TOTAL
1H 2010				
Technical result	- 210	134	17	- 59
Earned premiums, insurance (before reinsurance)	1 429	979	0	2 408
Technical charges, insurance (before reinsurance)	- 1 591	- 710	0	- 2 301
Net fee and commission income	- 46	- 180	19	- 206
Ceded reinsurance result	- 1	44	- 2	41
Financial result	424	108	- 14	517
Net interest income			504	504
Dividend income			31	31
Net result from financial instruments at fair value			- 44	- 44
Net realised result from AFS assets			26	26
Allocation to the technical accounts	424	108	- 532	0
Operating expenses	- 64	- 172	- 4	- 240
Internal costs claim paid	- 4	- 36	0	- 41
Administration costs related to acquisitions	- 19	- 46	0	- 65
Administration costs	- 41	- 90	0	- 130
Management costs investments	0	0	- 4	- 4
Other net income			- 3	- 3
Impairments			- 14	- 14
Share in results of associated companies			0	0
RESULT BEFORE TAX	150	69	- 17	202
Income tax expense				- 69
Net post-tax result from discontinued operations				7
RESULT AFTER TAX	150	69	- 17	141
attributable to minority interest				2
attributable to equity holders of the parent				**138**
1H 2011				
Technical result	- 233	262	22	51
Earned premiums, insurance (before reinsurance)	1 199	929	0	2 128
Technical charges, insurance (before reinsurance)	- 1 376	- 479	0	- 1 855
Net fee and commission income	- 54	- 164	22	- 196
Ceded reinsurance result	- 1	- 24	0	- 25
Financial result	438	92	57	587
Net interest income			512	512
Dividend income			34	34
Net result from financial instruments at fair value			- 8	- 8
Net realised result from AFS assets			49	49
Allocation to the technical accounts	438	92	- 530	0
Operating expenses	- 73	- 180	- 4	- 256
Internal costs claim paid	- 4	- 37	0	- 41
Administration costs related to acquisitions	- 20	- 48	0	- 69
Administration costs	- 49	- 94	0	- 143
Management costs investments	0	0	- 4	- 4
Other net income			28	28
Impairments			- 83	- 83
Share in results of associated companies			0	0
RESULT BEFORE TAX	132	174	20	327
Income tax expense				- 96
Net post-tax result from discontinued operations				4
RESULT AFTER TAX				235
attributable to minority interest				2
attributable to equity holders of the parent				**233**

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	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
Total	- 299	- 105	- 332	- 681	- 437
Impairment on loans and receivables	- 278	- 97	- 164	- 633	- 260
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 292	- 119	- 182	- 584	- 301
Provisions for off-balance-sheet credit commitments	- 10	8	- 1	- 8	7
Portfolio-based impairments	24	15	19	- 41	34
Breakdown by business unit					
Belgium	- 25	- 11	- 16	- 28	- 27
Central and Eastern Europe	- 114	- 48	- 54	- 225	- 101
Merchant Banking	- 89	- 57	- 95	- 308	- 152
Group Centre	- 49	19	2	- 72	20
Impairment on available-for-sale assets	- 16	- 6	- 118	- 17	- 124
Breakdown by type					
Shares	- 17	- 6	- 14	- 17	- 20
Other	0	0	- 104	0	- 104
Impairment on goodwill	- 1	0	- 17	- 28	- 17
Impairment on other	- 3	- 2	- 33	- 2	- 35
Intangible assets, other than goodwill	0	0	0	0	0
Property and equipment and investment property	- 1	0	- 13	- 1	- 12
Held-to-maturity assets	0	0	- 16	0	- 16
Associated companies (goodwill)	0	0	0	0	0
Other	- 1	- 2	- 4	- 1	- 7

The impairment charge on AFS (104 million euros) and HTM bonds (16 million euros) in 2Q11 is almost entirely related to impairment charges on Greek bonds. More information on this impairment charge can be found in note 47 Risk Management (Overview of sovereign risk on selected European countries).

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, 30-06-2011									
Loans and advances to credit institutions and investment firms[a]	4 376	2 007	0	12 842	-	-	-	19 225	
Loans and advances to customers [b]	31	8 072	0	135 079	-	-	-	143 182	
Discount and acceptance credit	0	0	0	81	-	-	-	81	
Consumer credit	0	0	0	4 090	-	-	-	4 090	
Mortgage loans	0	224	0	56 507	-	-	-	56 731	
Term loans	31	7 834	0	60 953	-	-	-	68 818	
Finance leasing	0	0	0	4 731	-	-	-	4 731	
Current account advances	0	0	0	5 297	-	-	-	5 297	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	14	0	3 419	-	-	-	3 434	
Equity instruments	1 316	19	2 003	-	-	-	-	3 337	
Investment contracts (insurance)		7 363	-	-	-	-	-	7 363	
Debt instruments issued by	8 178	7 636	49 227	3 059	13 706	-	-	81 807	
Public bodies	5 913	6 814	39 772	147	12 868	-	-	65 514	
Credit institutions and investment firms	1 156	270	4 665	226	543	-	-	6 861	
Corporates	1 110	552	4 789	2 686	295	-	-	9 431	
Derivatives	13 454	-	-	-	-	255	-	13 708	
Total carrying value excluding accrued interest income	27 355	25 097	51 229	150 981	13 706	255	0	268 623	
Accrued interest income	80	156	842	584	268	100	0	2 030	
Total carrying value including accrued interest income	27 435	25 254	52 071	151 565	13 974	355	0	270 653	
[a] *Of which reverse repos*								*7 143*	
[b] *Of which reverse repos*								*7 508*	

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, 30-06-2011									
Deposits from credit institutions and investment firms [a c]	19	2 932	-	-	-	-	19 934	22 886	
Deposits from customers and debt certificates [b]	389	23 199	-	-	-	-	164 528	188 116	
Deposits from customers	0	18 352	-	-	-	-	130 678	149 030	
Demand deposits	0	69	-	-	-	-	48 427	48 496	
Time deposits	0	18 281	-	-	-	-	43 064	61 346	
Savings deposits	0	0	-	-	-	-	33 670	33 670	
Special deposits	0	0	-	-	-	-	4 068	4 068	
Other deposits	0	2	-	-	-	-	1 448	1 450	
Debt certificates	389	4 846	-	-	-	-	33 851	39 086	
Certificates of deposit	0	49	-	-	-	-	9 609	9 658	
Customer savings certificates	0	0	-	-	-	-	780	780	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	389	4 547	-	-	-	-	14 911	19 847	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	250	-	-	-	-	8 551	8 801	
Liabilities under investment contracts	-	6 448	-	-	-	-	190	6 638	
Derivatives	19 069	0	-	-	-	666	-	19 735	
Short positions	470	0	-	-	-	-	-	470	
in equity instruments	24	0	-	-	-	-	-	24	
in debt instruments	447	0	-	-	-	-	-	447	
Other	0	139	-	-	-	-	2 971	3 111	
Total carrying value excluding accrued interest expense	19 947	32 718	-	-	-	666	187 624	240 956	
Accrued interest expense	17	164	-	-	-	239	998	1 418	
Total carrying value including accrued interest expense	19 965	32 882	-	-	-	905	188 622	242 374	
[a] *Of which repos*								*3 189*	
[b] *Of which repos*								*16 728*	

Additional information on quarterly time series:

Total customer loans excluding reverse repo

In millions of EUR	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011
Total	143 713	142 413	141 179	134 214	135 674
Breakdown per business unit					
Belgium	51 186	51 554	51 961	52 413	53 364
Central and Eastern Europe	30 733	31 714	31 724	32 005	32 769
Merchant Banking	45 854	44 284	42 752	42 561	42 389
Group Centre (*)	15 941	14 861	14 742	7 235	7 153

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

Total mortgage loans

In millions of EUR	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011
Total	60 056	60 879	61 577	55 795	56 731
Breakdown per business unit					
Belgium	25 987	26 466	26 952	27 337	27 833
Central and Eastern Europe	13 625	14 157	14 506	14 552	15 099
Merchant Banking	13 162	13 025	12 809	12 633	12 550
Group Centre (*)	7 282	7 231	7 310	1 274	1 249

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

Total customer deposits excluding repos

In millions of EUR	30-06-2010	30-09-2010	31-12-2010	31-03-2011	30-06-2011
Total	183 011	183 219	182 473	173 492	171 388
Breakdown per business unit					
Belgium	66 814	66 570	67 663	68 554	70 802
Central and Eastern Europe	40 022	40 567	41 032	41 809	41 856
Merchant Banking	61 534	61 793	61 360	60 175	56 010
Group Centre (*)	14 642	14 289	12 418	2 955	2 720

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

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-06-2010		30-09-2010		31-12-2010		31-03-2011		30-06-2011	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	17 957	7 034	18 327	7 117	18 770	7 330	18 704	7 267	18 885	7 356
Breakdown per business unit										
Belgium	14 655	6 073	14 959	6 076	15 343	6 294	15 260	6 148	15 374	6 217
Central and Eastern Europe	1 045	858	1 063	939	1 056	932	1 097	1 016	1 123	1 038
Group Centre	2 257	102	2 305	103	2 371	105	2 347	103	2 389	100

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

Possible outfow:
In April and May 2008 KBC Bank and its subsidiaries sold structured 5/5/5 bonds 'First to default' with maturity in April and May 2013 to retail customers for a total amount of 670 million EUR.
The 5/5/5 bonds are linked to the creditworthiness of Belgium, France, Spain, Italy and Greece. A credit event in one of these countries would adversely affect the capital invested and no further coupons would be paid.
As a result of the successive downgrades of Greek bonds KBC Bank decided for commercial reasons to offer comfort to all holders of the 5/5/5 notes, by proactively clarifying KBC's contingent intention to purchase the notes, at a price equal to the invested capital less any coupons paid by the issuer (all amounts before costs and taxes), whereby such intention is conditional on the occurrence of a credit event. Until the date of this disclosure no credit event occured.
A credit event will have a negative financial impact for KBC if the amount of the recoverable value of the bond in which the credit event occurs is below nominal capital minus paid coupons

See further in the annual report for other information regarding provisions for risks and charges.

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

in number of shares	31-12-2010	30-06-2011
Ordinary shares	357 938 193	357 938 193
of which ordinary shares that entitle the holder to a dividend payment	*344 557 548*	*344 577 616*
of which treasury shares	*18 171 795*	*18 169 054*
Non-voting core-capital securities	237 288 134	237 288 134
Other information		
Par value per ordinary share (in euros)	3,48	3,48
Number of shares issued but not fully paid up	0	0

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

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. As at 30 June 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 6 months of 2011, there was no significant change in related parties compared to the end of 2010. In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the second quarter 2011 results is the related cost (-34 million euros; -48 million euro for 1H 2011), which is recognised in 'Net result from financial instruments at fair value through profit or loss'. During the second quarter of 2011, KBC paid a coupon on the non-voting core capital securities subscribed by the Belgian Federal and Flemish Regional governments for a total amount of 595 million euro.

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

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
		1 H 2010	1 H 2011	
For income statement comparison				
Additions				
None				
Exclusions				
Secura	Full	95,04%	------	Sold in 4Q2010
KBC Peel Hunt Ltd.	Full	100,00%	------	Sold in 4Q2010
KBC Financial Products Group	Full	100,00%	100,00%	Sale of a number of activities in 2010
Name Changes				
Assurisk became KBC Group Re SA				
Changes in ownership percentage and internal mergers				
Nova Ljubljanska banka	Equity	30,57%	25,00%	Decrease with 5,57% (1Q11)
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)
For balance sheet comparison		31/12/2010	30/06/2011	
Additions				
None				
Exclusions				
None				
Name Changes				
Assurisk became KBC Group Re SA				
Changes in ownership percentage and internal mergers				
Nova Ljubljanska banka	Equity	30,57%	25,00%	Decrease with 5,57% (1Q11)
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)

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

Situation as at 30 June 2011

On 30 June 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 30 June 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. The sale was closed on the 1st of July.

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

In millions of EUR	2Q 2010	1Q 2011	2Q 2011	1H 2010	1H 2011
A: DISCONTINUED OPERATIONS					
Income statement					
Income statement KBL EPB (including Vitis Life)					
Net interest income	37	35	40	78	74
Net fee and commission income	101	98	89	199	187
Other income	36	23	2	50	25
Total income	175	156	131	327	287
Operating expenses	- 125	- 108	- 97	- 234	- 205
Impairment	0	- 1	- 18	0	- 19
Share in results of associated companies	1	0	0	1	0
Result before tax	50	48	15	94	63
Income tax expense	- 19	- 11	- 4	- 32	- 15
Result after tax	**31**	**37**	**11**	**62**	**48**
Result of sale of KBL EPB (including Vitis Life)					
Impairment loss recognised on the remeasurement to fair value less costs to sell	- 333	- 37	- 11	- 333	- 48
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0
Result of sale after tax	- 333	- 37	- 11	- 333	- 48
Net post-tax result from discontinued operations	**- 302**	**0**	**0**	**- 271**	**0**
Cashflow statement KBL EPB (including Vitis Life)					
Net cash from (used in) operating activities				- 451	1 591
Net cash from (used in) investing activities				- 14	- 12
Net cash from (used in) financing activities				0	- 400
Net cash outflow/inflow				**- 465**	**1 180**

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

Balance sheet	31-12-2010	*of which: Discon-tinued operations*	30-06-2011	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	437	*437*	274	*252*
Financial assets	11 359	*11 299*	21 324	*11 465*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	7	*7*	5	*5*
Tax assets	83	*83*	107	*55*
Investments in associated companies	14	*14*	12	*12*
Investment property and property and equipment	240	*234*	252	*230*
Goodwill and other intangible assets	690	*690*	648	*648*
Other assets	109	*101*	126	*126*
Total assets	12 938	*12 863*	*22 749*	*12 792*
Liabilities				
Financial liabilities	12 489	*12 489*	21 529	*12 892*
Technical provisions insurance, before reinsurance	466	*466*	449	*449*
Tax liabilities	11	*11*	5	*8*
Provisions for risks and charges	28	*28*	29	*26*
Other liabilities	349	*348*	364	*351*
Total liabilities	13 341	*13 341*	*22 376*	*13 725*
Other comprehensive income				
Available-for-sale reserve	9	*8*	- 23	*- 5*
Deferred tax on available-for-sale reserve	- 6	*- 6*	6	*0*
Translation differences	10	*10*	12	*12*
Total other comprehensive income	12	*12*	*- 5*	*7*

Risk management (note 47 in the annual accounts 2010)

Overview of sovereign risk on selected European countries:

Sovereign bonds on selected European countries, in billions of EUR, 30-06-2011, 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**	0,5	0,0	0,5	0,0	0,2	0,3***
Portugal	0,3	0,0	0,3	0,0	0,1	0,2
Spain	2,2	0,0	2,2	0,1	0,5	1,6
Italy	6,1	0,1	6,2	0,9	0,5	4,8
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.
** The banking and insurance book consists of 0.3 billion euros AFS and 0.1 billion euros HTM and 0.1 billion euros FIV
*** of which matured after 2020: 0,04

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

In 2Q11, KBC considers Greek government bonds with maturities up to and including 2020 to be impaired due to the current state of the Greek economy, current discussions on restructuring the debt, downgrades of the debt, strongly decreased fair values, very high credit spreads and the expectation that financial institutions will participate in the restructuring plan put forth on 21 July 2011 which includes significant private sector support. For Greek government bonds maturing after 2020, KBC assessed the bonds not to be impaired since these bonds are not included in the scope of the private sector support.

Following impairments were recorded on the Greek bonds as per 30 June 2011:

For the AFS portfolio:

> The impairment is calculated as the difference between the amortized cost amount and the fair value as of 30 June 2011. This results in a reversal of the AFS revaluation reserve and the recognition of the impairment loss in the income statement of EUR 122 Million before taxes.

For the HTM portfolio:

> The impairment is assessed to be 21% of the notional amount, resulting in an impairment loss of EUR 17 Million before taxes recognized in the income statement. This assessment is considered to be a best estimate of the recoverable amount (in line with the IIF proposal).

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

Total P&L impact is an impairment loss of EUR 139 Million before taxes (EUR 102 Million after taxes) of which EUR 18 Million before taxes (EUR 13 Million after taxes) relate to KBL which is recorded in the line "Net post-tax result from discontinued operations".

In case an exchange of Greek government bonds in line with the IIF proposal leads to a 21% net present value loss, this would lead to a positive P&L-impact on the AFS portfolio in the future (approximate positive impact of 37 million Euro pre-tax).

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

Over Q2, KBC booked fair value changes in the P&L for a total amount of EUR -55 million (of which EUR -38 million on Italy and EUR -18 million on Greece; impact including fair value change of the related ALM derivatives; for 1H11, the impact is limited to EUR +7 million of which EUR +24 million on Italy and EUR -17 million on Greece) on the sovereign bonds designated at fair value through profit and loss and a trading result of EUR -2 million (for 1H11: EUR -1 million). KBC booked almost no realised results on sales of available-for-sale sovereign bonds.

At 30 June 2011, the carrying amounts of the AFS bonds contained a negative revaluation. This effect is included in the revaluation reserves AFS for a total amount after tax of -172 million EUR (Greece: -23 million related to bonds after 2020, Italy:-20 million, Portugal: -22 million, Spain: -71 million, Ireland: -42 million and Hungary +5 million).

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

Significant events between the balance sheet date (30 June 2011) and the publication of this report (09 August 2011)

- Centea: On 1 july 2011, KBC Group NV and Crédit Agricole Group (Belgium) finalised the sale of Centea for an amount of 527 million euros. Besides the sale price, KBC has received a dividend of 66 million euros from Centea for financial year 2010. This sale was previously announced in a press release on 4 March 2011. The 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%. The gain on this deal is limited.

- Strategic plan: On 13 july 2011, KBC Group applied to the European Commission to amend the strategic plan which was submitted on 30 September 2009 and which the European Commission approved on 18 November 2009 (the 'EC Decision'). KBC and the Belgian Authorities formally applied to the European Commission for its approval to replace the planned IPOs of a minority stake of CSOB Bank and K&H Bank and the sale and lease back of KBC's headquarter offices in Belgium by the divestment of KBC's Polish banking subsidiary (Kredyt Bank) and insurance subsidiary (Warta) and the sale or unwind of selected ABS and CDO assets. On 27 July 2011 KBC Group received approval from the European Commission to amend its strategic plan.

- Greece: on July 21, the members of the IIF (The Institute of International Finance) and other major financial institutions extended a financing offer to Greece. As part of a comprehensive plan, including additional support by the EU and the IMF, the finance sector is prepared to participate in a voluntary program of debt exchange. This will roughly result in a 21% loss for the private holders of these bonds. More information on the exposure on Greece can be found in note 47 Risk Management (Overview of sovereign risk on selected European countries).

Auditor’s report

Report of the statutory auditor to the shareholders of KBC Group nv on the review of the interim condensed consolidated financial statements as of 30 June 2011 and for the six months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the “Company”) as at 30 June 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 six-month period then ended,
and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* (“IAS 34”) as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review (“revue limitée/beperkt nazicht” as defined by the “Institut des Reviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren”) in accordance with the recommendation of the “Institut des Reviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren” applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the “Institut des Reviseurs d’Entreprises/Instituut van de Bedrijfsrevisoren” and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Brussels, 9 August 2011

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek Partner	Peter Telders Partner

12PVDB0006

Risk and capital management

KBC Group, 2Q 2011 and 1H 2011

Not reviewed by the auditors

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

Credit Risk

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of 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 Banking activities excl. KBL-EPB[1])	31-12-2010[2]	30-06-2011
Total loan portfolio (in billions of EUR)		
Amount granted	192	191
Amount outstanding	161	162
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	31%	32%
CEE	23%	24%
Merchant Banking	36%	35%
Group Centre (including planned divestments)	10%	10%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 950	10 431
Specific loan impairments	4 696	4 319
Portfolio-based loan impairments	353	323
Credit cost ratio, per business unit		
Belgium	0.15%	0.10%
CEE	1.22%	0.53%
Czech Republic	0.75%	0.32%
Slovakia	0.96%	0.41%
Hungary	1.98%	1.39%
Poland	1.45%	0.23%
Bulgaria	2.00%	1.90%
Merchant Banking	1.38%	0.58%
Group Centre (including planned divestments)	1.03%	-0.25%
Total	0.91%	0.32%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	6 551	6 941
Specific loan impairments for NP loans	3 283	3 396
Non-performing ratio, per business unit		
Belgium	1.5%	1.5%
CEE	5.6%	5.3%
Merchant Banking	5.2%	6.4%
Group Centre (including planned divestments)	5.3%	4.6%
Total	4.1%	4.3%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	49%
Idem, excluding mortgage loans	60%	58%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	77%	67%
Idem, excluding mortgage loans	96%	83%

1 Including Centea.
2 Note that, previous interim report showed figures including KBL EPB instead of KBC Banking activity excl. KBL-EPB. Both on granted and outstanding amount the difference is approximately 3 billion EUR.

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

Loan portfolio Business Unit Belgium

30-06-2011, in millions of EUR

	Belgium		
Total outstanding amount	55 177		
Counterparty break down		*% outst.*	
SME / corporate	1 739	*3,2%*	
retail	53 438	*96,8%*	
o/w private	29 044	*52,6%*	
o/w companies	24 394	*44,2%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	27 792	*50,4%*	51%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	5 555	*10,1%*	-
o/w LTV > 100%	1 166	*2,1%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1- 4; 0.00%-0.80%)	44 354	*80,4%*	
medium risk (pd 5-7; 0.80%-6.40%)	7 986	*14,5%*	
high risk (pd 8-10; 6.40%-100.00%)	1 910	*3,5%*	
non-performing loans (pd 11 - 12)	853	*1,5%*	
unrated	74	*0,1%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	853	*1,5%*	
provisions for NPL	470		
all provisions (P + NP + portfolio based)	553		
cover NPL by all provisions (specific + portfolio)	65%		
2010 Credit cost ratio (CCR)	0,15%		
YTD 2011 CCR	0,10%		

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

30-06-2011, in millions of EUR	**Czech republic**			**Slovakia**			**Poland**			**Hungary**			**Bulgaria**			**Total CEE**	
Total outstanding amount	19 216			4 127			7 907			6 424			720			38 394	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	5 848	*30,4%*		1 600	*38,8%*		2 666	*33,7%*		2 898	*45,1%*		313	*43,5%*		13 325	*34,7%*
retail	13 368	*69,6%*		2 527	*61,2%*		5 241	*66,3%*		3 526	*54,9%*		406	*56,5%*		25 068	*65,3%*
o/w private	9 842	*51,2%*		1 537	*37,2%*		5 053	*63,9%*		2 787	*43,4%*		236	*32,8%*		19 455	*50,7%*
o/w companies	3 526	*18,4%*		990	*24,0%*		188	*2,4%*		739	*11,5%*		171	*23,7%*		5 613	*14,6%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6 109	*31,8%*	67%	1 282	*31,1%*	57%	4 240	*53,6%*	90%	2 685	*41,8%*	72%	111	*15,4%*	63%	14 428	*37,6%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	2 790	*35,3%*	104%	2 317	*36,1%*	76%	65	*9,0%*	61%	5 171	*13,5%*
o/w vintage 2007 and 2008	2 300	*12,0%*	-	349	*8,5%*	-	2 669	*33,8%*	-	1 372	*21,4%*	-	58	*8,0%*	-	6 748	*17,6%*
o/w LTV > 100%	447	*2,3%*	-	0	*0,0%*	-	1 636	*20,7%*	-	492	*7,7%*	-	11	*1,6%*	-	2 587	*6,7%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	11 852	*61,7%*		2 676	*64,8%*		4 490	*56,8%*		3 419	*53,2%*		4	*0,5%*		22 440	*58,4%*
medium risk (pd 5-7; 0.80%-6.40%)	5 771	*30,0%*		916	*22,2%*		1 898	*24,0%*		1 680	*26,2%*		213	*29,6%*		10 480	*27,3%*
high risk (pd 8-10; 6.40%-100.00%)	872	*4,5%*		164	*4,0%*		781	*9,9%*		721	*11,2%*		172	*23,9%*		2 711	*7,1%*
non-performing loans (pd 11 - 12)	719	*3,7%*		180	*4,4%*		308	*3,9%*		586	*9,1%*		229	*31,8%*		2 021	*5,3%*
unrated	2	*0,0%*		191	*4,6%*		430	*5,4%*		19	*0,3%*		102	*14,1%*		743	*1,9%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	719	*3,7%*		180	*4,4%*		308	*3,9%*		586	*9,1%*		229	*31,8%*		2 021	*5,3%*
provisions for NPL	408			114			233			319			44			1 119	
all provisions (P + NP + portfolio based)	531			153			328			407			47			1 466	
cover NPL by all provisions (specific + portfolio) (2)	74%			85%			107%			69%			21%			73%	
2010 Credit cost ratio (CCR) (3)	0,75%			0,96%			1,45%			1,98%			2,00%			1,22%	
YTD 2011 CCR (local currency) (3)	0,32%			0,41%			0,23%			1,39%			1,90%			0,53%	
Stress tests		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
- if default of the local top 10 corporate names	309	*1,6%*		207	*5,0%*		306	*3,9%*		322	*5,0%*		-	-		1 144	*3,0%*
- on FX mortgages in -30% stress scenario (4)	-	-		-	-		29	*0,4%*		141	*2,2%*		1	*0,2%*		171	*0,4%*
- on FX mortgages in -30%/-30% stress scenario (5)	-	-		-	-		45	*0,6%*		283	*4,4%*		2	*0,3%*		330	*0,9%*

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

30-06-2011, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA		
Total outstanding amount	19.842			21.493			16.906			4.036		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
SME / corporate	19.842	*100,0%*		8.607	*40,0%*		4.020	*23,8%*		4.036	*100,0%*	
retail	0	*0,0%*		12.886	*60,0%*		12.886	*76,2%*		0	*0,0%*	
o/w private	0	*0,0%*		12.886	*60,0%*		12.886	*76,2%*		0	*0,0%*	
o/w companies	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
total	0	*0,0%*	-	12.886	*60,0%*	102%	12.886	*76,2%*	102%	0	*0,0%*	-
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-
o/w vintage 2007 and 2008	0	*0,0%*	-	4.708	*21,9%*	-	4.708	*27,8%*	-	0	*0,0%*	-
o/w LTV > 100%	0	*0,0%*	-	7.121	*33,1%*	-	7.121	*42,1%*	-	0	*0,0%*	-
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	13.023	*65,6%*		10.157	*47,3%*		8.114	*48,0%*		3.189	*79,0%*	
medium risk (pd 5-7; 0.80%-6.40%)	3.986	*20,1%*		5.175	*24,1%*		3.876	*22,9%*		516	*12,8%*	
high risk (pd 8-10; 6.40%-100.00%)	1.087	*5,5%*		3.600	*16,8%*		2.680	*15,9%*		229	*5,7%*	
non-performing loans (pd 11 - 12)	680	*3,4%*		2.509	*11,7%*		2.236	*13,2%*		88	*2,2%*	
unrated	1.066	*5,4%*		52	*0,2%*		0	*0,0%*		14	*0,3%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	680	*3,4%*		2.509	*11,7%*		2.236	*13,2%*		88	*2,2%*	
provisions for NPL	474			780			634			62		
all provisions (P + NP + portfolio based)	626			1.224			834			72		
cover NPL by all provisions (specific + portfolio)	92%			49%			37%			82%		
2010 Credit cost ratio (CCR)	n.a.			n.a.			2,98%			n.a.		
YTD 2011 CCR	n.a.			n.a.			1,11%			n.a.		

30-06-2011, in millions of EUR	Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	1.000			2.313			3.949			52.634	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1.000	*100,0%*		2.313	*100,0%*		3.949	*100,0%*		39.748	*75,5%*
retail	0	*0,0%*		0	*0,0%*		0	*0,0%*		12.886	*24,5%*
o/w private	0	*0,0%*		0	*0,0%*		0	*0,0%*		12.886	*24,5%*
o/w companies	0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12.886	*24,5%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*
o/w vintage 2007 and 2008	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4.708	*8,9%*
o/w LTV > 100%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	7.121	*13,5%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	628	*62,8%*		1.158			2.896	*73,3%*		31.052	*59,0%*
medium risk (pd 5-7; 0.80%-6.40%)	285	*28,5%*		880			948	*24,0%*		11.789	*22,4%*
high risk (pd 8-10; 6.40%-100.00%)	52	*5,2%*		203	*8,8%*		55	*1,4%*		5.227	*9,9%*
non-performing loans (pd 11 - 12)	34	*3,4%*		60	*2,6%*		0	*0,0%*		3.371	*6,4%*
unrated	1	*0,1%*		11			50	*1,3%*		1.193	*2,3%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	34	*3,4%*		60	*2,6%*		0	*0,0%*		3.371	*6,4%*
provisions for NPL	25			59			0			1.399	
all provisions (P + NP + portfolio based)	46			60			29			2.096	
cover NPL by all provisions (specific + portfolio)	134%			99%			-			62%	
2010 Credit cost ratio (CCR)	n.a.			n.a.			n.a.			1,38%	
YTD 2011 CCR	n.a.			n.a.			n.a.			0,58%	

Legend

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

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)

30-06-2011, in millions of EUR	Belgium			CEER			o/w Russia			Western Europe			Global			Total Group Centre (excl. EPB)	
Total outstanding amount	8 573			2 268			2 014			2 373			2 049			15 263	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1 313	*15,3%*		1 165	*51,4%*		1 003	*49,8%*		2 373	*100,0%*		2 049	*100,0%*		6 901	*45,2%*
retail	7 259	*84,7%*		1 103	*48,6%*		1 011	*50,2%*		0	*0,0%*		0	*0,0%*		8 362	*54,8%*
o/w private	6 254	*73,0%*		1 021	*45,0%*		929	*46,1%*		0	*0,0%*		0	*0,0%*		7 275	*47,7%*
o/w companies	1 006	*11,7%*		82	*3,6%*		82	*4,1%*		0	*0,0%*		0	*0,0%*		1 088	*7,1%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6 012	*70,1%*	52%	836	*36,9%*	-	762	*37,9%*	53%	0	*0,0%*	-	0	*0,0%*	-	6 848	*44,9%*
o/w FX mortgages	0	*0,0%*	-	284	*12,5%*	-	210	*10,4%*	49%	0	*0,0%*	-	0	*0,0%*	-	284	*1,9%*
o/w vintage 2007 and 2008	1 149	*13,4%*	-	518	*22,8%*	-	473	*23,5%*	-	0	*0,0%*	-	0	*0,0%*	-	1 667	*10,9%*
o/w LTV > 100%	247	*2,9%*	-	29	*1,3%*	-	18	*0,9%*	-	0	*0,0%*	-	0	*0,0%*	-	276	*1,8%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	5 575	*65,0%*		820	*36,1%*		811	*40,3%*		1 394	*58,7%*		359			8 148	*53,4%*
medium risk (pd 5-7; 0.80%-6.40%)	2 058	*24,0%*		907	*40,0%*		817	*40,6%*		723	*30,5%*		1 490			5 178	*33,9%*
high risk (pd 8-10; 6.40%-100.00%)	593	*6,9%*		127	*5,6%*		108	*5,4%*		178	*7,5%*		187	*9,1%*		1 085	*7,1%*
non-performing loans (pd 11 - 12)	324	*3,8%*		297	*13,1%*		272	*13,5%*		74	*3,1%*		0	*0,0%*		696	*4,6%*
unrated	23	*0,3%*		117	*5,2%*		5	*0,3%*		4	*0,2%*		13			158	*1,0%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	324	*3,8%*		297	*13,1%*		272	*13,5%*		74	*3,1%*		0	*0,0%*		696	*4,6%*
provisions for NPL	173			179			168			57			0			409	
all provisions (P + NP + portfolio based)	182			215			203			88			35			523	
cover NPL by all provisions (specific + portfolio)	56%			72%			74%			118%			0%			75%	
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.			-3,67%			1,11%			0,40%			-0,25%	

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 Bank
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)

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

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('hedged CDO 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 exposure' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

In billions of EUR – 30-06-2011

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*23.8*
o/w hedged CDO exposure	*13.0*
o/w unhedged CDO exposure	*6.7*
o/w other ABS exposure	*4.0*
Cumulative value markdowns (mid 2007 to date)*	-5.8
o/w value markdowns	*-4.8*
for unhedged CDO exposure	*-4.0*
for other ABS exposure	*-0.9*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-0.9*

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

By the end of June 2011 the risk underlying to 'Chiswell' (maturity date at 7 July 2011) was, except for remaining underlying ABS assets, fully reduced. This led to a nominal reduction of exposure by -1.4 billion EUR of hedged exposure and -0.2 billion EUR unhedged.

Moreover, KBC sold its exposure in the Avebury CDO which results in a further reduction of nominal unhedged exposure by -0.5 billion EUR.

KBC also concluded a sale of impaired assets of the ex-Atomium portfolio which led to a reduction in other ABS exposure to the tune of -0.2 billion EUR. Adding further impact of other ABS due to different minor sales and pay-downs and the increase by the remaining underlying ABS of 'Chiswell', the total reduction in other ABS exposures amounts to -0.2 billion EUR.

Since the beginning of 2010, the unhedged CDO positions held by KBC experienced net effective losses caused by claimed settled credit events until 7 July 2011 in the lower tranches of the CDO structure for a total amount of -2.2 billion euro's. Of these, -1.3 billion euro's worth of events have been settled. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.

Protection for CDO exposure

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

In February 2009, MBIA announced a restructuring plan, which included a spin-off of valuable assets, provoking a steep decline in its creditworthiness. The increase of the market value of the underlying swap in combination with the increased counterparty risk, resulted in significant additional negative value adjustments at KBC. Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009.

The contract with the Belgian State has a nominal value of 16 billion EUR[1] of which 13 billion EUR relates to the exposure insured by MBIA. The remaining 3 billion EUR of exposure covered by the contract with the Belgian State relates to the

[1] This excludes the cover for 'Chiswell' since this risk expired.

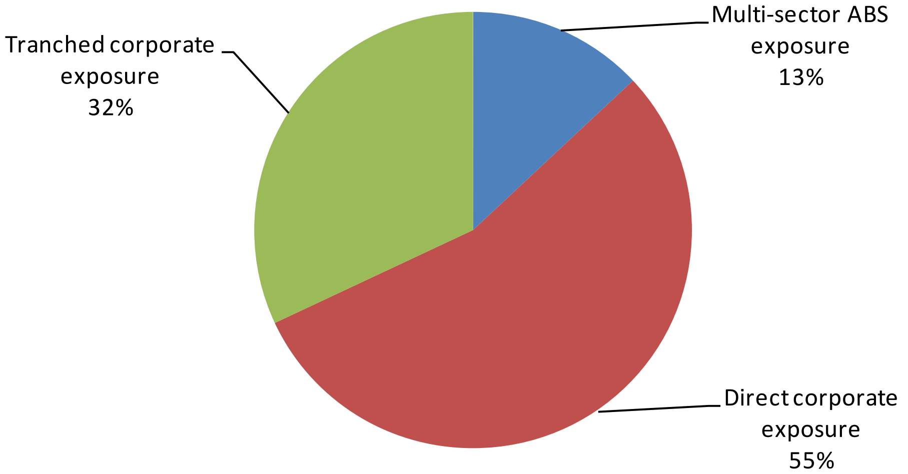
unhedged exposure. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

Details on the hedged CDO exposure (insurance for CDO-linked risks received from MBIA), 30-06-2011
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	13.0
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.3
- CVA for counterparty risk, MBIA	-0.9
(as a % of fair value of insurance coverage received)	70%

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

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



(Average % as of all total notional exposure; figures as per end of June 2011)

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%.
The solvency calculation as at 30 June 2011 does not yet contain the impact of the sale of Centea, which was closed on the 1st of July. For more information on Centea see note on 'Summary of facts and circumstances regarding divestments'.

In millions of EUR	31-12-2010	30-06-2011
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	21 726	22 112
Tier-1 capital	**16 656**	**17 643**
Parent shareholders' equity	11 147	11 500
Non-voting core-capital securities	7 000	7 000 (2)
Intangible fixed assets (-)	- 429	- 434
Goodwill on consolidation (-)	- 2 517	- 2 465
Innovative hybrid tier-1 instruments	598	575 (2)
Non-innovative hybrid tier-1 instruments	1 689	1 690 (2)
Minority interests	161	164
Equity guarantee (Belgian State)	446	412
Revaluation reserve available-for-sale assets (-)	- 66	37
Hedging reserve, cashflow hedges (-)	443	299
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 190	- 148
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	- 3
Equalization reserve (-)	- 128	- 141
Dividend payout (-)	- 854	- 427 (3)
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 243	- 46
Items to be deducted (1) (-)	- 397	- 371
Tier-2 & 3 capital	**5 069**	**4 469**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	392	361
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	132	131
Subordinated liabilities	4 730	4 172
Tier-3 capital	182	146
IRB provision shortfall (50%) (-)	0	0
Items to be deducted (1) (-)	- 397	- 371
Capital requirement		
Total weighted risks	132 034	127 373
Banking	116 129	111 211
Insurance	15 676	15 977
Holding activities	264	271
Elimination of intercompany transactions between banking and holding activities	- 34	- 86
Solvency ratios		
Tier-1 ratio	12,62%	13,85%
Core Tier-1 ratio	10,88%	12,07%
CAD ratio	16,45%	17,36%

(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 w hich KBC Bank has betw een 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

In millions of EUR	31-12-2010 Basel II	30-06-2011 Basel II
Regulatory capital		
Total regulatory capital, KBC Bank (after profit appropriation)	**18 552**	**18 264**
Tier 1-capital	13 809	14 026
Tier 2- & 3-capital	4 743	4 238
Total weighted risk volume	**111 711**	**107 015**
Credit risk	97 683	93 483
Market risk	3 279	2 783
Operational risk	10 749	10 749
Solvency ratios		
Tier-1 ratio	12,36%	13,11%
Core tier-1 ratio	10,48%	11,15%
CAD ratio	16,61%	17,07%

Insurance activities

in millions of EUR	31-12-2010	30-06-2011
Available capital	2 712	2 543
Required solvency margin	1 254	1 278
Solvency ratios and surplus		
Solvency ratio (%)	216%	199%
Solvency surplus, in millions of EUR	1 458	1 265

Presentation

KBC Group, 2Q 2011

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Go to www.kbc.com for the latest update

Important information for investors

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

Content

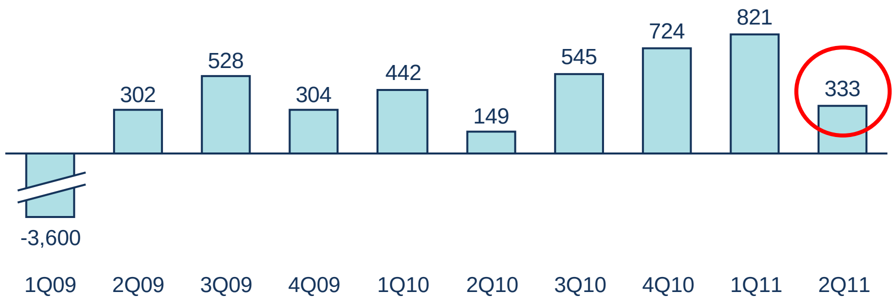
Section 1

2Q 2011

Financial highlights

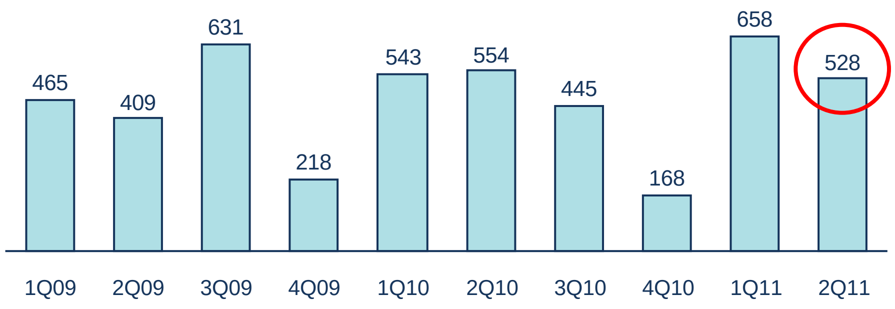
Solid earnings power

Reported net profit

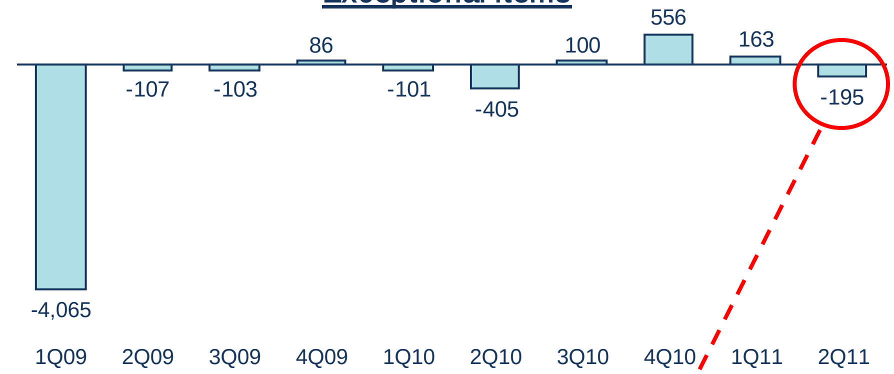


Excluding exceptional items

Underlying net profit



Exceptional items



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 2Q 2011

- Continued high underlying net group profit even after the impact of Greek sovereign bond impairment
- Sustained level of net interest income
- Slight decrease in net fee and commission income, in line with the trend in assets under management given the reduced investors' risk appetite
- Excellent combined ratio of 87% YTD as a result of low claims. Lower life insurance sales due to lower life sales in interest guaranteed products
- Modest level of income generated by the dealing room
- Underlying cost/income ratio at a favourable 56% YTD
- Credit cost ratio at a low 0.32% YTD. Post-tax impairment of 102m EUR for Greece
- Consistently strong liquidity position
- Solvency: continued strong capital base. Pro forma tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 14.3%

Looking forward

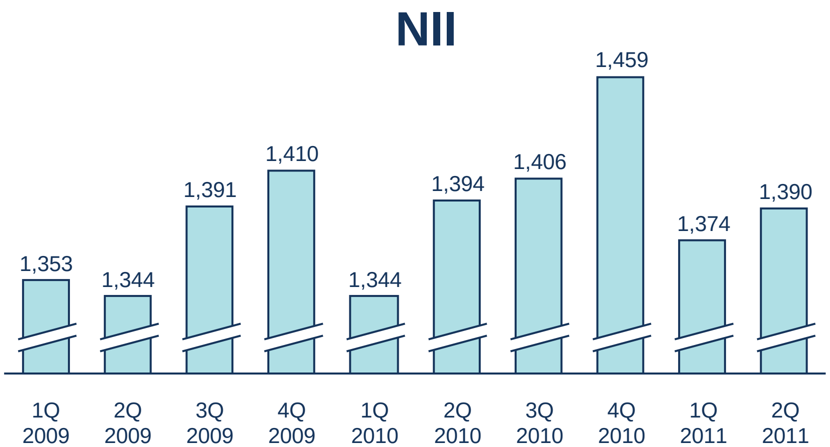
Jan Vanhevel, Group CEO:

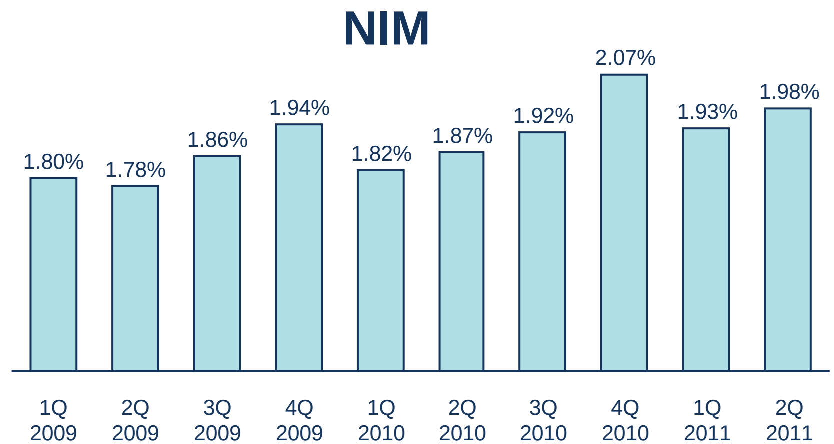
- ‘We continued to make good progress regarding the execution of our strategic plan:
  - During 1Q11, we announced the sale of Centea to Landbouwkrediet. This deal, which was closed on 1 July 2011, will free up around 0.4bn EUR of capital for KBC, primarily by reducing RWAs by 4.2bn EUR, which will ultimately boost KBC’s tier-1 ratio by some 0.4%
  - We have restarted the sale process of KBL *epb*, for which we notice a large interest through non-binding bids
  - The sale process for Fidea is ongoing. Furthermore, a number of companies are still scheduled for divestment as part of the planned reduction of the international loan portfolio. The sale process for KBC Bank Deutschland has started and the files for the sale process for Antwerp Diamond Bank are being prepared
- KBC and the Belgian Authorities received formal approval from the European Commission on 27 July 2011, to replace the planned IPOs of a minority stake in CSOB Bank (Czech Republic) and K&H Bank (Hungary) and the sale and leaseback of KBC’s headquarter offices in Belgium by the divestment of KBC’s Polish banking and insurance subsidiaries, Kredyt Bank and Warta (and their subsidiaries) and the sale or unwinding of selected ABS and CDO assets
- KBC is satisfied that the outcome of the stress tests proves that under these stress scenarios, the bank adequately meets the solvency requirements
- We still believe that costs in 2011 on a like-for-like basis may increase somewhat going forward
- Low loan loss provisions of 1H11 may not be extrapolated in 2H11’

Section 2

2Q 2011 underlying business performance

Revenue trend - Group





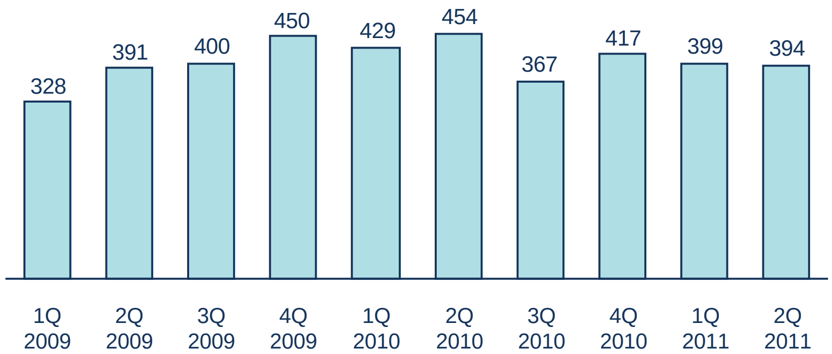
- Net interest income stabilised year-on-year and rose by 1% quarter-on-quarter
- Net interest margin (1.98%)
  - The 5bps q-o-q increase in NIM at group level is for a large part attributable to a technical item
  - Both NIM in Belgium and in Central/Eastern Europe stabilised quarter-on-quarter
- Loan volumes flat year-on-year, despite a further reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus. Deposit volumes fell 2% year-on-year mainly due to a decrease in corporate deposits (BU MEB)

Amounts in m EUR

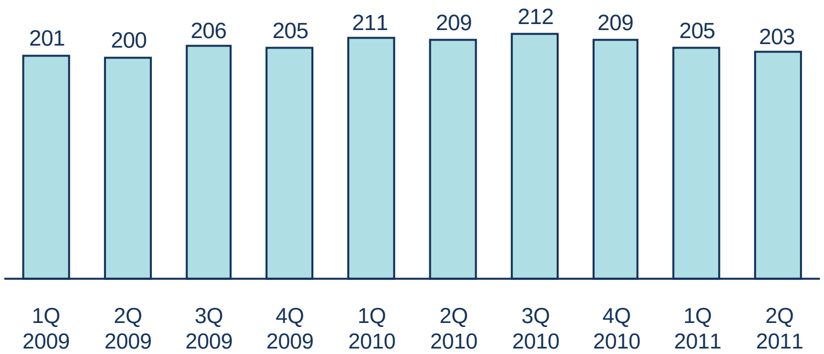
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Revenue trend - Group

F&C



AUM



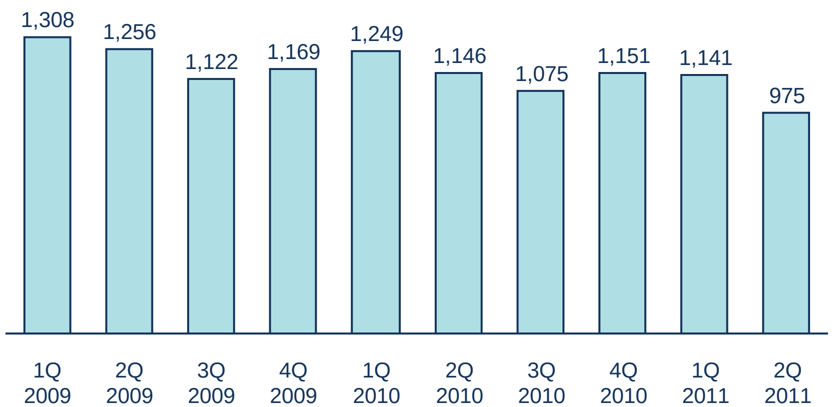
Amounts in bn EUR

- Net fee and commission income fell by 1% quarter-on-quarter and 13% year-on-year
  - Net F&C income from the banking business went down by 1% q-o-q in line with the trend in assets under management
  - Commission paid on the sale of insurance contracts fell by 5% q-o-q
- Assets under management dropped by 3% year-on-year and 1% quarter-on-quarter (caused by a decline in net inflow) to 203bn EUR at the end of 2Q11

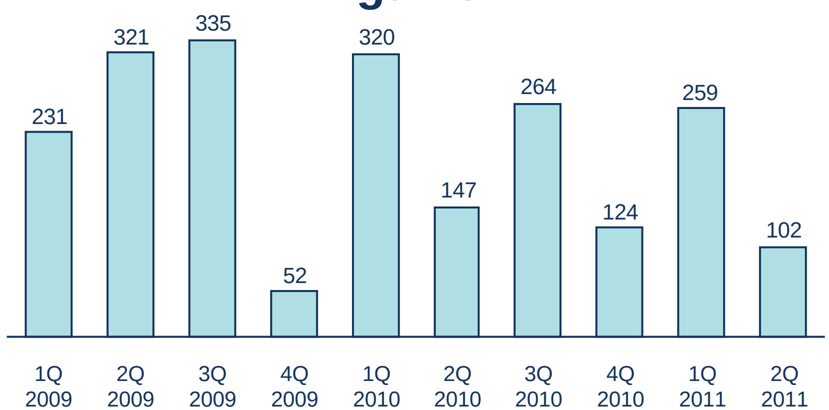
Amounts in m EUR

Revenue trend - Group

Premium income



FV gains

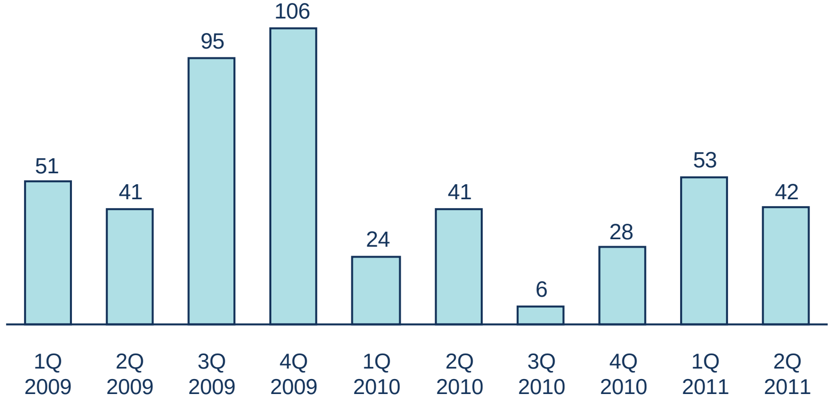


- Insurance premium income at 975m EUR
  - Non-life premium income (468m) up 4% q-o-q and up 7% y-o-y excluding Secura, which was sold in 4Q10
  - Life premium income (507m) down 27% q-o-q and down 24% y-o-y, mainly due to lower sale of guaranteed-interest products at the Belgium Business Unit, but partially compensated by a higher sale of unit-linked products at the Belgium Business Unit
- Excellent combined ratio of 90% in 2Q11, down on the 104% recorded in 2Q10 primarily thanks to a lower level of claims (versus high flooding claims in CEE in 2Q10). Combined ratio of 87% YTD
- The low figure for net gains from financial instruments at fair value (102m EUR) is the result of modest dealing room activity

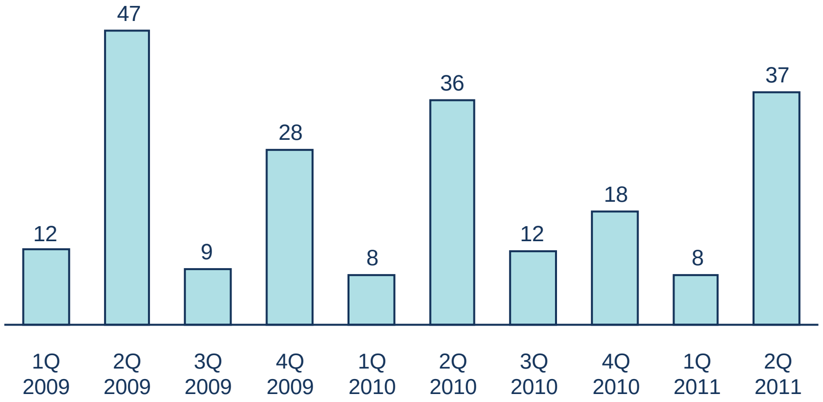
Amounts in m EUR

Revenue trend - Group

Gains realised on AFS



Dividend income

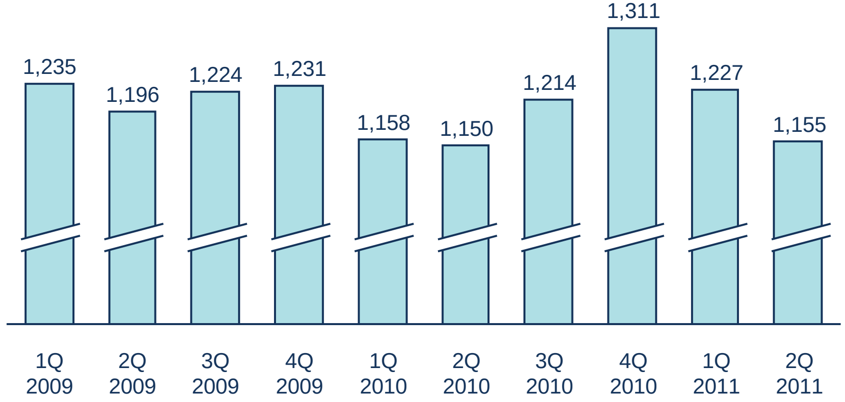


- Gains realised on AFS came to 42m EUR
- Dividend income amounted to 37m EUR (in line with 2Q10)

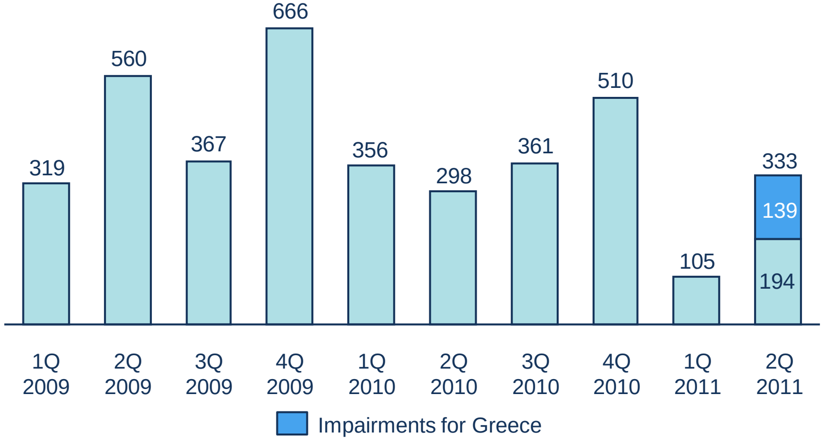
Amounts in m EUR

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Costs remained well under control: -6% q-o-q and flat y-o-y
  - Operating expenses fell by 6% q-o-q to 1,155m EUR in 2Q11 as 1Q11 was impacted by the recognition of the Hungarian bank tax for the full year. Excluding the Hungarian bank tax in 1Q11, operating expenses remained more or less stable
  - Operating expenses remained flat y-o-y in 2Q11, despite higher costs related to the Belgian Deposit Guarantee Scheme in 2Q11. Excluding this extra cost in 2Q11, operating expenses fell by as much as 1% y-o-y
  - Underlying cost/income ratio for banking stood at 56% YTD (in line with full year 2010)

- Substantially higher impairments (333m EUR) due to Greece
  - Quarter-on-quarter increase of 66m EUR in loan loss provisions, mainly due to the lack of impairment releases as in 1Q11
  - Impairment of 139m EUR for Greece (102m EUR post-tax)

Amounts in m EUR

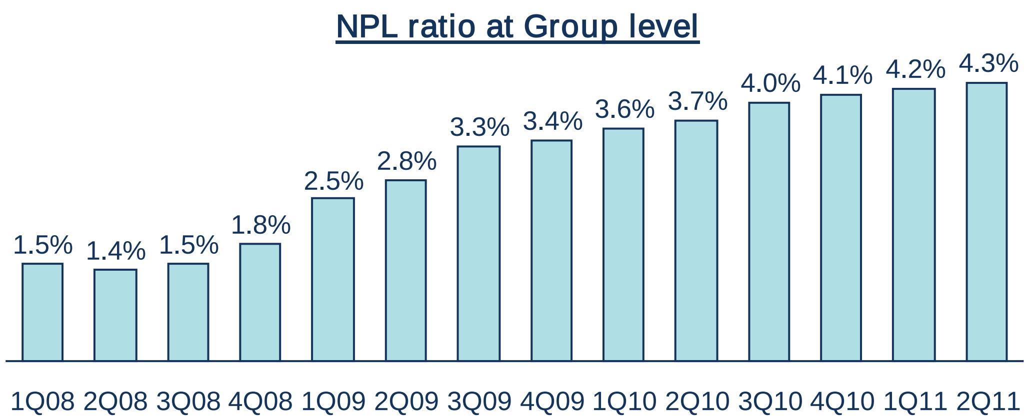
Loan loss provisions

- Credit cost ratio fell to 0.32% YTD (compared to 0.91% in 2010 and 1.11% in 2009) thanks to several impairment releases in 1Q11. Excluding these releases, the credit cost ratio is still at a low 0.41%. NPL ratio amounted to 4.3%
- Credit cost in Belgium remained at a low level
- Slightly higher credit cost in CEE (+6m EUR q-o-q), mainly thanks to (unsustainable) low loan loss provisions for corporates and despite several impairment releases (29m EUR in total) in 1Q11
- Credit cost significantly higher in Merchant Banking (+38m EUR q-o-q, of which +4m EUR q-o-q due to KBC Bank Ireland), chiefly attributable to the Atomium assets (6m EUR additional provisions in 2Q11 versus 15m EUR write-back regarding Atomium assets in 1Q11)

Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	2010 FY	1H11 YTD
		'Old' BU reporting			'New' BU reporting		
Belgium	**55bn**	0.13%	0.09%	0.17%	0.15%	0.15%	0.10%
CEE	**38bn**	0.26%	0.73%	2.12%	1.70%	1.22%	0.53%
Merchant B. (incl. Ireland)	**53bn**	0.02%	0.48%	1.32%	1.19%	1.38%	0.58%
Merchant B. (excl. Ireland)	**36bn**	0.02%	0.53%	1.44%	1.27%	0.67%	0.32%
Total Group	**162bn**	0.13%	0.46%	1.11%	1.11%	0.91%	0.32%

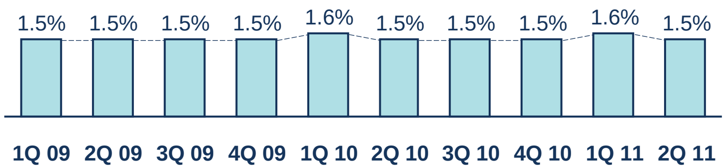
NPL ratio at Group level



2Q 2011	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.3%	1.2%
CEE BU	5.3%	5.0%	2.1%
MEB BU	6.4%	5.4%	4.4%

NPL ratios per business unit

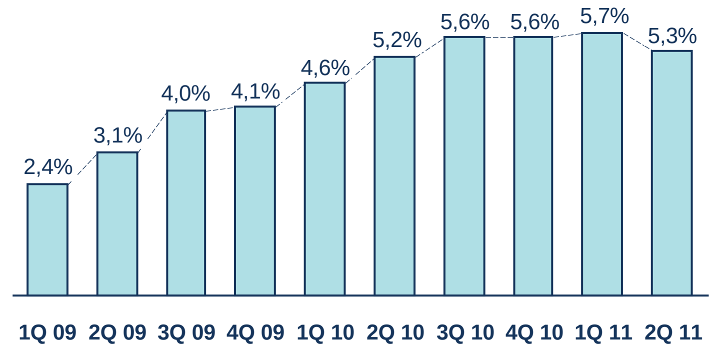
BELGIUM BU



non performing loans

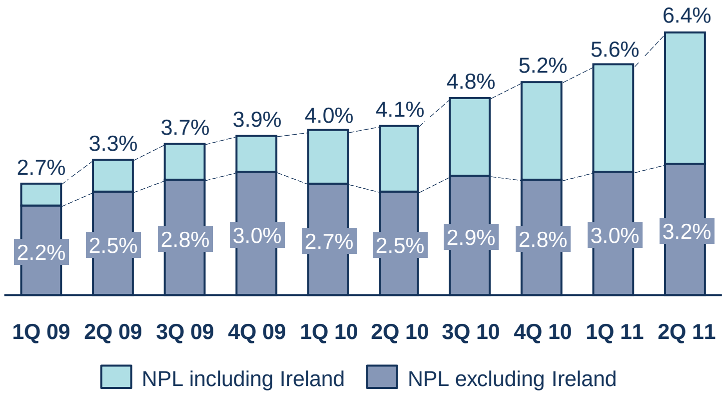
New BU reporting as of 2010
(pro forma 2009 figures)

CEE BU



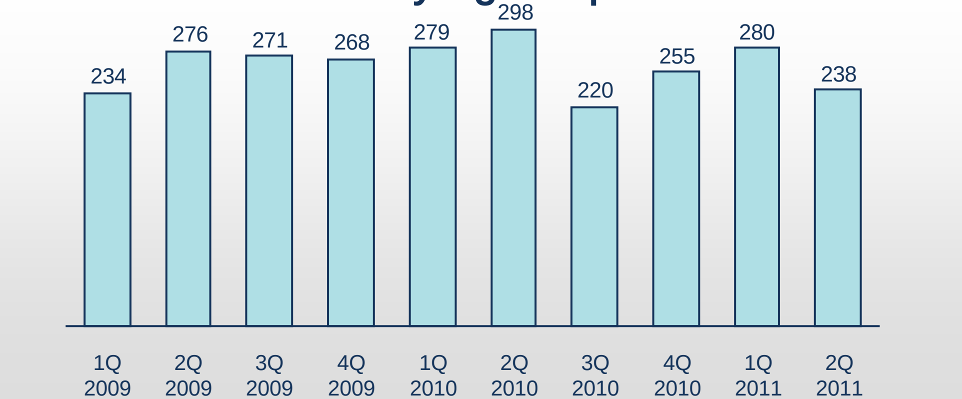
MEB BU

(incl. Ireland)



Belgium Business Unit

Underlying net profit



Volume trend

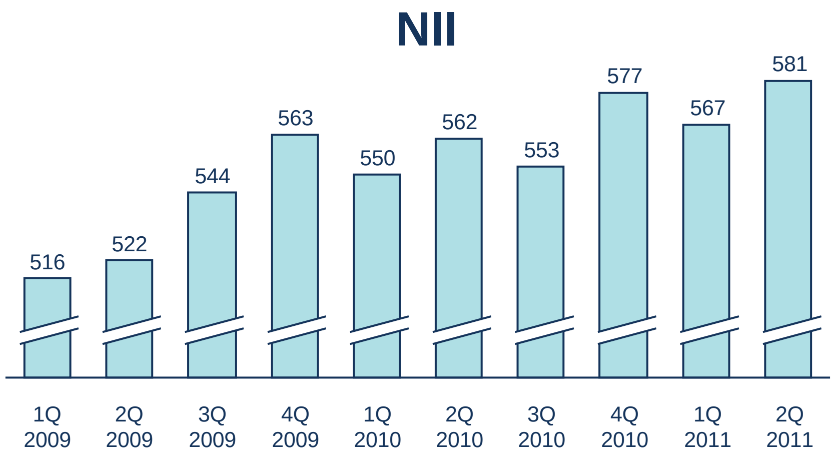
	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	53bn	28bn	71bn	144bn	22bn
Growth q/q*	+2%	+2%	+3%	-1%	+1%
Growth y/y	+4%	+7%	+6%	-4%	+4%

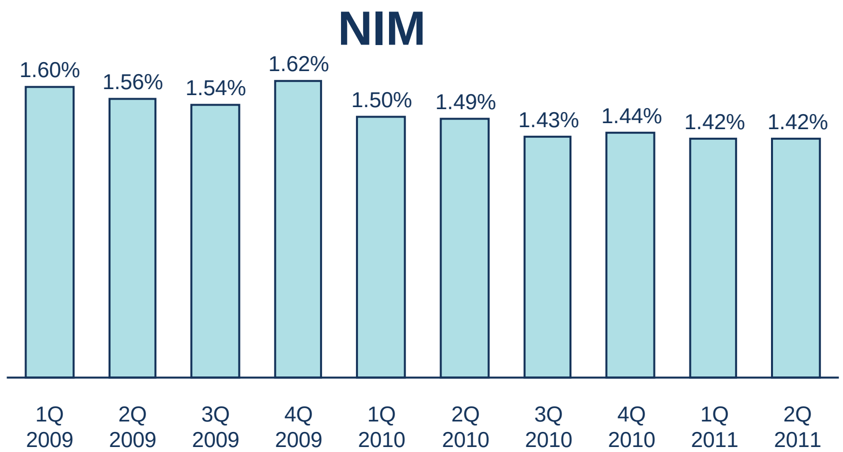
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net group profit of Belgium Business Unit of 238m EUR is roughly 10% below the average of the last four quarters (263m EUR), which can be explained by the 30m EUR post-tax impairment for Greece
- Increase in quarter-on-quarter and year-on-year loan volume, driven by mortgage loan growth
- Deposit volumes increased 3% quarter-on-quarter and as much as 6% year-on-year

Amounts in m EUR

Belgium Business Unit (2)



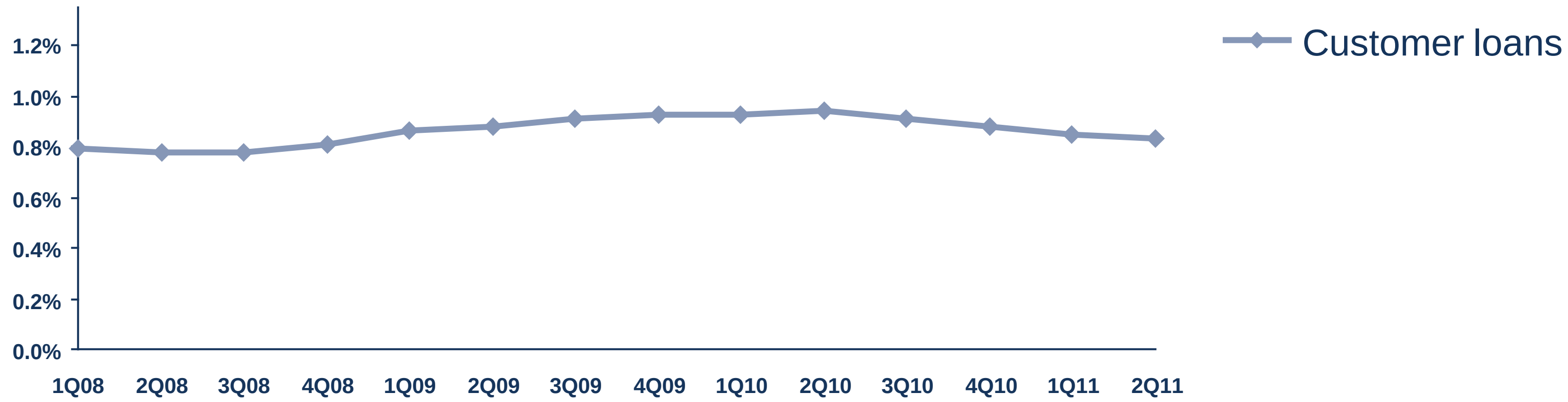


- Net interest income (581m EUR) remained healthy
  - An increase of 3% y-o-y (no less than +5% y-o-y excluding Secura in 2Q10) and 3% q-o-q
  - The net interest margin stabilised q-o-q at 1.42%. The negative impact of increased competition on the mortgage loan portfolio and higher senior debt costs were fully offset by higher margins on deposits. The current NIM remains much higher than the 2H 2008 level (1.19% in 3Q08 and 1.25% in 4Q08)

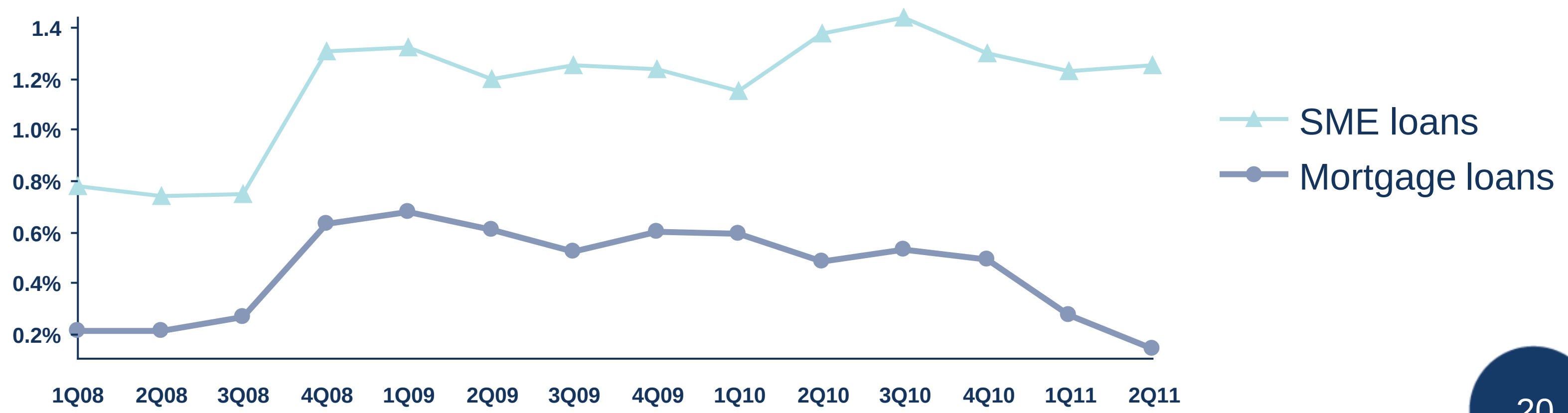
Amounts in m EUR

Credit margins in Belgium

Product spread on customer loans book, outstanding

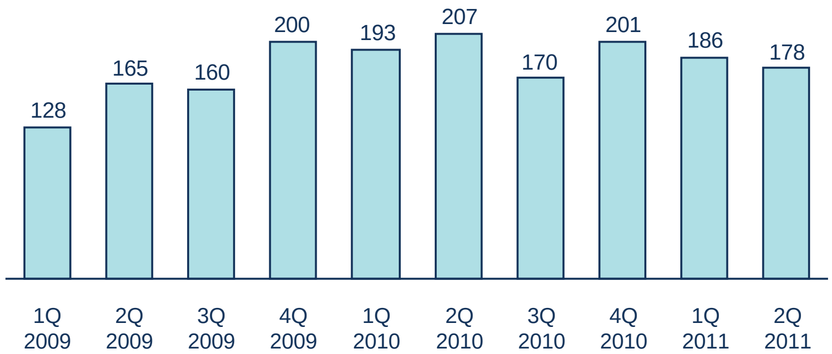


Product spread on new production

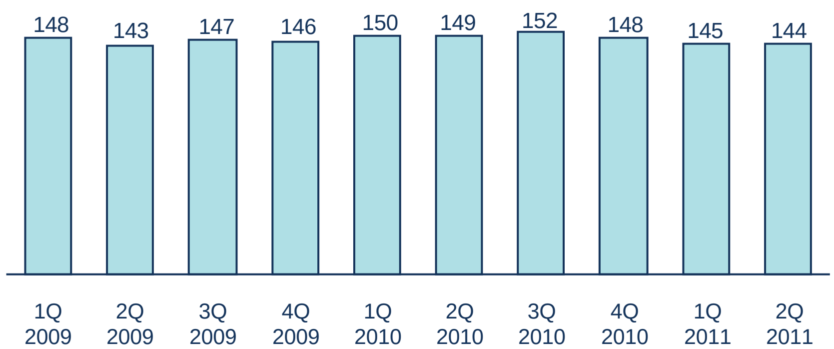


Belgium Business Unit (3)

F&C



AUM



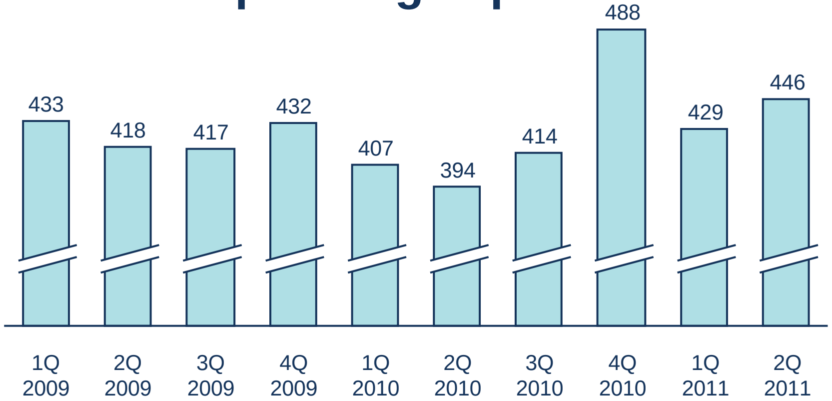
Amounts in bn EUR

- Net fee and commission income (178m EUR)
  - Net fee and commission income from banking activities (212m EUR) decreased by 7% q-o-q due to lower risk appetite, leading to lower entry fees on mutual funds. Management fees on mutual funds were impacted by lower assets under management. Net fee and commission income from banking activities decreased by 16% y-o-y, partly due to the sale of KBC Asset Management Ltd (sold in 4Q10)
  - Commission related to insurance activities (-34m EUR, mainly commission paid to insurance agents) was lower than the previous quarter (-17%), but considerably lower than a year earlier (-26%), partly related to the sale of Secura
- Assets under management fell by 1% q-o-q (net outflow) to 144bn EUR due to the reduced risk appetite

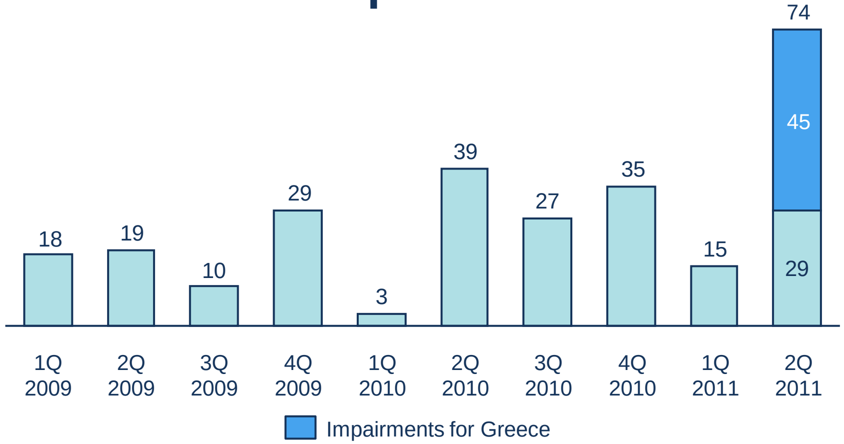
Amounts in m EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment



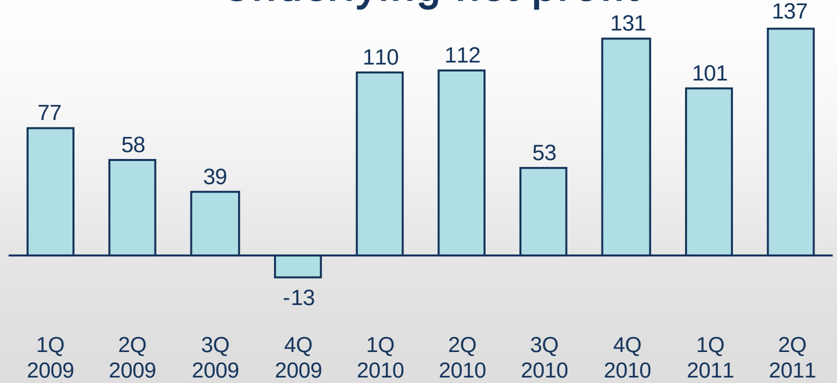
- Operating expenses: +4% quarter-on-quarter and +13% year-on-year
  - Operating expenses rose 4% q-o-q due to inflation-linked staff expenses, higher marketing & communication expenses and technical items
  - Excluding the extra 18m EUR y-o-y cost related to the Belgian Deposit Guarantee Scheme (22.2m EUR in 2Q11 versus 4.6m EUR in 2Q10), operating expenses were up 9% y-o-y
  - Underlying cost/income ratio: 58% YTD

- Loan loss provisions remained at a low level (16m EUR). Credit cost ratio of 10 bps YTD. NPL ratio at 1.5%. Furthermore, 45m EUR pre-tax impairments for Greece and 12m EUR impairments on shares at KBC Insurance were recorded

Amounts in m EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	**33bn**	**15bn**	**42bn**	**12bn**	**2bn**
Growth q/q*	**-1%**	**+1%**	**+0%**	**0%**	**+2%**
Growth y/y	**+1%**	**+4%**	**+0%**	**-3%**	**+14%**

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

- Underlying profit at CEE Business Unit of 137m EUR
  - CEE profit breakdown: 67m Czech Republic, 18m Slovakia, 40m Hungary, 32m Poland, 4m Bulgaria, other -24m (mainly funding costs of goodwill)
  - Results from the banking business were positively impacted by good quality of revenues, strict cost control and continuing low loan loss provisions, partly offset by the 26m EUR post-tax impairment for Greece (fully borne by the Czech Republic)
  - Results from the insurance business benefited from a low(er) combined ratio (both claims and cost ratio)

Amounts in m EUR

CEE Business Unit (2)

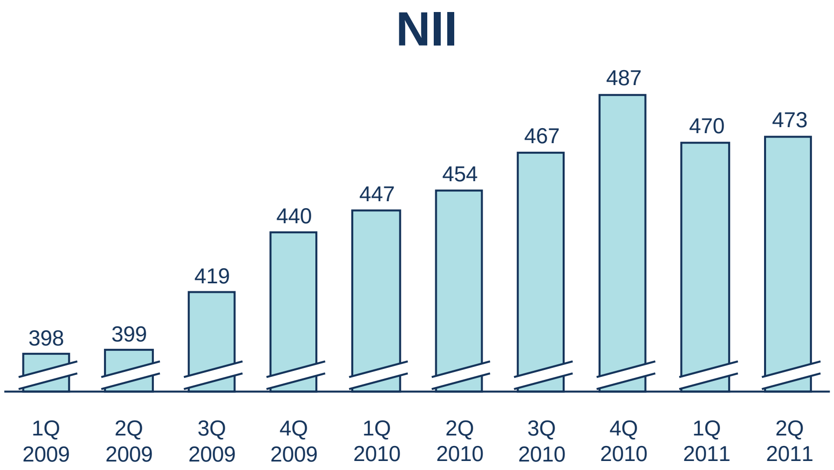
Organic growth(*)

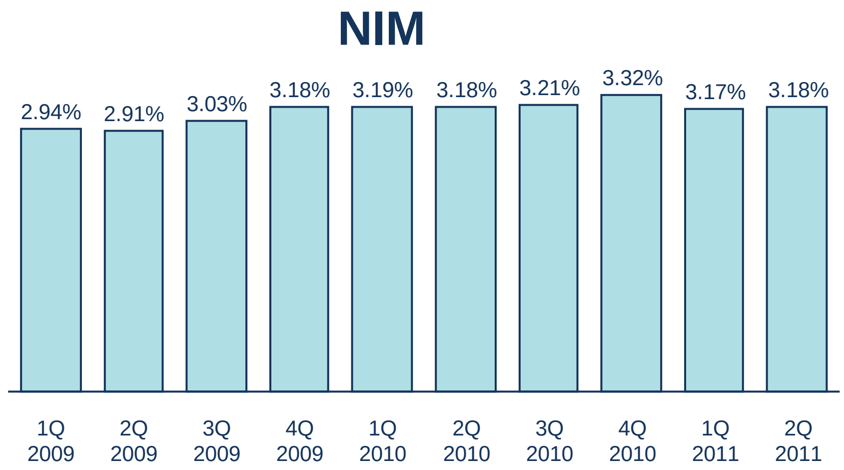
	Total loans		Mortgages		Deposits	
	q/q	**y/y**	**q/q**	**y/y**	**q/q**	**y/y**
CZ	-2%	+5%	+2%	+9%	0%	+1%
SK	+6%	+13%	+6%	+22%	0%	-8%
HU	-2%	-9%	-2%	-6%	0%	-2%
PL	-2%	-3%	0%	0%	-2%	+2%
BU	-1%	-6%	-2%	-5%	+1%	-7%
TOTAL	**-1%**	**+1%**	**+1%**	**+4%**	**0%**	**0%**

- The total loan book fell by 1.5% q-o-q, but rose by 1.4% y-o-y. On a y-o-y basis, the large relative decrease in Hungary (-9% y-o-y due to a decrease in the corporate loan book and mortgages) was more than offset by increases in Slovakia (+13% y-o-y thanks to an increase in mortgage loans) and the Czech Republic
- Total deposits stabilised q-o-q and y-o-y
- Loan to deposit ratio at 78%

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

CEE Business Unit (3)



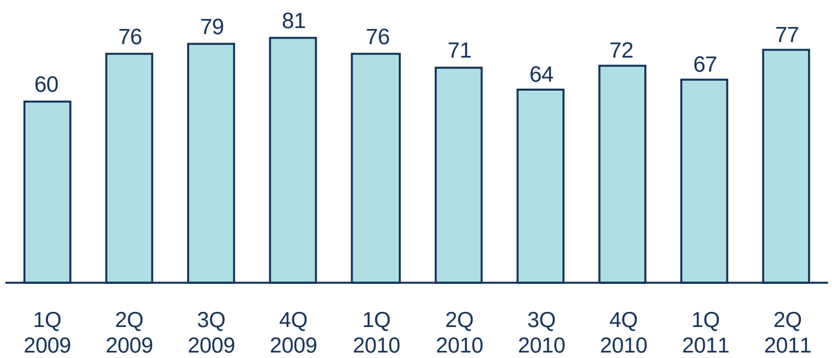


- Net interest income rose by 1% y-o-y, and was flat q-o-q at 473m EUR (organic growth only)
- Net interest margin at 3.18%. Net interest income remained unchanged q-o-q based on stable average interest-bearing assets in combination with a stable net interest margin

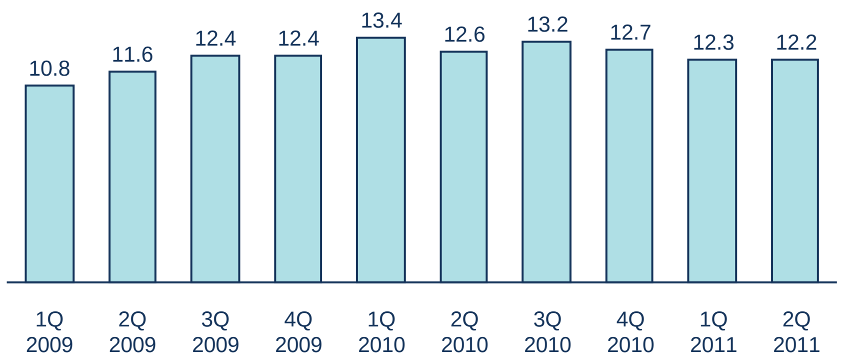
Amounts in m EUR

CEE Business Unit (4)

F&C



AUM



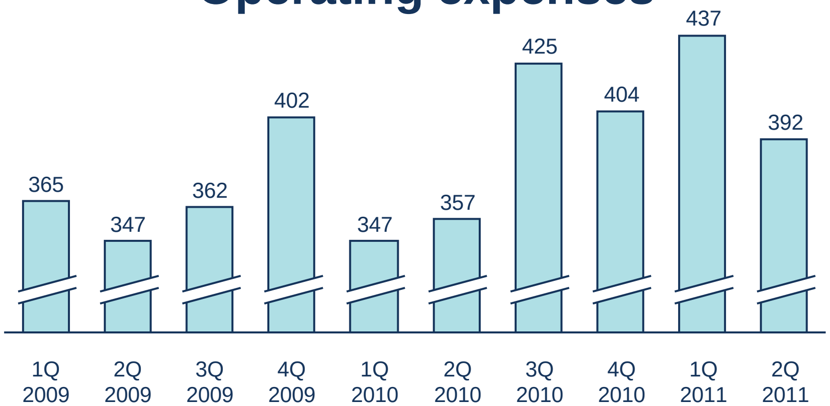
Amounts in bn EUR

- Net fee and commission income (77m EUR)
  - The q-o-q increase was driven by a technical item. Excluding this, net fee and commission income was roughly flat, in line with assets under management
- Assets under management stabilised q-o-q at roughly 12bn EUR

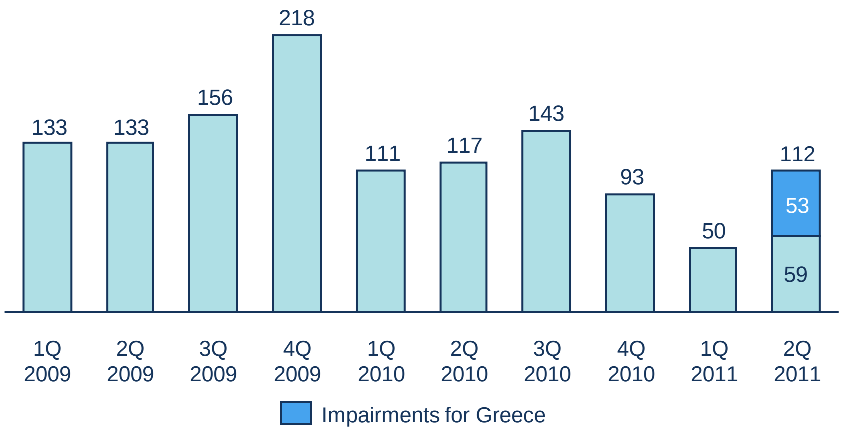
Amounts in m EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (392m EUR) fell by 11% q-o-q, but rose 7% y-o-y on an organic basis (excluding FX impact)
  - The 11% q-o-q decrease was chiefly caused by the recording of the Hungarian bank tax for the full year (62m EUR pre-tax / 51m EUR post-tax) in 1Q11
  - YTD cost/income ratio at 59% (54% excluding Hung. bank tax)
- Asset impairment at 112m
  - L&R impairments remained at a low level (54m EUR), leading to a credit cost ratio of 0.53% YTD (1.22% in FY10). NPL ratio at 5.3%
  - 53m EUR pre-tax impairments were recorded for Greece

	Loan book	2008* CCR	2009* CCR	2009 CCR	2010 CCR	1H11 CCR
CEE	**38bn**	**0.73%**	**2.12%**	**1.70%**	**1.22%**	**0.53%**
- Czech Rep.	19bn	0.38%	1.12%	1.12%	0.75%	0.32%
- Poland	8bn	0.95%	2.59%	2.59%	1.45%	0.23%
- Hungary	6bn	0.41%	2.01%	2.01%	1.98%	1.39%
- Slovakia	4bn	0.82%	1.56%	1.56%	0.96%	0.41%
- Bulgaria	1bn	1.49%	2.22%	2.22%	2.00%	1.90%

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

Amounts in m EUR

Merchant Banking Business Unit

Underlying net profit

Volume trend

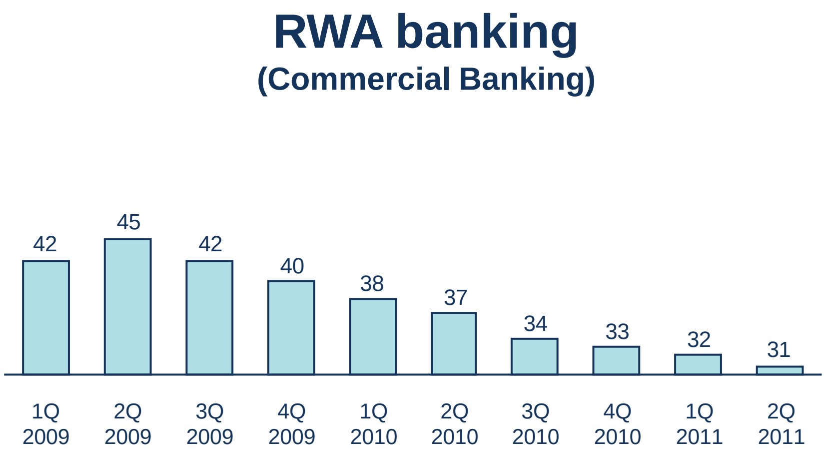
	Total loans	Customer deposits
Volume	**42bn**	**56bn**
Growth q/q*	**0%**	**-7%**
Growth y/y*	**-8%**	**-9%**

**non-annualised*

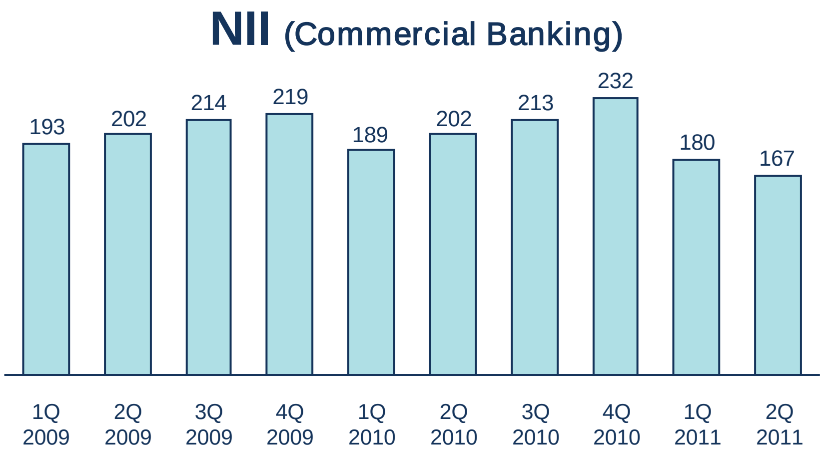
- Underlying net profit in Merchant Banking Business Unit (+63m EUR) still above the average of the last four quarters (56m EUR)
  - The lower q-o-q result from Commercial Banking of 14m EUR in 2Q11 can be explained by lower net interest income and higher impairments (both on L&R and on investment property).
  - Result from Market Activities of +48m EUR also down sharply q-o-q, mainly due to substantial lower dealing room result at KBC Bank Belgium (vs. a strong 1Q11) and to a lesser extent to higher impairments (no reversals in 2Q11)
- 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)



Amounts in bn. EUR

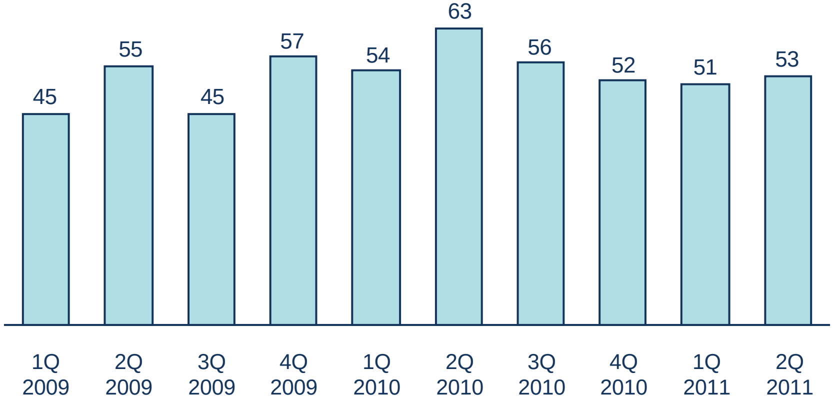


- Lower risk weighted assets in Commercial Banking due to further organic reduction in international corporate loan book
- Net interest income (relating to the Commercial Banking division) went down by 7% q-o-q, mainly due to higher senior debt costs. As anticipated, volumes in this business unit went down (e.g. loans -0.4% q-o-q and -7.6% 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)

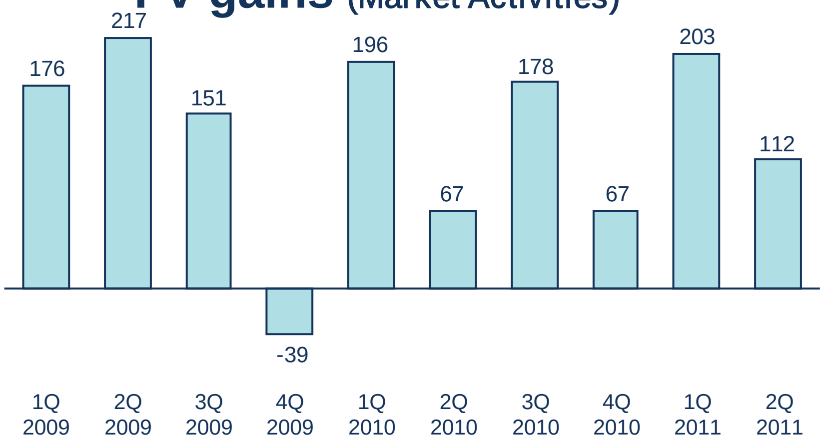
Amounts in m EUR

Merchant Banking Business Unit (3)

F&C



FV gains (Market Activities)

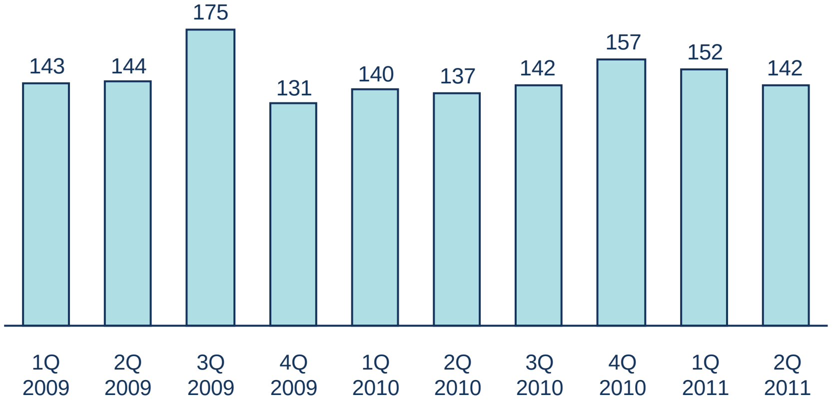


- Net fee and commission income of 53m EUR is roughly in line with the reference quarters
- Low fair value gains within the ‘Market Activities’ sub-unit, largely due to modest dealing room activities

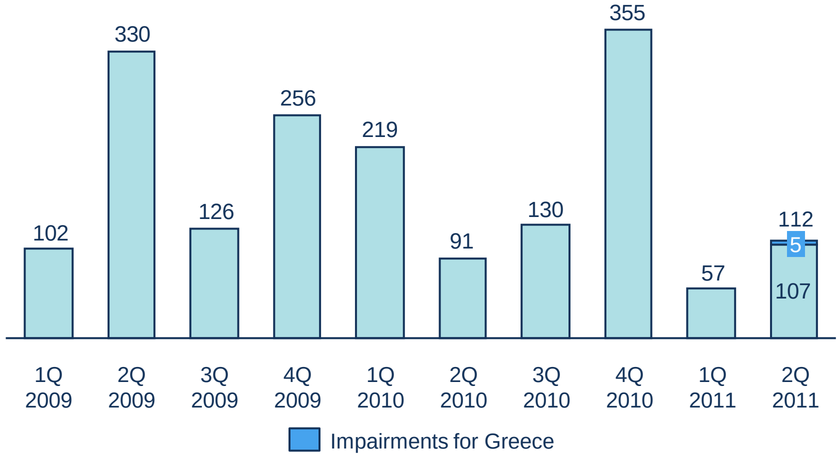
Amounts in m EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment



- Operating expenses increased by 3% year-on-year, but fell by 7% quarter-on-quarter to 142m EUR
- Total impairments amounted to 112m EUR in 2Q11
  - Higher q-o-q L&R impairments can mainly be accounted for the Atomium assets (no reversal, unlike 1Q11). Credit cost ratio at 0.58% YTD and NPL ratio at 6.4% (respectively 0.32% YTD and 3.2% excluding KBC Bank Ireland)
  - 12m EUR impairment on investment property
  - 5m EUR pre-tax impairments for Greece

Amounts in m EUR

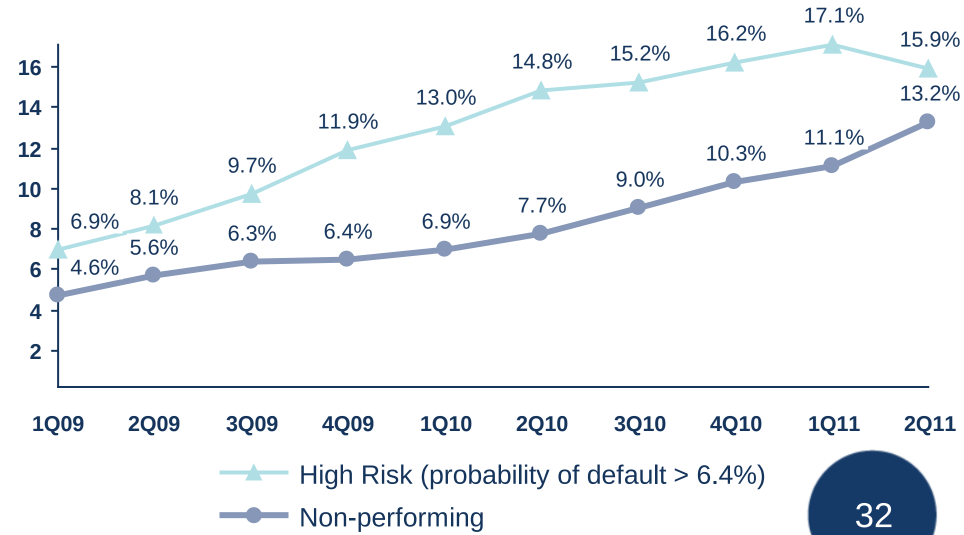
Update on Ireland (1)

- Business conditions continue to be very difficult
- Austerity measures impact consumer incomes and business confidence as a further budget adjustment of 6bn EUR affects the economy this year. Unemployment remains high
- Export performance and foreign direct investment remain strong, but have not yet impacted the domestic economy
- 2Q11 loan loss provisions of 49m EUR in line with 1Q11 and previous guidance
- However, 2Q11 residential mortgage arrears have shown signs of deterioration. Collateral values on commercial exposures, in the absence of domestic liquidity, continue to decline
- Local tier-1 ratio was 10.4% at the end of 2Q11 (9.9% at the end of 1Q11)

Irish loan book – key figures June 2011

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.7bn	8.8%	27%
Buy to let mortgages	3.2bn	13.7%	32%
SME /corporate	2.2bn	13.8%	38%
Real estate investment	1.3bn	20.8%	37%
Real estate development	0.6bn	62.1%	66%
	16.9bn	13.2%	37%

Proportion of High Risk and NPLs

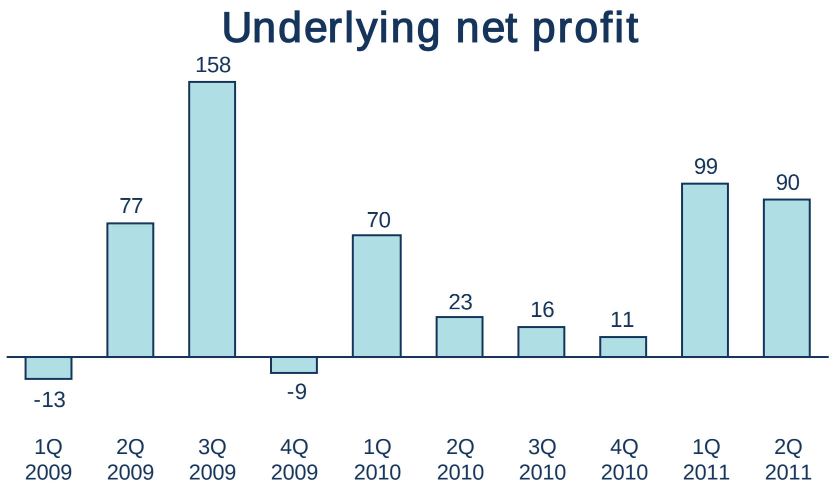


Update on Ireland (2)

- Considering the gradual trend deterioration in the portfolio during 2Q11 and July, we anticipate a higher quarterly run-rate of loan loss provisions going forward

- The current depressed environment in Ireland leads to a further deterioration in the portfolios:
  - The economy and domestic Irish marketplace have not improved as was envisaged
  - The greater than initially envisaged cumulative impact on households of the austerity measures in the economy
  - The operational and regulatory environment has changed. The introduction of new consumer protection legislation has impacted operationally, delaying communication with borrowers, slowing restructuring of mortgages and affecting lenders from being able to react appropriately to the situation

Group Centre



- Besides the existing activities of the holding and shared-services companies at 'Group Centre', all upcoming divestments were shifted to 'Group Centre' from 1Q10 onwards. The q-o-q decrease in net group profit is fully 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, was finalised on 1 July 2011 (3Q11)
- 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

	2Q11
Group item (ongoing business)	**-5**
Planned divestments	**95**
- Centea	16
- Fidea	10
- 40% minority stake in CSOB Bank CZ	40(*)
- Absolut Bank	14
- ‘old’ Merchant Banking activities	15
- KBL EPB	11
- Other	-11
TOTAL underlying net group profit	**90**

(*) Including the 17m EUR post-tax impairment for Greece

NPL, NPL formation and restructured loans in Russia

	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011
NPL	14.0%	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%
NPL formation	4.8%	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%
Restructured loans	11.2%	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%
Loan loss provisions (m EUR)	56	0	19	12	-9	-29	-9

Amounts in m EUR

Section 3

Wrap up

KBC Financial highlights 2Q 2011

- Continued high underlying net group profit even after the impact of Greek sovereign bond impairment
- Sustained level of net interest income
- Slight decrease in net fee and commission income, in line with the trend in assets under management given the reduced investors' risk appetite
- Excellent combined ratio of 87% YTD as a result of low claims. Lower life insurance sales due to lower life sales in interest guaranteed products
- Modest level of income generated by the dealing room
- Underlying cost/income ratio at a favourable 56% YTD
- Credit cost ratio at a low 0.32% YTD. Post-tax impairment of 102m EUR for Greece
- Consistently strong liquidity position
- Solvency: continued strong capital base. Pro forma tier-1 ratio – including the effect of divestments for which a sale agreement has been signed to date – at approximately 14.3%

Section 4

Additional data set

Proposed swap

In its application to the European Commission dated 12July 2011, KBC proposed to replace

- The IPO of a minority stake of CSOB Bank (Czech Republic) and
- The IPO of a minority stake of K&H Bank (Hungary) plus
- The sale & lease back of headquarter offices

	ČSOB	K&H
2010 Profit (100%) 40% of 2010 profit	**500** **200**	**75** **30**
Market Share	23%	9%

By

- The divestment of Kredyt Bank (80%) (*) and
- The divestment of Warta (*) and
- The accelerated sale or unwind of selected ABS and CDO assets

	KB Kredyt Bank	WARTA
Profit 2010 (100%) 80% profit of KB 100% profit of Warta	**45** **36**	**0** **0**
Market Share	4%	9%

In the meantime, KBC Group received approval from the European Commission (on 27 July 2011)

*** The considered offer for the sale of Kredyt Bank and Warta, if made, will be directed solely to a selected group of investors on a private placement basis only.**

Rationale of the swap: regulatory factors

The introduction of the Hungarian banking tax in 2010, expected to remain in place after 2012

- Very detrimental impact on the net profit of K&H Bank in Hungary

Basel III impact on minority interests…

- Only the minority share in line with the minimum required capital at subsidiary is taken into common equity

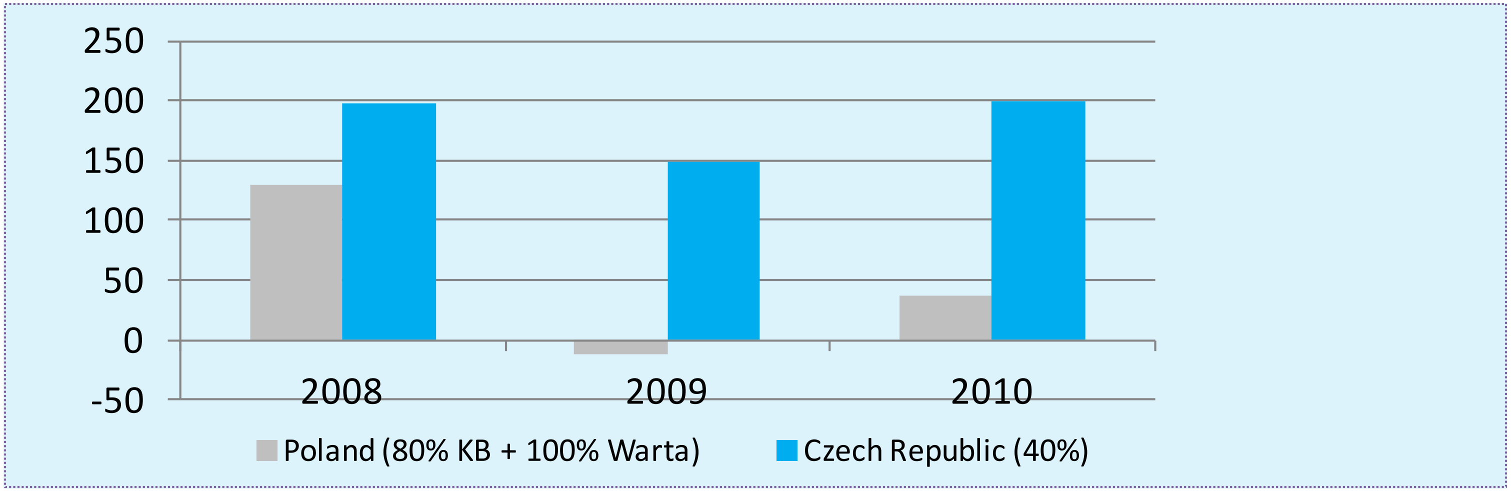
Change in IFRS Accounting Standards for Leases

- The current distinction between financial and operational lease will disappear

Rationale of the swap: financial factors

A small market share in a fragmented and consolidating Polish banking sector (4%), versus a large market share (23%) with a strong franchise and earnings power in the Czech Republic .

Earnings power enhanced by keeping totality of CSOB Bank CZ.



The Future

KBC will be a stable and high-performing European regional player with a more focused range of activities/markets and a reduced risk profile

- Activities with low strategic fit will be divested or run down
- Capital is to be re-allocated to catch sustainable organic growth potential of core businesses while also reimbursing State capital

KBC will build on sustainable foundations in Belgium

- The strategy is based on relationship bancassurance via a extensive network
- Complementary sales channels are being divested to generate repayment capacity for State capital securities
- The market is delivering an attractive return, while being a low risk business

KBC is resuming the convergence play in Central and Eastern Europe

- We are committed to 4 core markets where we have a strong franchise to continue building our presence: Czech Republic, Slovak Republic, Hungary and Bulgaria
- Strategy fundamentals remain unchanged and are based on a refined business model taking bancassurance as a point of departure

KBC is reshaping the 'other' activities

- KBC is divesting private banking outside home markets
- Major reduction of scope and risk profile of international commercial banking operations (targeted RWA – 53%)
- Determined run-down of Market Activities (mainly KBC FP)
- All remaining Merchant Banking activities have a strategic fit with home markets

Potential capital impact of the swap

SWAP (all amounts in EUR, 2013, Basel III)

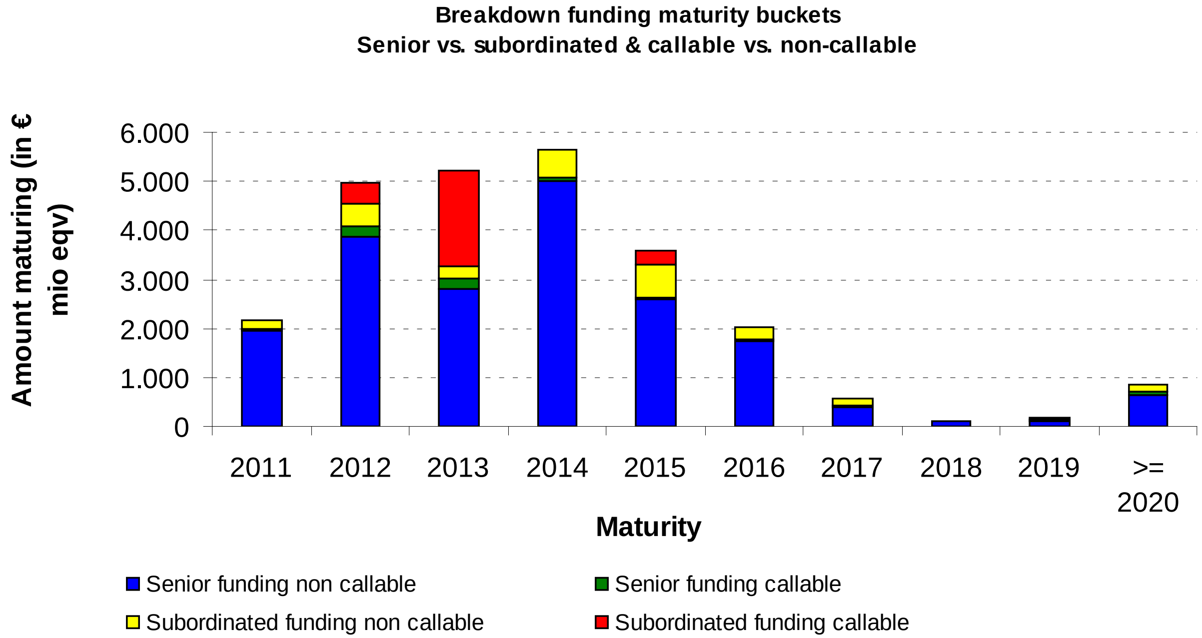
Part of the initial restructuring plan

IPO minority stake of CSOB Bank CZ post-B3	1.2-2.2bn
IPO minority stake of K&H Bank post-B3	0.2-0.3bn
Sale and leaseback of headquarter offices	0.3bn
Total post-B3	**1.7-2.8bn**
Mid-point	**2.3bn**

Part of the proposed restructuring plan

Total capital relief from divestment (Kredyt Bank and Warta) + increase in earnings power	1.8-2.4n
Sale or unwinding of selected ABS and CDO assets	0.3-0.4bn
Total	**2.1–2.8bn**
Mid-point	**2.4bn**

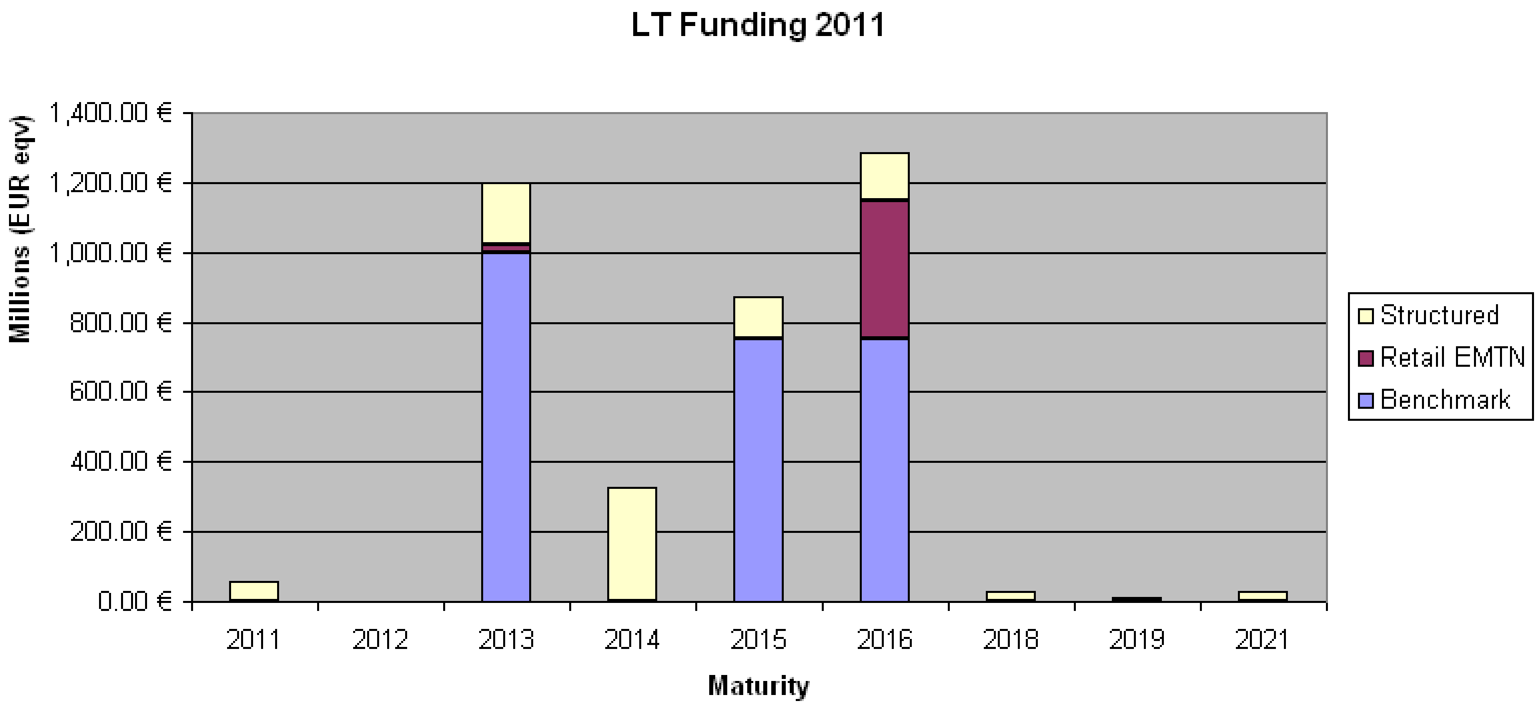
Upcoming mid-term funding maturities in 2011



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 3.9bn EUR LT in 2011 (by the end of July). This debt programme was updated on 13 July 2011
- KBC Bank NV also has a US MTN program (10bn USD) available for structuring debt capital market transactions in the US. This debt programme was updated on 15 April 2011

45

Effects of Greek assistance programme

- With regard to the Greek sovereign bonds that mature before the end of 2020, KBC decided to record 139m EUR pre-tax impairments (102m post-tax) at *underlying* level

- *Calculation* method:
  - As required by IAS 39, the **AFS bonds** are impaired to their *fair value* (market prices) as at 30 June 2011
  - For the **HTM bonds**, the impairment is calculated based on the *21% expected discount* resulting from the IFF proposal for Greece decided on 21 July 2011

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

(m EUR)	Impairments on AFS	Impairments on HTM	Total pre-tax impairments	Total post-tax impairments
Belgium BU	-41	-4	-45	-30
CEE BU	-53	0	-53	-26*
MEB BU	-1	-4	-5	-4
GC BU	-27	-9	-36	-42*
TOTAL	**-122**	**-17**	**-139**	**-102**

* Transfer from CEE BU to GC BU for 40% of the impairment at CSOB Bank (as the 2Q11 results of the business units are still based on the ‘old’ restructuring plan)

Exposure to PIIGS

Breakdown of government bond portfolio, banking and insurance, at the end of 2Q11 (bn EUR)

	Banking	Insurance	Total
Portugal	0.1	0.2	**0.3**
Ireland	0.3	0.1	**0.4**
Italy	5.3	0.8	**6.1**
Greece	0.3	0.2	**0.5**
Spain	1.5	0.7	**2.2**
TOTAL	**7.6**	**1.9**	**9.6**

Hungary (1)

Should be profitable in 2011

- K&H Group realised an underlying net profit of 24m EUR in 1H11, despite 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

Economic scenario

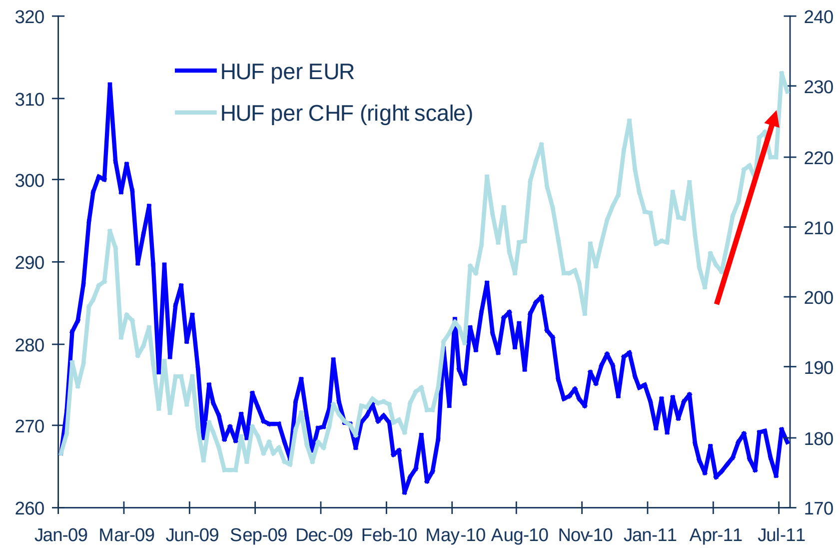
- Economic recovery is mainly driven by the strong export performance, while domestic demand remains subdued due to lower disposable income growth (suffering from the deterioration in the labour market) and an unfriendly investment climate. Real GDP growth is expected to accelerate to around 2.3% in 2011 (from 1.1% in 2010)
- The government plans to have a budget surplus of 2% of GDP in 2011, entirely thanks to non-recurring revenues (crisis taxes and pension transfers), and announced a program to structurally reform public finances and achieve a budget deficit of less than 3% in 2012 (savings resulting 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 73% in 2012. Nevertheless, it remains to be seen how much of the structural measures will actually be implemented

Sovereign exposure

- Government bond exposure: 1.8bn EUR at the end of 2Q11 (versus 2.1bn EUR at the end of 1Q11and 2.4bn EUR at the end of 4Q10), of which the majority is held by K&H

Hungary (2)

- 2Q11 loan loss provisions amounted to 18m EUR (46m EUR in 1H11)
- NPL rose to 9.1% in 2Q11 (9.0% in 1Q11), situated mainly in retail lending
- Main driver for 2.3bn EUR FX mortgage portfolio is the CHF/HUF movement. A permanent 230-240 CHF/HUF rate over the quarter would, at worst and excluding the effects of the government FX relief plan, boost our NPL rates to 12% by year-end (Home Equity loans: approximately 20%, housing loans: 7%). In terms of provisions (according to our latest forecast) this would result in a provision increase of 24m EUR within one year. The government FX mortgage relief scheme allows customers facing potential repayment problems to fix the exchange rate at HUF/CHF 180 for a 3-year period, and if present FX rates are sustained over the next months, we expect increased take-up of this offer by clients. We also expect this relief scheme will reduce the moral hazard impact

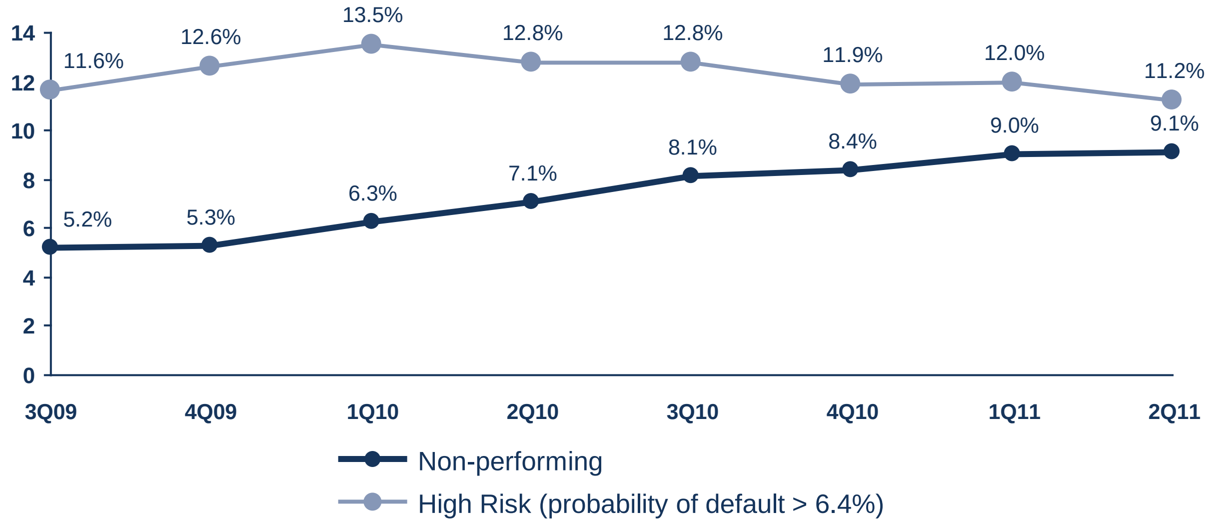


Hungary (3)

Hungarian loan book – key figures June 2011

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	7.6%	64%
Retail	3.6bn	10.3%	72%
o/w private	3.1bn	10.2%	71%
o/w companies	0.5bn	10.9%	75%
	6.4bn	9.1%	69%

Proportion of NPLs



Update on outstanding* CDO exposure at KBC (end 2Q11)

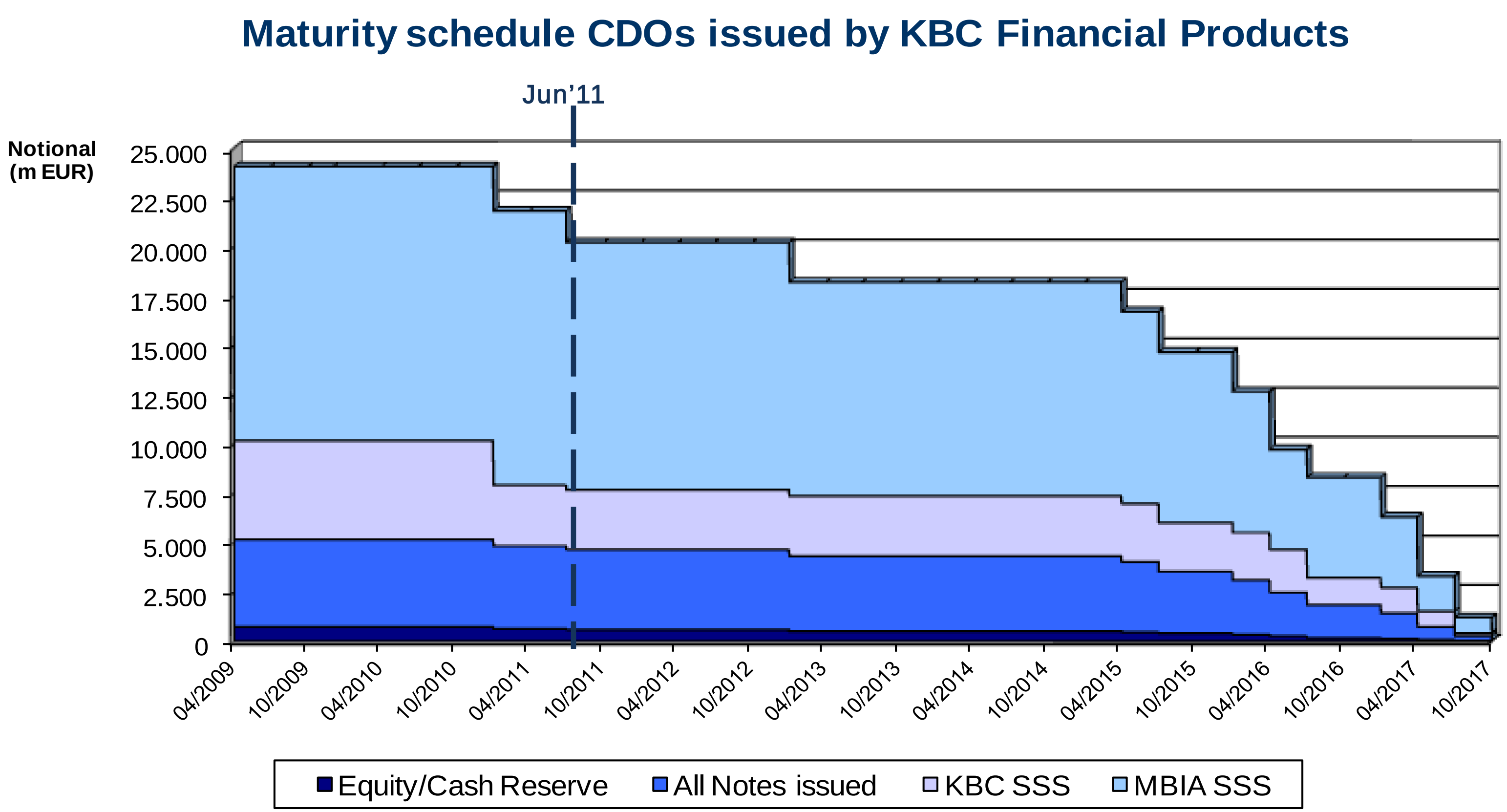
Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	13.0 6.7	-0.9 -4.0
TOTAL	**19.7**	**-4.9**

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-4.9 -2.2 -1.3

- The total notional amount decreased by roughly 2.2bn EUR, mainly as a result of the Chiswell CDO reaching maturity and the sale of the Avebury CDO
- Outstanding value adjustments amounted to 4.9bn EUR at the end of 2Q11
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 13% 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

*Excluding all expired and unwound CDOs

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 16.0bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (3.0bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (13.0bn EUR)
  - First and second tranche: 4.1bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.6bn EUR (90% of 1.8bn EUR) from the Belgian State
  - Third tranche: 11.9bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach

		Potential *P&L* impact for KBC	Potential *capital* impact for KBC
16.0bn - 100% 1[st] tranche	2.4bn	100%	100%
13.7bn - 85% 2[nd] tranche	1.8bn	100%	10% (90% compensated by equity guarantee)
11.9bn - 74% 3[rd] tranche	11.9bn	10% (90% compensated by cash guarantee)	10% (90% compensated by cash guarantee)

• Excluding Chiswell, as the underlying risk to Chiswell was removed as at the end of June

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