

# 3Q2012

KBC Group  
Extended  
Quarterly  
Report



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## Management certification of financial statements and quarterly report

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

### Forward-looking statements

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

### Glossary of ratios used

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

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

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

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

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

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

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

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

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

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

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

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

Return on equity: result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale 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*). If a penalty has to be paid, it will likewise be deducted.

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

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# KBC Group Report on 3Q and 9M2012



This press release contains  
information that is subject to  
transparency regulations  
for listed companies.  
Date of release: 8 November 2012

## Summary: Strategy guidelines set, capital strengthened, risks reduced, profit sustained.

IFRS-based net profit reported for the quarter under review came to 531 million euros, compared with a net loss of 539 million euros in the previous quarter and a net loss of 1 579 million euros in the year-earlier quarter. This means the group has generated a total net profit of 372 million euros for the first nine months of 2012, as opposed to a net loss of 424 million euros for the corresponding period of 2011.

Excluding all exceptional and non-operating items, KBC ended the third quarter of 2012 with an underlying net profit of 406 million euros, compared with a net profit of 372 million euros in the previous quarter and a net loss of 248 million euros in the corresponding quarter of 2011. The underlying results for the first nine months of 2012 amounted to 1 233 million euros, compared to 937 million euros for the corresponding period in 2011.

*Johan Thijs, Group CEO:*



*'Good business performance, significant derisking and a further strengthening of our capital and liquidity position were the main features of the third quarter for KBC, a period in which we recorded 406 million euros in underlying net profit.*

*In terms of operating income, our underlying result went up by 10% on a comparable basis this quarter, driven by the good commercial performance of our strategic banking and insurance business model in our home markets in Belgium and Central and Eastern Europe. Net interest income continued to contract, although this was due primarily to the lower income from asset and liability management as well as the deconsolidation of various companies. Loans and deposits, on the other hand, continued to grow at a good rate in our core markets. Fee income was up and commercial insurance results remained good. The quarter also featured an excellent (hence low) combined ratio but slightly higher levels of loan loss impairments. These impairments are mainly the result of loan loss provisioning in Ireland.*

*We have also finalized the sale of KBL epb, Żagiel and KBC Lease Deutschland. In addition, we lowered our exposure to Southern European government bonds, and the volatility of our profit by further reducing exposure to CDOs. These actions have led to a further reduction in the risk profile of our company.*

*We have improved our already strong liquidity position, with a loan-to-deposit ratio of 82% at the end of September. We have covered all funding needs for 2012 and are looking forward to issuing covered bonds in the foreseeable future.*

*At the beginning of the fourth quarter we successfully placed 350 million worth of treasury shares in the market, pushing up our solvency ratios even further.*

*Our tier-1 capital ratio has risen further, bringing it to 15.3% in the third quarter of 2012. This ratio amounts to 16.8% on a pro forma basis when the sale of Kredyt Bank – which has been signed, but not yet closed – as well as the sale of the treasury shares are included. Our estimated common equity ratio under Basel III at the end of 2013 stands at 10.2% (fully loaded).*

*We are continuing our efforts to ensure that 4.67 billion euros in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the plan agreed with the European Commission, with the aim of paying back a substantial part before the end of 2012.*

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

## Main exceptional and non-operating items impacting the reported IFRS result for 3Q2012:

A number of exceptional items were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 3Q2012 amounted to 0.1 billion euros. Apart from some smaller items, the main non-operating items in 3Q2012 were a valuation mark-up of 0.3 billion euros on CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads) and a negative 0.1 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

## Financial highlights for 3Q2012 compared to 2Q2012:

- Good commercial results.
- Decline in net interest income due to lower reinvestment yield and deconsolidation of Warta.
- Growth in loan and deposit volumes in our core markets.
- Excellent combined ratio at 90% year-to-date.
- Robust sales of unit-linked life products.
- Net fee and commission income up 1% on a comparable basis.
- Strong gains from financial instruments at fair value, mainly driven by positive CVA changes.
- Underlying cost/income ratio at 57% year-to-date.
- Credit cost ratio up slightly, to 0.63% year-to-date. Excluding Ireland, this ratio stands at 0.27%.
- Further reduction in exposure to Southern European government bonds (by almost one-third in this quarter).
- Strong liquidity with an excellent loan-to-deposit ratio of 82%.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of the sale of Kredyt Bank, which has been signed, but not yet closed, and the sale of treasury shares – at approximately 16.8% (with a core tier-1 ratio of 14.7%).

Overview KBC Group (consolidated)	3Q2011	2Q2012	3Q2012	Cumul. 9M2011	Cumul. 9M2012
Net result, IFRS (in millions of EUR)	-1 579	-539	531	-424	372
Basic earnings per share, IFRS (in EUR) <sup>1</sup>	-5.08	-1.99	1.16	-2.56	-0.13
Underlying net result (in millions of EUR)	-248	372	406	937	1 233
Underlying basic earnings per share (in EUR) <sup>1</sup>	-1.17	0.69	0.79	1.45	2.41
Breakdown of underlying net result per business unit (in millions of EUR)					
Belgium	32	226	290	551	782
Central & Eastern Europe	-40	188	169	229	475
Merchant Banking	-196	-65	10	43	-12
Group Centre	-44	23	-64	114	-11
Parent shareholders' equity per share (in EUR, end of period)	28.9	28.5	31.3	28.9	31.3

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

1 Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

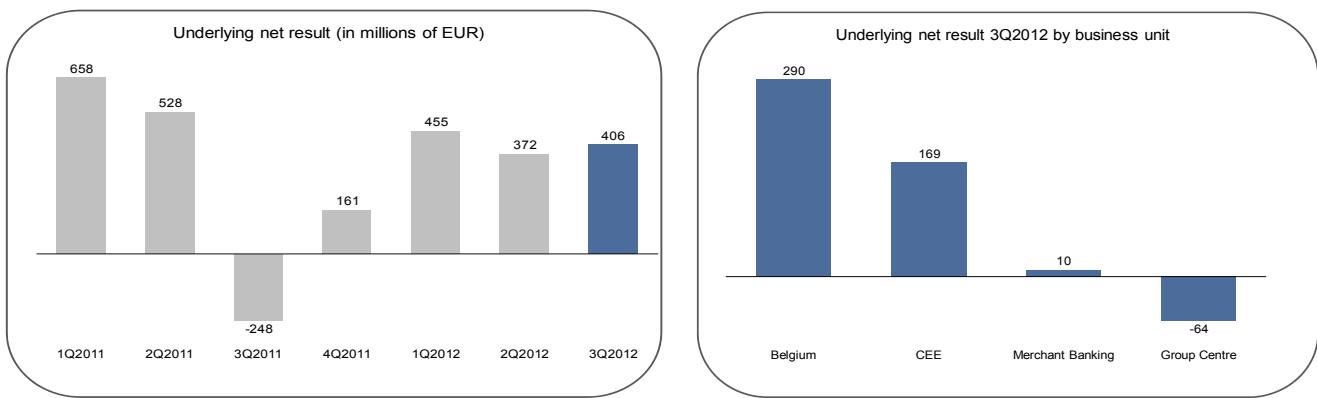
## Underlying results

### Highlights of 3Q2012 (excluding exceptional and non-operating items)

In addition to the figures according to IFRS (next section), KBC provides 'underlying' figures aimed at giving more insight into the business performance. The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment of certain hedging results and capital-market income.

A full explanation of the differences between the IFRS and underlying figures is provided in the 'Consolidated financial statements' section of the quarterly report, under 'Notes on segment reporting'. A reconciliation table for the net result is provided below.

Consolidated income statement, underlying KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Net interest income	1 374	1 390	1 342	1 298	1 211	1 150	1 087	-	4 106	3 448
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	890	578	-	3 088	2 352
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-757	-499	-	-2 676	-2 009
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	-	-43	-27
Dividend income	8	37	14	15	5	21	10	-	59	36
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	113	256	-	371	695
Net realised result from available-for-sale assets	53	42	11	85	31	6	57	-	106	95
Net fee and commission income	399	394	367	374	306	310	349	-	1 161	965
Other net income	73	72	-210	12	-8	53	74	-	-64	120
<b>Total income</b>	<b>2 274</b>	<b>2 161</b>	<b>1 673</b>	<b>2 075</b>	<b>1 989</b>	<b>1 786</b>	<b>1 900</b>	<b>-</b>	<b>6 107</b>	<b>5 676</b>
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	-1 016	-990	-	-3 553	-3 116
Impairment	- 105	-333	-740	-730	-271	-241	-305	-	-1 179	-816
on loans and receivables	-97	-164	-475	-599	-261	-198	-283	-	-736	-742
on available-for-sale assets	-6	-135	-228	-85	-5	-24	-4	-	-369	-33
on goodwill	0	0	0	0	0	0	0	-	0	0
on other	-2	-35	-38	-46	-5	-18	-18	-	-75	-41
Share in results of associated companies	1	0	-23	-35	-9	-9	-13	-	-22	-32
<b>Result before tax</b>	<b>943</b>	<b>673</b>	<b>-262</b>	<b>177</b>	<b>599</b>	<b>520</b>	<b>592</b>	<b>-</b>	<b>1 353</b>	<b>1 711</b>
Income tax expense	- 271	-138	22	-9	-136	-144	-177	-	-388	-457
<b>Result after tax</b>	<b>671</b>	<b>534</b>	<b>-240</b>	<b>167</b>	<b>463</b>	<b>376</b>	<b>415</b>	<b>-</b>	<b>966</b>	<b>1 254</b>
attributable to minority interests	14	6	8	7	7	5	9	-	28	21
<b>attributable to equity holders of the parent</b>	<b>658</b>	<b>528</b>	<b>-248</b>	<b>161</b>	<b>455</b>	<b>372</b>	<b>406</b>	<b>-</b>	<b>937</b>	<b>1 233</b>
Belgium	280	238	32	251	266	226	290	-	551	782
Central & Eastern Europe	123	146	-40	98	118	188	169	-	229	475
Merchant Banking	177	63	-196	-153	42	-65	10	-	43	-12
Group Centre	77	81	-44	-35	30	23	-64	-	114	-11
Basic earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-	1.45	2.41
Diluted earnings per share (EUR)	1.50	1.11	-1.17	-0.19	0.93	0.69	0.79	-	1.45	2.41
Reconciliation of underlying and IFRS result KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Result after tax, attributable to equity holders of the parent: <b>UNDERLYING</b>	658	528	-248	161	455	372	406	-	937	1 233
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45	-29	-33	-	-226	-16
+ gains/losses on CDOs	114	-108	-628	154	149	-32	274	-	-621	391
+ impairment on goodwill	0	-17	-57	-41	0	-16	0	-	-74	-16
+ result on legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-7	6	-	62	-13
+ MTM of own debt issued	-16	-25	185	215	-340	41	-144	-	144	-444
+ results on divestments	-45	-12	-591	8	81	-868	23	-	-647	-764
Result after tax, attributable to equity holders of the parent: <b>IFRS</b>	821	333	-1 579	437	380	-539	531	-	-424	372



**The underlying net result for the quarter under review amounted to 406 million euros, compared to 372 million euros in 2Q2012 and -248 million euros in 3Q2011.**

**Gross income up by 10% quarter-on-quarter on a comparable basis.**

- Underlying net interest income stood at 1 087 million euros, down 19% year-on-year and 5% quarter-on-quarter. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Leaving these items out, net interest income was down by 13% year-on-year and 4% quarter-on-quarter. This was due primarily to the lower income from asset and liability management. The net interest margin came to 1.74% for the quarter under review, 8 basis points lower than in the previous quarter and 25 basis points less than the high level of a year earlier. In the Belgium Business Unit, both deposit and credit volumes were up quarter-on-quarter and year-on-year (credit: +6% year-on-year and +1% quarter-on-quarter; deposits: +4% year-on-year and 1% quarter-on-quarter). The loan book in the CEE Business Unit increased by 6% year-on-year (attributable to the Czech Republic and Slovakia), and by 2% quarter-on-quarter, while deposits rose by 3% year-on-year and 1% quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit was down 4% year-on-year and 5% quarter-on-quarter, while the deposit base shrunk by 25% year-on-year (primarily in the last quarter of 2011, caused mainly by reduced short-term deposits in our New York branch and at KBC Bank Ireland), and 4% quarter-on-quarter. The reduction was in line with the building down of our overseas balance sheet in the Merchant Banking business.
- Both the life and non-life insurance businesses performed well during the quarter under review. In total, gross earned premiums less gross technical charges and the ceded reinsurance result came to 67 million euros, down 51% year-on-year and 49% quarter-on-quarter. However, when account is taken of the deconsolidation of Fidea, VITIS and Warta, this result was up 22% quarter-on-quarter and down 3% year-on-year.

The non-life segment was characterised by a good level of premiums and relatively low claims. The combined ratio for the year to date came to an excellent 90%.

In the life segment and on a comparable basis, sales of life insurance products fell by 24% quarter on quarter (compared to the very successful second quarter). Year-on-year, these sales rose by as much as 17%.

It should be noted that the strong insurance results were also driven by good investment income, as well as by strict control of general administrative expenses.

- The net result from financial instruments at fair value amounted to 256 million euros in the quarter under review, well up on the figure for the previous quarter and on the year-earlier figure. This item was impacted by a significant positive CVA adjustment in the third quarter.
- Net realised gains from available-for-sale assets stood at 57 million for the quarter under review, well above the 33-million-euro average for the last four quarters. This item was characterised by significant gains on the sale of shares as well as lower losses on the sale of bonds.
- Net fee and commission income amounted to 349 million euros, up 12% quarter-on-quarter but down 5% year-on-year. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Leaving these items out, income was up by 7% year-on-year and 1% quarter-on-quarter. Assets under management stood at 155 billion euros, up 3% on the year-earlier figure and on the figure for the second quarter of 2012, thanks to a positive investment performance.
- Other net income came to 74 million euros, 44 million euros of which was recovered with respect to the KBC Lease UK fraud case.

## **Operating expenses well under control.**

- Operating expenses came to 990 million euros in the third quarter of 2012, down 3% on their level in the previous quarter and 15% on their year-earlier level. The year-on-year performance was accounted for partly by the deconsolidation of KBL epb, Warta, Żagiel and Fidea, the quarter-on-quarter performance by the deconsolidation of Warta and Żagiel. Excluding deconsolidated companies, underlying costs increased by 1% compared to the previous quarter but decreased by 2% compared to the year-earlier quarter. The amount recovered under the Belgian deposit guarantee scheme (partly offsetting the additional bank tax in Belgium) in the second quarter is the main explanation of the quarterly increase. The year-to-date cost/income ratio came to 57%, a clear indication that costs remain well under control.

## **Low credit cost ratios overall; loan loss provisions for Ireland still sizeable and increase in corporate credit cost ratio.**

- Loan loss impairment stood at 283 million euros in the third quarter, up on the 198 million euros recorded in the previous quarter, but down on the 475 million euros recorded a year earlier. The quarterly increase was accounted for by the fact that loan loss impairment of 129 million euros was recorded at KBC Bank Ireland, as well as 49 million euros at KBC Finance Ireland with a few large files. The credit cost ratios were low in the other business activities, resulting in an annualised credit cost ratio of 0.63% year-to-date. This breaks down into a very low 0.06% for the Belgian retail book (compared to 0.10% for FY2011), 0.40% in Central and Eastern Europe (down from 1.59% for FY2011, which had been adversely affected by Hungary and Bulgaria) and 1.38% for Merchant Banking (marginally up from 1.36% for FY2011). Excluding Ireland, the credit cost ratio for Merchant Banking stood at 0.24% (down from 0.59% for FY2011).
- Impairment charges on available-for-sale assets came to 4 million euros and other impairment charges amounted to 18 million euros in the quarter under review.

## **Strong solvency capital position under Basel II.**

- The group's tier-1 ratio (under Basel II) increased to a strong 15.3% at 30 September 2012 (core tier-1 ratio of 13.4%). Including the effect of the sale of Kredyt Bank, which has been signed, but not yet closed, as well as the sale of treasury shares, the *pro forma* tier-1 ratio was as high as 16.8% (core tier-1 ratio of 14.7%).
- The solvency ratio for KBC Insurance stood at an excellent 365% at 30 September 2012, up from 314% at the end of the previous quarter.

## **Highlights of underlying performance per business unit.**

- The Belgium Business Unit contributed 290 million euros to profit in 3Q2012, compared to 226 million euros in the previous quarter. The quarter was characterised by lower net interest income due to lower reinvestment yields, good insurance sales and a very good combined ratio, stable fee income, a low level of loan impairment and a high level of realised gains on shares. Operating expenses remained very well under control.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 169 million euros in 3Q2012, compared to 188 million euros in the previous quarter, partly driven by somewhat higher impairment on loans and receivables. Overall, impairment levels in the third quarter remained low.
- The Merchant Banking Business Unit recorded a profit of 10 million euros in 3Q2012, compared to a loss of 65 million euros in 2Q2012. Profit was impacted in part by the high – although decreasing – level of loan impairment in Ireland, as well as by the large positive CVA at KBC Bank Belgium, the satisfactory dealing room results and a recovery of an amount related to the fraud case at KBC Lease UK. Excluding KBC Bank Ireland, net profit for the Merchant Banking Business Unit in 3Q2012 would be 101 million euros.
- It should be noted that all planned divestments in the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 3Q2012, the Group Centre's net result came to a negative 64 million euros, compared to 23 million euros in the previous quarter. This result was driven largely by the impairments in a small number of files in the project finance portfolio of KBC Finance Ireland.

## **Exceptional and non operating items.**

The quarter also featured a number of exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 3Q2012 amounted to 0.1 billion euros. Apart from some smaller items, the main non-operating items in 3Q2012 were:

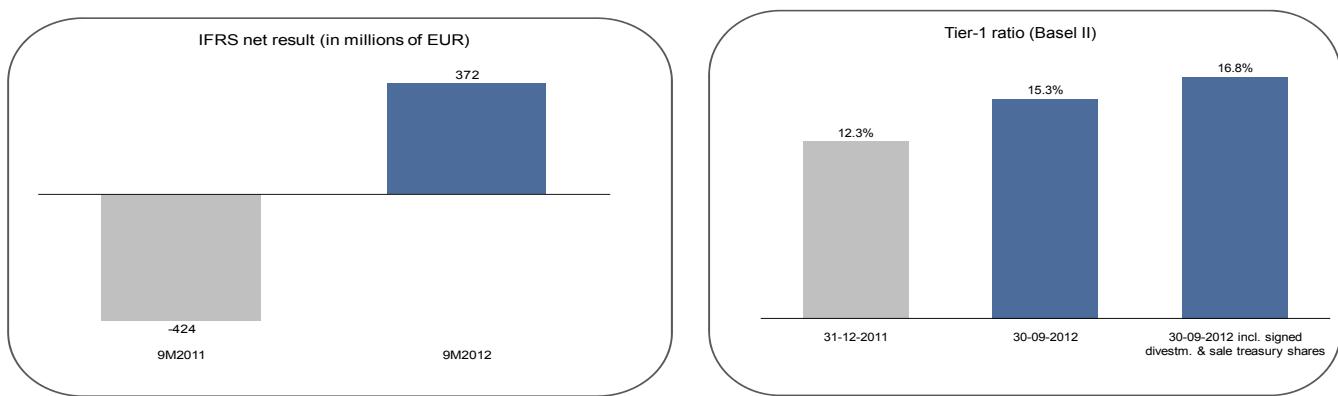
- a valuation mark-up of 0.3 billion euros on CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads);
- a negative 0.1 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

## IFRS result

### Highlights of 9M2012

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of this quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity, and cash flow, as well as several notes to the accounts, are also available in the same section. In order to provide a good insight into the underlying business performance, KBC also publishes its 'underlying' results (see above).

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012	Cumul 9M2011	Cumul 9M2012
Net interest income	1 395	1 406	1 341	1 337	1 261	1 190	1 097	-	4 142	3 548
Interest income	3 047	3 195	2 910	2 732	2 695	2 563	2 493	-	9 151	7 752
Interest expense	-1 651	-1 789	-1 569	-1 395	-1 434	-1 374	-1 396	-	-5 009	-4 204
Earned premiums, insurance (before reinsurance)	1 141	974	972	1 033	884	890	578	-	3 087	2 352
Technical charges, insurance (before reinsurance)	-1 012	-840	-812	-877	-752	-757	-499	-	-2 665	-2 009
Ceded reinsurance result	-17	-8	-18	-1	-14	-1	-12	-	-43	-27
Dividend income	12	41	17	15	6	21	13	-	70	39
Net result from financial instruments at fair value through profit or loss	472	-194	-892	436	60	43	275	-	-613	378
Net realised result from available-for-sale assets	34	42	10	83	32	9	56	-	86	97
Net fee and commission income	300	297	281	287	304	309	343	-	877	955
Fee and commission income	518	530	480	514	492	479	494	-	1 529	1 464
Fee and commission expense	-218	-233	-200	-227	-188	-170	-151	-	-651	-509
Other net income	92	110	-149	3	73	368	106	-	53	547
<b>Total income</b>	<b>2 416</b>	<b>1 829</b>	<b>749</b>	<b>2 317</b>	<b>1 853</b>	<b>2 072</b>	<b>1 954</b>	<b>-</b>	<b>4 994</b>	<b>5 879</b>
Operating expenses	-1 143	-1 081	-1 077	-1 043	-1 132	-1 033	-1 003	-	-3 301	-3 167
Impairment	-105	-332	-940	-746	-273	-1 473	-302	-	-1 377	-2 048
on loans and receivables	-97	-164	-473	-599	-261	-198	-283	-	-733	-742
on available-for-sale assets	-6	-118	-223	-71	-5	-75	-4	-	-347	-83
on goodwill	0	-17	-62	-41	0	-414	0	-	-79	-414
on other	-2	-33	-183	-35	-7	-786	-15	-	-218	-809
Share in results of associated companies	1	0	-23	-35	-9	17	-6	-	-22	2
<b>Result before tax</b>	<b>1 170</b>	<b>416</b>	<b>-1 292</b>	<b>492</b>	<b>439</b>	<b>-417</b>	<b>644</b>	<b>-</b>	<b>294</b>	<b>666</b>
Income tax expense	-334	-76	165	-75	-93	-110	-103	-	-245	-306
Net post-tax result from discontinued operations	0	0	-445	26	40	-8	0	-	-445	33
<b>Result after tax</b>	<b>835</b>	<b>340</b>	<b>-1 571</b>	<b>443</b>	<b>387</b>	<b>-535</b>	<b>540</b>	<b>-</b>	<b>-396</b>	<b>392</b>
attributable to minority interests	14	6	8	6	7	5	9	-	28	21
<b>attributable to equity holders of the parent</b>	<b>821</b>	<b>333</b>	<b>-1 579</b>	<b>437</b>	<b>380</b>	<b>-539</b>	<b>531</b>	<b>-</b>	<b>-424</b>	<b>372</b>
Belgium	385	158	-348	226	489	204	321	-	196	1 014
Central & Eastern Europe	141	145	-91	94	119	171	182	-	195	472
Merchant Banking	203	69	-255	-225	17	-65	-8	-	17	-56
Group Centre	92	-39	-885	342	-246	-849	37	-	-831	-1 059
Basic earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-	-2.56	-0.13
Diluted earnings per share (EUR)	1.98	0.54	-5.08	0.63	0.71	-1.99	1.16	-	-2.56	-0.13



### IFRS net result for 9M2012 at 372 million euros, compared to -424 million euros a year earlier.

- Net interest income amounted to 3 548 million euros, compared to 4 142 million euros a year earlier. The decline was caused primarily by the deconsolidation of KBL epb, Warta, Źagiel and Fidea and lower re-investment yields. Year-on-year, credit volumes grew by 2%. Customer deposits expanded by 4% in Belgium and by 3% in Central Europe, while the deposit base at Merchant Banking contracted by 25% (primarily in 4Q2011). The net interest margin shrunk to 1.83%, year-to-date, 14 basis points lower than the high figure a year ago.
- Gross earned premiums less gross technical charges and the ceded reinsurance result came to 316 million euros, down 17% year-on-year, primarily because of the deconsolidation of VITIS, Warta and Fidea. For the non-life activities, the year-to-date combined ratio came to an excellent 90% (87% in Belgium, 97% in CEE), an improvement on the 92% for FY2011. For the life activities and on a comparable basis, there was a 42% year-on-year increase in the sale of life insurance products (thanks to higher sales of unit-linked products). It should be noted that the insurance results are also affected by investment income and charges, as well as by general administrative expenses. Investment income, in particular, was good for both the life and non-life businesses.
- Net fee and commission income amounted to 955 million euros in the first three quarters of 2012, up 9% on its level a year ago, thanks, *inter alia*, to the successful sale of unit-linked products. Assets under management stood at 155 billion euros up 3% on the year-earlier figure, due to a positive investment performance.
- The net result from financial instruments at fair value (trading and fair value income) came to 378 million euros in the first nine months of 2012, compared to a negative 613 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, fair valuing of the group's own debt, 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 695 million euros on 30 September 2012, almost double the year-earlier figure, due to the very good performance turned in by the dealing room, especially in the first quarter, and the positive CVA in the third quarter.
- The remaining income components were as follows: dividend income from equity investments amounted to 39 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 97 million euros and other net income totalled 547 million euros, accounted for primarily by the capital gain realised on the closure of the Warta divestment in the second quarter.
- Operating expenses amounted to 3 167 million euros in the first three quarters of 2012, 4% lower than the year-earlier figure. This was caused by the divestments, but offset somewhat by such factors as inflation and wage indexation. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 57% at the end of September 2012, an improvement on the 60% recorded for FY2011.
- Total impairment stood at 2 048 million euros for the first nine months of 2012. Impairment on loans and receivables amounted to 742 million euros, comparable to the 733 million euros recorded in the same period in 2011, essentially due to the high level recorded for Ireland. As a result, the annualised credit cost ratio for 2012 came to 0.63%, which is still an improvement on the figure of 0.82% for FY2011. Impairment on available-for-sale assets stood at 83 million euros. Impairment on goodwill totalled 414 million euros and other impairment charges 809 million euros. These impairment charges were accounted for by the planned divestment files (primarily NLB, Absolut Bank, Antwerp Diamond Bank, KBC Banka and KBC Bank Deutschland) and were recorded in the second quarter.
- Income tax amounted to 306 million euros for the first nine months of 2012.
- At the end of September 2012, total equity came to 17.7 billion euros – up 0.9 billion euros on its level at the start of the year – due mainly to the inclusion of the net profit for the first three quarters of 2012 (0.4 billion euros), the substantial change in the available-for-sale revaluation reserve (1.2 billion euros), as well as the deduction of the coupon on non-voting core capital securities subscribed by the Federal and Flemish governments (-0.6 billion euros). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 15.3% at 30 September 2012. Including the effect of divestments for which an agreement has so far been signed (Kredyt Bank) as well as the sale of treasury shares, the *pro forma* tier-1 ratio is as high as approximately 16.8% (core tier-1 ratio of 14.7%).

## Selected balance sheet data

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

\* 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.

## Selected ratios

Selected ratios KBC Group (consolidated)	FY2011	9M2012
Profitability and efficiency (based on underlying results)		
Return on equity*	5%	11%
Cost/income ratio, banking	60%	57%
Combined ratio, non-life insurance	92%	90%
Solvency		
Tier-1 ratio	12.3%	15.3%
Core tier-1 ratio	10.6%	13.4%
Credit risk		
Credit cost ratio	0.82%	0.63%
Non-performing ratio	4.9%	5.5%

\* Note: 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). If a penalty has to be paid, it will likewise be deducted.



## Strategy highlights and main events

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

### **In 3Q2012 to date, we advanced substantially in the implementation of our strategic refocusing plan.**

- On 2 July 2012, after very careful and thorough consideration and in consultation with all relevant parties, KBC decided not to participate in the capital increase proposed by NLB and the Republic of Slovenia.
- On 31 July 2012, KBC finalised the sale, announced on 10 October 2011, of its private banking subsidiary KBL European Private Bankers to Precision Capital S.A. for a total consideration of approximately 1 billion euros. The sale released a substantial amount of capital (approximately 0.7 billion euros) for KBC, increasing its tier-1 ratio by 0.7% in the third quarter of 2012.
- On 31 July 2012, after having received all the necessary regulatory approvals, KBC Bank finalised the sale of 100% of the shares of Zagiel, its consumer finance business in Poland, to Santander Consumer Finance S.A., the Polish consumer finance subsidiary of Santander Group, for a total purchase price of 10 million Polish zloty. The impact on KBC's earnings and capital is negligible given the size of the activities.
- On 19 September 2012, KBC Lease Holding NV completed the management buy-out deal for its subsidiary KBC Lease Deutschland. The impact of this deal on KBC's earnings and capital is negligible given the size of the activities.
- On 8 October 2012, the group's CEO presented its updated strategy and explained how KBC will address the challenges presented by the changed business environment. He also presented KBC's major financial targets for 2015, setting the course for the group to become the reference in bank-insurance in its core markets.
- On 16 October 2012, KBC Group NV and KBC Bank announced the successful completion of the private placement of 18.2 million treasury shares. The gross proceeds from the transaction amounted to 350 million euros.
- A number of companies are still scheduled for divestment. The divestment processes for KBC Bank Deutschland, KBC Banka, Antwerp Diamond Bank and Absolut Bank are in progress.

### **Other main events in 9M2012**

- On 2 January 2012, KBC repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government. KBC's main objective in this respect is and remains to implement the strategic plan approved by the European Commission within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC aims to repay a substantial part of the aid received from the federal government before the end of this year.
- On 3 October 2012, the European Banking Authority and National Bank of Belgium announced the final assessment of the capital exercise and fulfillment of the EBA December 2011 Recommendation, which showed that KBC Bank meets the 9% core tier-1 ratio including the sovereign buffer as stated in the EBA December 2011 recommendation.
- In Ireland, growth is still driven by exports but signs of emerging stabilisation in parts of the domestic economy have been accompanied by an improvement in financial sentiment towards Ireland. Slightly better than expected tax revenues, broadly flat unemployment and a range of surveys point towards a tentative turning point in domestic activity of late. There are indications that the housing market may have bottomed out in terms of prices and transaction levels. However, the Irish domestic market remains a challenging environment for commercial customers. A loan loss provision of 129 million euros was recorded in 3Q2012. Impairment charges at KBC Bank Ireland for the full year are estimated to end between 500 and 600 million euros.
- As has been the case in previous quarters, KBC has acted to reduce volatility in its results, and further reduced its exposure to Southern European government bonds in the third quarter by almost a third, mainly through cutting back its holdings of Spanish and Italian government bonds.
- KBC reduced the profit and loss sensitivity of its CDO portfolio significantly through de-risking activities.

### **Statement of risk**

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance

underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.

- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at [www.kbc.com](http://www.kbc.com).
- Significant progress has been made towards stabilising the euro area over the past few months, both on the political and financial front, with the plan to create a banking union as a possible game changer. The very accommodating monetary policy in the EMU ('OMT') and the US ('QE3') should help to overcome an austerity-induced recession in the EMU and the post-election 'fiscal cliff' in the US, and therefore restore economic confidence and growth in the early months of 2013.

#### **Financial calendar**

- The financial calendar, including analyst and investor meetings, is available at [www.kbc.com/ir/calendar](http://www.kbc.com/ir/calendar).

# KBC Group Analysis of 3Q2012 underlying results



Unless otherwise specified,  
all amounts are given in euros

## Underlying versus IFRS figures

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

In 3Q2012, the main exceptional or non-operating items were:

- +0.3 billion (after tax) valuation mark-up on CDO exposure (tightening of spreads)
- -0.1 billion (after tax) related to m-t-m of own credit risk (narrowing of KBC credit spreads)

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

- 2Q2012: +0.3 billion in total (after tax) related to closure of the sale of the insurance company Warta in Poland and -1.2 billion (after tax) in impairment charges for the remaining companies that are up for divestment (NLB (Slovenia), Absolut Bank (Russia), KBC Bank Deutschland (Germany), Antwerp Diamond Bank (Belgium) and KBC Banka (Serbia)).
- 3Q2011: -0.6 billion (after tax) valuation markdown on CDO exposure and -0.6 billion (after tax) resulting from sales agreements for KBL epb and Fidea.

## Analysis of the underlying result, KBC Group

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

Net interest income in the quarter under review amounted to 1 087 million.

This was, at first sight, down 5% on the figure in the previous quarter and 19% lower than its level in the year-earlier quarter. However, on a comparable basis (i.e. *excluding Fidea, KBL epb, Zagiel and Warta*, which have since been deconsolidated), net interest income was down 4% on the previous quarter and 13% on its 3Q2011 level. The year-on-year decrease was related, among other things, to the reduction in the (high-yield) GIIPS government bond portfolio, generally lower reinvestment yields and higher senior debt costs. This also caused the 25 basis-point year-on-year decline in the overall net interest margin of the group's banking activities, to 174 basis points in 3Q2012 (183 basis points year-to-date).

On a comparable basis (excluding divestments and all entities falling under IFRS 5), the group's total loan portfolio decreased slightly by 1% quarter-on-quarter, but still increased by 2% year-on-year. Broken down by business unit, credit volumes went as follows: in the Belgium Business Unit, the retail credit portfolio continued to go up, by 1% in the quarter under review, leading to a year-on-year increase of no less than 6%. In the CEE Business Unit, credit volumes went up by 2% in the quarter under review (small drop in Hungary more than offset by increases in all other countries), leading to a year-on-year increase of 6% (again, the decline in Hungary – mainly in FX mortgage loans – was more than offset by the growth of the credit portfolios in the other countries, especially the Czech Republic). In the Merchant Banking Business Unit (corporate credit portfolio in Belgium and abroad), credit volumes were down 5% in the quarter under review and 4% year-on-year, due entirely to the reduction in the group's non-core international loan portfolio.

On a comparable basis (excluding divestments and all entities falling under IFRS 5), the group's total deposit volume stayed flat quarter-on-quarter and contracted 6% year-on-year. Deposit volumes in the Belgium Business Unit were up 1% in 3Q2012, and 4% year-on-year; in the CEE Business Unit, they increased by 1% quarter-on-quarter and 3% year-on-year (again, they were down in Hungary, but up in the other countries); in the Merchant Banking Business Unit, deposit volumes fell by 4% in the quarter under review, and – bearing also in mind the significant drop in the last quarter of 2011 – were hence down 25% year-on-year.

Earned insurance premiums amounted to 578 million in 3Q2012, which breaks down into 271 million for life insurance and 307 million for non-life insurance.

On a comparable basis (excluding deconsolidated entities), non-life premium income was up almost 2% both quarter-on-quarter and year-on-year. The level of claims was relatively low in the quarter under review. As a result, the non-life combined ratio in 3Q2012 stood at a good 92%, leading to a ratio of 90% for the first nine months of 2012. The latter ratio breaks down into an excellent 87% for Belgium and an acceptable 97% for CEE.

Earned premiums for *life* insurance under IFRS (271 million) exclude certain types of life insurance contracts (in simplified terms, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to 951 million in the quarter under review. On a comparable basis (excluding deconsolidated companies), this figure was down 24% on the high level recorded in the previous quarter, but still up 17% on its 3Q2011 level. As was the case in previous quarters, life insurance sales remained very much focused on unit-linked products, which accounted for close to 80% of life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remainder.

Note that, in general, net profit from the non-life and life insurance activities as a whole not only benefitted from a good technical performance, but also from an improved investment result in the quarter under review. Note that the insurance investment result is included in a number of P/L lines described below, though these line items evidently also include banking activities.

Net fee and commission income stood at 349 million in 3Q2012.

On a comparable basis (excluding deconsolidated entities), this income item was up slightly (+1%) quarter-on-quarter and some 7% higher than the 3Q2011 figure. The quarter under review benefitted from increased fee income related to investment funds and still relatively high fee income related to the sale of unit-linked insurance products. Total assets under management of the group stood at 155 billion at the end of September 2012, up 3% on a comparable basis (excluding KBL epb) on the level three months earlier, due entirely to a positive price effect.

The other income components were as follows.

Dividend income amounted to 10 million, somewhat below the level recorded in the year-earlier quarter, and naturally significantly below the figure for the previous quarter as the bulk of dividend income is traditionally received in the second quarter of the year.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') amounted to 256 million, up on the average of 147 million for the four preceding quarters, as the quarter under review was characterised by both satisfactory dealing room income and significant positive credit value adjustments (versus significant negative credit value adjustments in both reference figures).

The net realised result on available-for-sale assets stood at 57 million, up on the average of 33 million for the four preceding quarters as the quarter under review included considerable realised gains on the sale of shares in Belgium (at KBC Insurance).

Other net income amounted to 74 million in 3Q2012, significantly more than the average of -38 million for the four preceding quarters (which had been greatly impacted by the amounts which had to be recognised for the 5-5-5-product, especially in 3Q2011). Moreover, in 3Q2012 other net income includes a positive 44 million recovered in the KBC Lease UK fraud case.

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

Comparatively (i.e. *excluding deconsolidated entities*), costs (990 million) were up 1% quarter-on-quarter, due to the positive impact of amounts recovered under the former Belgian deposit guarantee scheme in 2Q2012. Costs were down 2% on a comparable basis on the year-earlier figure, since 3Q2011 included, among other things, significant restructuring provisions. As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at 54% in 3Q2012, leading to a ratio of 57% for the first nine months of 2012, an improvement on the 60% recorded for FY2011. The 9M2012 cost/income ratio breaks down per business unit as 60% for Belgium, 58% for CEE and 42% for Merchant Banking.

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

*Impairment on loans and receivables* (loan loss provisions) stood at 283 million. The loan loss provisions in 3Q2012 were higher than the 198 million recorded in the previous quarter, but significantly lower than the 475 million recorded in 3Q2011, which had included substantial impairment charges for Hungary (92 million related to FX mortgage relief measures), Bulgaria (96 million) and Ireland (187 million).

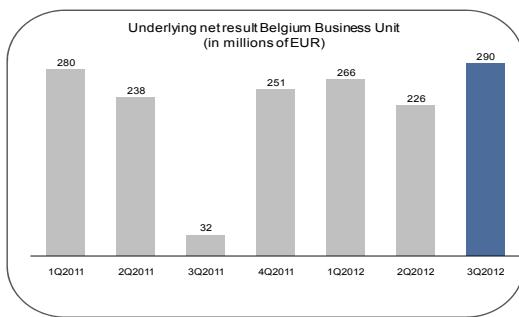
In the quarter under review, loan loss provisions went up for Belgian corporate loans, at KBC Finance Ireland (project finance) and at the foreign branches, while in KBC Bank Ireland a still high 129 million was recognised (down, however, on the 187 million recorded in 3Q2011 and more or less in line with the 136 million posted in 2Q2012).

Overall, this led to an annualised 9M2012 credit cost ratio of 63 basis points for the group as a whole, an improvement on the 82 basis points recorded for FY2011. The credit cost ratio for 9M2012 breaks down as follows: an excellent 6 basis points for the Belgium Business Unit, 40 basis points for the CEE Business Unit and 138 basis points for the Merchant Banking Business Unit (only 24 basis points excluding Ireland). At the end of September 2012, non-performing loans accounted for some 5.5% of the total loan book, up slightly on the figure recorded three months earlier (5.3%).

Other impairment in the quarter under review totalled 22 million and related mainly to available-for-sale securities and real estate investment property. In 3Q2011, the (high) impairment on available-for-sale assets related to Greek government bonds and to shares. Please note that impairments related to group companies that have to be divested are excluded from the underlying results.

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

## Analysis of the underlying results, Belgium Business Unit



The Belgium Business Unit encompasses the retail and private 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, KBC Group Re, KBC Consumer Finance and VAB).

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

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

The underlying figures exclude exceptional and non-operating items.

The following table is a reconciliation of the underlying result and the result according to IFRS.

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

In 3Q2012, the Belgium Business Unit generated an underlying profit of 290 million, above the average of 194 million for the four preceding quarters. The quarter under review was characterised by lower net interest income, an excellent non-life performance and still strong sales of unit-linked life insurance products, stable net fee and commission income, significant realised gains on the sale of shares, good cost control and continued low loan impairment. Banking activities accounted for 60% of the underlying result of the Belgium Business Unit in the quarter under review, and insurance activities for 40%.

#### **Net interest income decreases; credit and deposit volumes continue to increase**

Net interest income stood at 532 million in the quarter under review, down 5% on the previous quarter and 8% year-on-year. This decline is due, *inter alia*, to the reduction in the (high-yield) GIIPS government bond portfolio (especially in the year-on-year comparison), as well as to lower reinvestment yields in general (low interest environment). At 115 basis points, the net interest margin of KBC Bank in Belgium narrowed by 13 basis points quarter-on-quarter and by 28 basis points year-on-year. In line with the group's strategy to focus on its core markets (Belgium and four Central European countries), the Belgian retail loan book continued to expand, by 1% quarter-on-quarter, leading to a year-on-year increase of 6%. Mortgage loans remained an important driver of this retail volume growth (up 8% year-on-year). Customers' deposits likewise increased, going up by 1% quarter-on-quarter and 4% year-on-year.

#### **Non-life combined ratio remains excellent; still strong sales of unit-linked products**

Earned insurance premiums in the quarter under review amounted to 394 million, breaking down into 166 million for life insurance and 228 million for non-life insurance. Non-life premium income continued its upward trend, increasing by 1% compared to the previous quarter and some 3% on the year-earlier quarter (with increases in, *inter alia*, the Fire Insurance class). The quarter under review was also characterised by a generally low level of claims. As a result, the combined ratio further improved, by another 3 basis points quarter-on-quarter, to 89%, leading to an excellent 87% for the first nine months of the year. Life sales, including unit-linked products (which – in simplified terms – are not included in the premium figures under IFRS), amounted to a relatively strong 839 million in 3Q2012. Although this figure is 20% down on the very high level in the previous quarter due to less favourable market conditions, it is still up 19% compared to the year-earlier quarter. As was the case in the previous quarters, life insurance sales were primarily focused on unit-linked products, which accounted for over 80% of such sales in 3Q2012. The remaining 20% was accounted for by interest-guaranteed products. At the end of September 2012, the life reserves of this business unit amounted to 24.3 billion (up 4% quarter-on-quarter).

#### **Fee and commission income stable quarter-on-quarter**

Total net fee and commission income amounted to a satisfactory 195 million in the quarter under review, roughly comparable to the previous quarter but up as much as 16% on the year-earlier quarter. The latter increase was largely thanks to the still robust sales of unit-linked insurance products in 3Q2012 (the margin on which is included in net fee and commission income), though somewhat down on the very high unit linked sales in 2Q2012, and to higher fee income from mutual funds. Assets under management of this business unit stood at 145 billion at the end of September 2012, some 3% more than three months earlier, due to a positive price effect.

#### **Other income components**

Fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 21 million in the quarter under review, up on the average of 12 million for the four preceding quarters. Dividend income stood at 4 million, somewhat down on the level recorded a year earlier, and evidently below the previous quarter, since dividends are traditionally received in the second quarter of the year. The realised result on available-for-sale assets amounted to 44 million and included, *inter alia*, significant realised gains on the sale of shares at the insurance company (57 million), which more than offset the realised losses on the sale of (mainly Italian and Spanish) government bonds. Other net income came to 28 million in 3Q2012; note that the figure for the year-earlier quarter (-110 million) had been severely impacted by the recognition of some 132 million related to the 5-5-5 product.

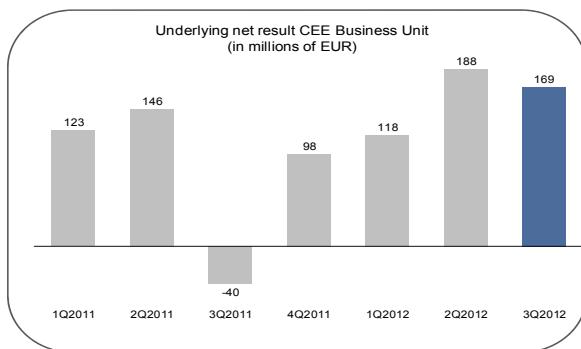
#### **Costs under control**

The operating expenses of the Belgium Business Unit stood at 431 million in the quarter under review. At first sight this is a slight increase (2%) on the previous quarter, but the lower figure in that quarter was attributable entirely to the fact that it had benefitted from the recovery of a significant amount under the former deposit guarantee scheme. Moreover, 3Q2012 also included, *inter alia*, lower marketing expenses compared to the previous quarter. Costs were down 7% on the year-earlier quarter, due to a combination of various factors (lower restructuring charges, ICT expenses, marketing costs, etc.). The cost/income ratio in the quarter under review amounted to 57%, which leads to a ratio of 60% for the first nine months, an improvement of 3 percentage points on the 63% recorded for FY2011.

#### **Continued low impairment on loans**

Impairment on loans and receivables (loan loss provisions) remained quite limited (only 12 million). Consequently, the annualised credit cost ratio for 9M2012 stood at an excellent 6 basis points, even less than the already very favourable 10 basis points for FY2011. At the end of 3Q2012, some 1.6% of the Belgian retail loan book was non-performing, more or less in line with the figure recorded three months earlier (1.5%). Other impairment charges amounted to a mere 4 million in the quarter under review and related to shares in portfolio; in 3Q2011 other impairment charges had totalled 155 million due to large impairments on both shares and Greek government bonds.

## Analysis of the underlying results, CEE Business Unit



The CEE Business Unit encompasses the banking and insurance activities in the Czech Republic (ČSOB Bank and ČSOB Insurance), Slovakia (ČSOB Bank and ČSOB Insurance), Hungary (K&H Bank and K&H Insurance) and Bulgaria (CIBANK and DZI Insurance).

Since they are earmarked for divestment, Absolut Bank in Russia, KBC Banka in Serbia, NLB and NLB Vita in Slovenia, and Kredyt Bank and Warta (both Poland) are not included here, but grouped together in the Group Centre (until they are sold).

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

The underlying figures exclude exceptional and non-operating items.

The following table is a reconciliation of the underlying result and the result according to IFRS.

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

In the quarter under review, the CEE Business Unit generated an underlying net result of 169 million, considerably more than the average figure of 91 million for the four preceding quarters. The quarter under review was characterised by stable interest income, increased fee and commission income, a somewhat higher combined ratio and lower life insurance sales, a stable cost level and low loan loss provisions. The CEE Business Unit's net result for 3Q2012 includes 143 million for the Czech Republic, 18 million for Slovakia, 36 million for Hungary, and 3 million for Bulgaria.

#### **Net interest income roughly stable quarter-on-quarter**

Net interest income generated in this business unit amounted to 348 million in the quarter under review. Excluding the exchange rate impact, this is roughly the same (-1%) as the previous quarter but a decline of 7% on the year-earlier quarter. The latter was primarily attributable to K&H Bank in Hungary (*inter alia* related to the repayment of FX mortgages consequent on the FX mortgage relief programme). At 303 basis points, the net interest margin was more or less unchanged compared with the previous quarter and 30 basis points less than the year-earlier quarter. As regards volumes, the combined loan book of the business unit was up 2% quarter-on-quarter and almost 6% year-on-year (with a decrease in Hungary being offset by increases in the loan books of the Czech Republic, Slovakia and to a lesser extent, Bulgaria). As regards customer deposits, the total volume for CEE-4 was up 1% quarter-on-quarter, and 3% year-on-year (again, a decrease in Hungary and increase in the other countries).

#### **Year-to-date combined ratio at 97%; life sales down on the high level of the previous quarter**

Earned insurance premiums in the quarter under review amounted to 186 million, which breaks down into 101 million for life insurance and 85 million for non-life insurance. Non-life premium income was up 4% on its level in the previous quarter and down 3% on the year-earlier quarter. Compared to the previous quarter, technical charges were somewhat higher (related, among other things, to the weather conditions and some big insurance claims in the Czech Republic), which caused the combined ratio for the quarter under review to deteriorate somewhat to 99%. Year-to-date, the combined ratio now stands at 97%.

Life sales, including insurance products not recognised under earned premiums under IFRS, amounted to 107 million in the quarter under review, comparable to the level for 3Q2011, but down on the strong sales recorded in the previous quarter (in particular, a decline in sales of unit-linked life products in the Czech Republic). As was the case in the previous quarters, life sales remained focused on unit-linked products, which accounted for some 72% of total life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remaining part. At the end of September 2012, the outstanding life reserves in this business unit stood at 1.7 billion (up 3% quarter-on-quarter).

#### **Other income components**

Net fee and commission income amounted to 77 million in the quarter under review, up 8% on the previous quarter (mainly attributable to the Czech Republic), but down 5% compared to 3Q2011 (in both cases excluding FX impact). Total assets under management of this business unit totalled roughly 10 billion at quarter-end, down 2% compared to three months earlier, which was essentially the result of net outflows, combined with a small negative price effect.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 46 million, up on the average of 33 million for the four preceding quarters. The figure for 3Q2012 included good fair value results in Slovakia and Hungary, which were offset by somewhat weaker fair value results in the Czech Republic. The net realised result from available-for-sale assets came to 5 million and related solely to sales of (mainly Czech) bonds. Other net income totalled 3 million.

#### **Costs remain roughly the same**

The operating expenses of this business unit came to 292 million, which is more or less comparable to both the previous and year-earlier quarters (disregarding FX effects). The cost/income ratio of the CEE banking activities stood at 55% in the quarter under review, or 58% for 9M2012, compared to 54% for FY2011.

#### **Loan loss provisions relatively low**

As was the case in the previous quarter, impairment on loans and receivables (loan loss provisions) stood at a relatively low 29 million. This is evidently a considerable decrease compared to the high 234 million recognised in 3Q2011, which had been impacted by high loan loss provisions in Hungary (largely related to the FX relief measures) and for Bulgaria (following an in-depth evaluation of the Bulgarian portfolio). As a result, the annualised credit cost ratio of this business unit for 9M2012 amounted to a favourable 40 basis points, well below the 159 basis points recorded for FY2011. At the end of the quarter under review, non-performing loans accounted for some 5.5% of the CEE loan book, comparable to the level recorded three months earlier (5.6%). Impairment on assets other than loans and receivables amounted to 3 million in the quarter under review; the figure for the quarter a year earlier (45 million) had been significantly impacted by impairment on Greek bonds.

#### **Breakdown per country**

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

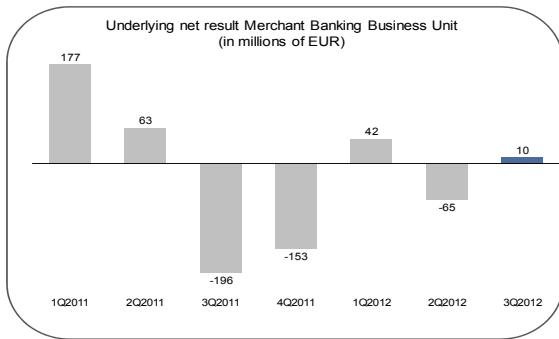
Income statement, Czech Republic, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	259	261	268	257	260	258	259	-
Earned premiums, insurance (before reinsurance)	178	96	119	99	111	201	129	-
Technical charges, insurance (before reinsurance)	-151	-71	-92	-68	-86	-173	-105	-
Ceded reinsurance result	-2	-2	-3	-5	-1	-2	0	-
Dividend income	0	1	1	0	0	0	1	-
Net result from financial instruments at fair value through profit or loss	26	12	-1	16	31	23	15	-
Net realised result from available-for-sale assets	5	3	6	15	-11	7	5	-
Net fee and commission income	42	49	50	49	45	38	43	-
Other net income	4	2	9	5	10	6	0	-
<b>Total income</b>	<b>361</b>	<b>351</b>	<b>357</b>	<b>368</b>	<b>358</b>	<b>358</b>	<b>347</b>	<b>-</b>
Operating expenses	-158	-165	-169	-182	-160	-160	-161	-
Impairment	-18	-65	-52	-70	-13	-14	-19	-
Of which on loans and receivables	-18	-13	-9	-33	-13	-12	-17	-
Of which on available-for-sale assets	0	-52	-43	-29	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
<b>Result before tax</b>	<b>185</b>	<b>121</b>	<b>136</b>	<b>116</b>	<b>185</b>	<b>184</b>	<b>167</b>	<b>-</b>
Income tax expense	-28	-13	-19	-16	-29	-27	-24	-
<b>Result after tax</b>	<b>157</b>	<b>108</b>	<b>116</b>	<b>100</b>	<b>156</b>	<b>158</b>	<b>143</b>	<b>-</b>
attributable to minority interests	0	0	0	0	0	0	0	-
<b>attributable to equity holders of the parent</b>	<b>157</b>	<b>108</b>	<b>116</b>	<b>100</b>	<b>156</b>	<b>158</b>	<b>143</b>	<b>-</b>
banking	148	101	112	91	151	152	137	-
insurance	8	7	5	9	5	5	6	-
Risk-weighted assets, group (end of period, Basel II)	13 854	13 937	14 342	14 869	15 590	15 715	15 121	-
of which banking	13 015	13 080	13 477	14 013	14 709	14 836	14 218	-
Allocated capital (end of period, Basel II)	1 159	1 166	1 199	1 241	1 300	1 310	1 264	-
Return on allocated capital (ROAC, Basel II)	46%	30%	32%	27%	42%	42%	38%	-
Cost/income ratio, banking	43%	46%	46%	49%	44%	44%	46%	-
Combined ratio, non-life insurance	87%	91%	97%	84%	91%	94%	99%	-
Income statement, Slovakia, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	48	46	48	51	46	44	45	-
Earned premiums, insurance (before reinsurance)	19	20	16	15	18	21	17	-
Technical charges, insurance (before reinsurance)	-13	-14	-9	-6	-10	-14	-10	-
Ceded reinsurance result	-1	0	-1	-1	-1	0	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	3	1	-3	-7	10	4	8	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	11	10	9	10	9	9	10	-
Other net income	2	4	1	1	2	2	1	-
<b>Total income</b>	<b>70</b>	<b>67</b>	<b>60</b>	<b>64</b>	<b>75</b>	<b>67</b>	<b>71</b>	<b>-</b>
Operating expenses	-40	-42	-39	-36	-44	-44	-45	-
Impairment	-1	-8	-5	0	-3	-2	-4	-
Of which on loans and receivables	-1	-7	-3	1	-3	-2	-4	-
Of which on available-for-sale assets	0	0	-2	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
<b>Result before tax</b>	<b>29</b>	<b>17</b>	<b>16</b>	<b>27</b>	<b>28</b>	<b>21</b>	<b>22</b>	<b>-</b>
Income tax expense	-5	0	-4	-4	-5	-5	-5	-
<b>Result after tax</b>	<b>24</b>	<b>18</b>	<b>13</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>18</b>	<b>-</b>
attributable to minority interests	0	0	0	0	0	0	0	-
<b>attributable to equity holders of the parent</b>	<b>24</b>	<b>18</b>	<b>13</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>18</b>	<b>-</b>
banking	19	15	13	20	19	14	15	-
insurance	6	3	0	4	4	3	3	-
Risk-weighted assets, group (end of period, Basel II)	4 208	4 382	4 435	4 261	4 102	4 034	4 028	-
of which banking	4 038	4 205	4 258	4 084	3 926	3 855	3 849	-
Allocated capital (end of period, Basel II)	347	361	365	352	339	333	333	-
Return on allocated capital (ROAC, Basel II)	23%	16%	9%	24%	22%	15%	16%	-
Cost/income ratio, banking	61%	63%	65%	58%	60%	66%	64%	-
Combined ratio, non-life insurance	85%	88%	89%	67%	52%	85%	84%	-

Income statement, Hungary, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	103	100	95	83	70	65	66	-
Earned premiums, insurance (before reinsurance)	22	23	23	20	19	17	19	-
Technical charges, insurance (before reinsurance)	-11	-17	-18	-16	-15	-13	-12	-
Ceded reinsurance result	-1	-1	-1	-1	-1	-1	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	4	12	12	13	15	21	26	-
Net realised result from available-for-sale assets	0	0	0	2	0	0	0	-
Net fee and commission income	24	25	25	24	22	22	23	-
Other net income	1	2	1	0	-2	1	-1	-
<b>Total income</b>	<b>143</b>	<b>143</b>	<b>138</b>	<b>125</b>	<b>109</b>	<b>113</b>	<b>120</b>	<b>-</b>
Operating expenses	-130	-71	-68	0	-122	-64	-65	-
Impairment	-29	-19	-126	-117	-29	-4	-7	-
Of which on loans and receivables	-28	-18	-126	-116	-28	-3	-6	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
<b>Result before tax</b>	<b>-15</b>	<b>54</b>	<b>-56</b>	<b>8</b>	<b>-41</b>	<b>45</b>	<b>49</b>	<b>-</b>
Income tax expense	-1	-13	6	-1	5	-10	-13	-
<b>Result after tax</b>	<b>-16</b>	<b>40</b>	<b>-50</b>	<b>7</b>	<b>-36</b>	<b>35</b>	<b>36</b>	<b>-</b>
attributable to minority interests	0	0	0	0	0	0	0	-
<b>attributable to equity holders of the parent</b>	<b>-16</b>	<b>40</b>	<b>-50</b>	<b>7</b>	<b>-36</b>	<b>35</b>	<b>36</b>	<b>-</b>
banking	-19	38	-50	5	-35	33	34	-
insurance	3	2	0	2	-1	2	2	-
Risk-weighted assets, group (end of period, Basel II)	6 666	6 587	6 505	6 123	5 759	5 413	5 472	-
of which banking	6 424	6 335	6 253	5 834	5 513	5 178	5 238	-
Allocated capital (end of period, Basel II)	548	542	536	507	475	447	452	-
Return on allocated capital (ROAC, Basel II)	-18%	24%	-41%	-1%	-35%	24%	25%	-
Cost/income ratio, banking	93%	49%	48%	2%	112%	57%	53%	-
Combined ratio, non-life insurance	74%	92%	109%	109%	98%	103%	92%	-
Income statement, Bulgaria, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	12	10	8	9	10	9	10	-
Earned premiums, insurance (before reinsurance)	23	25	24	25	25	24	21	-
Technical charges, insurance (before reinsurance)	-15	-14	-16	-19	-18	-15	-15	-
Ceded reinsurance result	-2	-1	-1	1	0	0	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	0	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	1	0	1	0	0	1	1	-
Other net income	0	0	0	0	1	1	0	-
<b>Total income</b>	<b>19</b>	<b>21</b>	<b>17</b>	<b>17</b>	<b>19</b>	<b>21</b>	<b>17</b>	<b>-</b>
Operating expenses	-14	-14	-14	-15	-14	-14	-12	-
Impairment	-4	-3	-2	-8	-2	-1	-2	-
Of which on loans and receivables	-4	-3	-2	-6	-2	-1	-2	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
<b>Result before tax</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>-6</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>-</b>
Income tax expense	0	0	0	0	0	0	0	-
<b>Result after tax</b>	<b>2</b>	<b>5</b>	<b>1</b>	<b>-6</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>-</b>
attributable to minority interests	0	0	0	-1	0	0	0	-
<b>attributable to equity holders of the parent</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>-5</b>	<b>3</b>	<b>6</b>	<b>3</b>	<b>-</b>
banking	0	0	1	-5	2	3	3	-
insurance	1	4	1	0	1	3	0	-
Risk-weighted assets, group (end of period, Basel II)	846	867	750	848	808	817	808	-
of which banking	628	643	523	604	593	614	614	-
Allocated capital (end of period, Basel II)	81	83	74	82	77	78	76	-
Return on allocated capital (ROAC, Basel II)	-17%	-15%	-13%	-49%	-10%	6%	-4%	-
Cost/income ratio, banking	66%	74%	82%	83%	69%	71%	61%	-
Combined ratio, non-life insurance	107%	83%	104%	107%	110%	99%	111%	-

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

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

## Analysis of the underlying results, Merchant Banking Business Unit



The Merchant Banking Business Unit encompasses the financial services provided to large SMEs & 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 Commercial Finance, KBC Credit Investments and KBC Bank Ireland. The entities that are earmarked for divestment under the strategic plan (the main ones being KBC Financial Products, Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre (until they are sold).

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	147	148	125	125	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	4	2	0	0	1	5	-
Net result from financial instruments at fair value through profit or loss	213	87	9	97	239	45	171	-
Net realised result from available-for-sale assets	2	11	0	22	-1	5	1	-
Net fee and commission income	51	53	43	55	56	46	47	-
Other net income	22	17	-117	2	-17	27	34	-
<b>Total income</b>	<b>469</b>	<b>340</b>	<b>105</b>	<b>323</b>	<b>425</b>	<b>248</b>	<b>383</b>	<b>-</b>
Operating expenses	-152	-142	-143	-132	-147	-148	-147	-
Impairment	-57	-112	-215	-384	-205	-166	-180	-
on loans and receivables	-57	-95	-205	-368	-203	-152	-165	-
on available-for-sale assets	0	-1	-2	-3	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	-16	-7	-13	-1	-14	-14	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	259	86	-253	-193	74	-66	57	-
Income tax expense	-78	-21	61	44	-27	3	-43	-
<b>Result after tax</b>	<b>182</b>	<b>65</b>	<b>-192</b>	<b>-149</b>	<b>46</b>	<b>-63</b>	<b>14</b>	<b>-</b>
attributable to minority interests	5	2	4	4	4	2	3	-
<b>attributable to equity holders of the parent</b>	<b>177</b>	<b>63</b>	<b>-196</b>	<b>-153</b>	<b>42</b>	<b>-65</b>	<b>10</b>	<b>-</b>
Banking	176	62	-197	-154	41	-66	9	-
Insurance	1	1	1	1	1	1	1	-
Risk-weighted assets, group (end of period, Basel II)	45 945	42 446	39 736	42 126	40 319	40 884	38 028	-
of which banking	45 945	42 446	39 736	42 126	40 319	40 884	38 028	-
Allocated capital (end of period, Basel II)	3 676	3 396	3 179	3 370	3 225	3 271	3 042	-
Return on allocated capital (ROAC, Basel II)	19%	6%	-25%	-19%	6%	-7%	3%	-
Cost/income ratio, banking	32%	42%	138%	41%	35%	60%	38%	-
The underlying figures exclude exceptional and non-operating items.								
The following table is a reconciliation of the underlying result and the result according to IFRS.								
Result after tax, attributable to equity holders of the parent: underlying	177	63	-196	-153	42	-65	10	-
+ MTM of derivatives for ALM hedging	9	-7	-31	-28	-24	0	-20	-
+ gains/losses on CDOs	18	18	-13	-30	-1	1	-1	-
+ impairment on goodwill	0	-5	-4	-8	0	-1	0	-
+ results on divestments	-1	0	-10	-6	0	0	2	-
Result after tax, attributable to equity holders of the parent: IFRS	203	69	-255	-225	17	-65	-8	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 10 million, an improvement on the -93 million average for the four preceding quarters. The quarter under review was characterised by stable net interest income, significant positive credit value adjustments and satisfactory dealing room results, a recovery of amounts on the 2010 KBC Lease UK fraud case, stable costs and slightly higher loan loss provisions. The underlying result for 3Q2012 breaks down as follows: 38 million for market activities and -27 million for commercial banking activities (64 million excluding KBC Bank Ireland).

### **Total income considerably higher than both reference quarters**

Total income for this business unit amounted to 383 million in the quarter under review.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') amounted to a good 171 million in the quarter under review, considerably up on the average of 98 million for the four preceding quarters. The quarter under review included satisfactory dealing room income, as well as significant positive credit value adjustments (whereas both reference quarters had been adversely impacted by significant negative credit value adjustments).

Net interest income stood at 125 million in 3Q2012, in line with 2Q2012 but down by a quarter on 3Q2011. The latter decline is due in part to the reduction in the (high-yield) GIIPS government bonds portfolio, generally lower reinvestment yields, higher funding costs and reduced volumes. The total credit portfolio of the Merchant Banking Business Unit decreased by 5% in the quarter under review and by 4% year-on-year, entirely as a result of a decline in the non-core international loan book. Customer deposits fell by 4% in the quarter under review, and – still impacted by the large decline in 4Q2011 – , were down by 25% compared to a year ago.

The other income components combined totalled 87 million in the quarter under review and included net fee and commission income of 47 million (slightly higher than in the reference quarters), a net realised result from available-for-sale assets of 1 million (compared with an average of 7 million in the four preceding quarters) which included gains from the sale of shares and Belgian bonds being offset by losses on the sale of mainly Italian bonds, and other net income of 34 million. The latter included a recovery of 44 million in relation to the 2010 fraud case at KBC Lease UK. In 3Q2011, other net income (-117 million) had been impacted by a charge of 132 million related to the 5-5-5 product.

### **Costs virtually unchanged quarter-on-quarter**

Operating expenses in the quarter under review amounted to 147 million, down 1% quarter-on-quarter and up 2% year-on-year (mainly due to higher banking tax). The underlying cost/income ratio stood at 38% in 3Q2012, leading to a ratio of 42% for the first nine months of 2012, an improvement on the 46% recorded for FY2011.

### **Somewhat higher loan loss provisions in the quarter under review**

Impairment on loans and receivables (loan loss provisions) amounted to 165 million in the quarter under review, up somewhat on the 152 million recognised in the previous quarter, but still down on the 205 million recorded in the year-earlier quarter. The quarter under review includes increased loan loss provisions for Belgian corporate files and at the foreign branches, and a loan loss provision of 129 million at KBC Bank Ireland (in line with the 136 million posted in 2Q2012 but lower than the 187 million recognised in 3Q2011). Consequently, the annualised credit cost ratio for the first nine months for the Merchant Banking Business Unit came to 138 basis points, comparable to the 136 basis points recorded for FY2011. Excluding Ireland\*, the credit cost ratio for 9M2012 would have come to just 24 basis points, an improvement on the 59 basis points recorded for FY2011. At the end of September 2012, approximately 10.1% of the Merchant Banking Business Unit's loan book was non-performing, up on the 9.5% recorded three months earlier. Excluding Ireland\*, non-performing loans accounted for 4.1% of the unit's loan book at 30 September 2012 (3.9% three months earlier).

Other impairment charges for this business unit amounted to 14 million in the quarter under review (relating to real estate investment); in 3Q2011, other impairment charges related mainly to Greek government bonds.

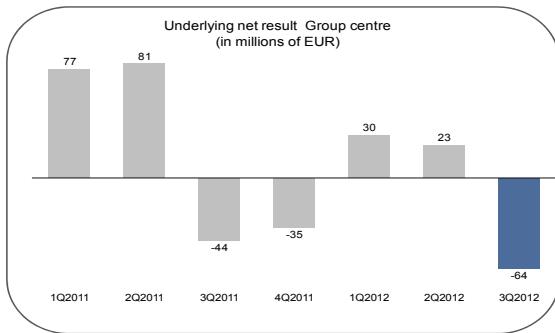
### **Breakdown by commercial banking activities and market activities**

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

\* The annualised credit cost ratio for KBC Bank Ireland stood at 371 basis points for 9M2012, compared to 301 basis points for FY2011 (which included two quarters of relatively low impairment charges), while the non-performing ratio rose to 22.5% at the end of 3Q2012, up from 21.4% three months earlier.

Income statement, Commercial Banking, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	148	148	125	125	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	4	2	0	0	1	5	-
Net result from financial instruments at fair value through profit or loss	10	-25	-48	0	41	-50	74	-
Net realised result from available-for-sale assets	2	11	0	22	-1	5	1	-
Net fee and commission income	26	29	26	36	36	30	33	-
Other net income	22	24	21	37	61	27	55	-
<b>Total income</b>	<b>242</b>	<b>210</b>	<b>169</b>	<b>242</b>	<b>286</b>	<b>138</b>	<b>293</b>	<b>-</b>
Operating expenses	-87	-88	-90	-86	-92	-102	-98	-
Impairment	-72	-100	-208	-385	-202	-172	-199	-
Of which on loans and receivables	-72	-83	-200	-368	-201	-157	-184	-
Of which on available-for-sale assets	0	-1	-1	-3	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	83	23	-130	-229	-8	-136	-4	-
Income tax expense	-28	-6	19	53	-10	28	-20	-
<b>Result after tax</b>	<b>55</b>	<b>17</b>	<b>-111</b>	<b>-176</b>	<b>-18</b>	<b>-108</b>	<b>-24</b>	<b>-</b>
attributable to minority interests	4	3	4	3	4	2	3	-
<b>attributable to equity holders of the parent</b>	<b>51</b>	<b>14</b>	<b>-115</b>	<b>-179</b>	<b>-22</b>	<b>-110</b>	<b>-27</b>	<b>-</b>
Banking	50	13	-116	-180	-23	-111	-28	-
Insurance	1	1	1	1	-1	1	1	-
Risk-weighted assets, group (end of period, Basel II)	32 176	30 934	30 733	31 065	31 300	31 226	30 710	-
of which banking	32 176	30 934	30 733	31 065	31 300	31 226	30 710	-
Allocated capital (end of period, Basel II)	2 574	2 475	2 459	2 485	2 504	2 498	2 457	-
Return on allocated capital (ROAC, Basel II)	7%	2%	-19%	-30%	-3%	-16%	-3%	-
Cost/income ratio, banking	36%	42%	54%	36%	32%	75%	34%	-
Income statement, Market Activities, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	0	0	0	0	0	0	0	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	203	112	57	96	198	95	97	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	25	25	17	19	19	16	15	-
Other net income	0	-8	-138	-35	-78	0	-21	-
<b>Total income</b>	<b>227</b>	<b>129</b>	<b>-64</b>	<b>80</b>	<b>139</b>	<b>110</b>	<b>91</b>	<b>-</b>
Operating expenses	-65	-53	-53	-46	-55	-46	-48	-
Impairment	15	-12	-6	1	-2	5	19	-
Of which on loans and receivables	15	-12	-5	0	-2	5	19	-
Of which on available-for-sale assets	0	0	-1	1	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	177	63	-123	36	82	70	61	-
Income tax expense	-50	-15	42	-9	-17	-25	-23	-
<b>Result after tax</b>	<b>127</b>	<b>48</b>	<b>-81</b>	<b>27</b>	<b>64</b>	<b>45</b>	<b>38</b>	<b>-</b>
attributable to minority interests	1	-1	0	1	0	0	0	-
<b>attributable to equity holders of the parent</b>	<b>126</b>	<b>48</b>	<b>-81</b>	<b>26</b>	<b>65</b>	<b>45</b>	<b>38</b>	<b>-</b>
banking	126	48	-81	26	65	45	38	-
insurance	0	0	0	0	0	0	0	-
Risk-weighted assets, group (end of period, Basel II)	13 769	11 512	9 003	11 061	9 018	9 658	7 318	-
of which banking	13 769	11 512	9 003	11 061	9 018	9 658	7 318	-
Allocated capital (end of period, Basel II)	1 102	921	720	885	721	773	585	-
Return on allocated capital (ROAC, Basel II)	46%	18%	-41%	14%	34%	26%	26%	-
Cost/income ratio, banking	29%	41%	-	57%	39%	41%	53%	-

## Analysis of the underlying results, Group Centre



The Group Centre comprises the results of the holding company, KBC Group NV, KBC Global Services, some results that are not attributable to the other business units and the elimination of the results of intersegment transactions.

It also comprises the results of the companies that have been designated as non-core in the group's strategy and are therefore earmarked for divestment (included in the figures until they are sold). The main entities are Centea, Fidea, Absolut Bank, KBC Banka, NLB and NLB Vita, Kredyt Bank, Warta, KBC Financial Products, Antwerp Diamond Bank, KBC Bank Deutschland and the KBL epb group.

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

The underlying figures exclude exceptional and non-operating items.

The following table is a reconciliation of the underlying result and the result according to IFRS.

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

The Group Centre's net result amounted to -64 million in 3Q2012. As mentioned before, this includes a number of group items and the results of the companies that are earmarked for divestment, whose combined net result came to -47 million in 3Q2012, compared to 31 million in 2Q2012.

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

- Formerly recognised under the Belgium Business Unit: zero (the planned divestments for this business unit – Centea and Fidea – have been completed).
- Formerly recognised under the CEE Business Unit: 12 million, compared with 44 million in the previous quarter. The difference is due mainly to the deconsolidation of the Polish insurance company Warta (sold mid 2012), a lower contribution by Absolut Bank and a higher contribution by Kredyt Bank.
- Formerly recognised under the Merchant Banking Business Unit: -37 million, compared with 8 million in the previous quarter. 3Q2012 includes high loan loss provisions at KBC Finance Ireland (project finance).
- Formerly recognised under the European Private Banking Business Unit: zero (KBL epb has been excluded from the underlying results since the beginning of the year and the agreement to sell it was finalised at the end of July 2012).
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): -22 million, in line with the previous quarter.

KBC Group

# Consolidated financial statements according to IFRS 3Q and 9M2012



This section is reviewed by the auditors.

## Consolidated income statement

In millions of EUR	Note	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Net interest income	3	1 341	1 190	1 097	4 142	3 548
Interest income		2 910	2 563	2 493	9 151	7 752
Interest expense		- 1 569	- 1 374	- 1 396	- 5 009	- 4 204
Earned premiums, insurance (before reinsurance)	9	972	890	578	3 087	2 352
Non-life		477	442	307	1 395	1 187
Life		495	448	271	1 691	1 165
Technical charges, insurance (before reinsurance)	9	- 812	- 757	- 499	- 2 665	- 2 009
Non-life		- 259	- 243	- 150	- 738	- 626
Life		- 553	- 514	- 350	- 1 927	- 1 383
Ceded reinsurance result	9	- 18	- 1	- 12	- 43	- 27
Dividend income		17	21	13	70	39
Net result from financial instruments at fair value through profit or loss		- 892	43	275	- 613	378
Net realised result from available-for-sale assets	6	10	9	56	86	97
Net fee and commission income	7	281	309	343	877	955
Fee and commission income		480	479	494	1 529	1 464
Fee and commission expense		- 200	- 170	- 151	- 651	- 509
Other net income	8	- 149	368	106	53	547
<b>TOTAL INCOME</b>		<b>749</b>	<b>2 072</b>	<b>1 954</b>	<b>4 994</b>	<b>5 879</b>
Operating expenses	12	- 1 077	- 1 033	- 1 003	- 3 301	- 3 167
Staff expenses		- 653	- 639	- 634	- 1 938	- 1 907
General administrative expenses		- 345	- 316	- 292	- 1 117	- 1 024
Depreciation and amortisation of fixed assets		- 79	- 79	- 77	- 246	- 236
Impairment	14	- 940	- 1 473	- 302	- 1 377	- 2 048
on loans and receivables		- 473	- 198	- 283	- 733	- 742
on available-for-sale assets		- 223	- 75	- 4	- 347	- 83
on goodwill		- 62	- 414	0	- 79	- 414
on other		- 183	- 786	- 15	- 218	- 809
Share in results of associated companies		- 23	17	- 6	- 22	2
<b>RESULT BEFORE TAX</b>		<b>- 1 292</b>	<b>- 417</b>	<b>644</b>	<b>294</b>	<b>666</b>
Income tax expense		165	- 110	- 103	- 245	- 306
Net post-tax result from discontinued operations	46	- 445	- 8	0	- 445	33
<b>RESULT AFTER TAX</b>		<b>- 1 571</b>	<b>- 535</b>	<b>540</b>	<b>- 396</b>	<b>392</b>
Attributable to minority interest		8	5	9	28	21
<i>of which relating to discontinued operations</i>		0	0	0	0	0
<b>Attributable to equity holders of the parent</b>		<b>- 1 579</b>	<b>- 539</b>	<b>531</b>	<b>- 424</b>	<b>372</b>
<i>of which relating to discontinued operations</i>		- 445	- 8	0	- 445	33
Earnings per share (in EUR)						
Basic		-5.08	-1.99	1.16	-2.56	-0.13
Diluted		-5.08	-1.99	1.16	-2.56	-0.13

## Consolidated statement of comprehensive income (condensed)

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
<b>RESULT AFTER TAX</b>	<b>- 1 571</b>	<b>- 535</b>	<b>540</b>	<b>- 396</b>	<b>392</b>
attributable to minority interest	8	5	9	28	21
attributable to equity holders of the parent	- 1 579	- 539	531	- 424	372
<b>OTHER COMPREHENSIVE INCOME</b>					
Net change in revaluation reserve (AFS assets) - Equity	- 193	- 47	- 46	- 228	- 55
Net change in revaluation reserve (AFS assets) - Bonds	427	93	467	359	1 292
Net change in revaluation reserve (AFS assets) - Other	0	0	0	- 1	0
Net change in hedging reserve (cash flow hedge)	- 222	- 118	- 44	- 78	- 167
Net change in translation differences	- 117	- 57	37	- 104	87
Other movements	4	0	- 1	2	- 2
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>- 1 672</b>	<b>- 663</b>	<b>954</b>	<b>- 446</b>	<b>1 547</b>
attributable to minority interest	- 6	2	17	16	39
attributable to equity holders of the parent	- 1 666	- 665	937	- 462	1 508

## Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2011	30-09-2012
Cash and cash balances with central banks		6 218	3 841
Financial assets	18	249 439	239 503
Held for trading		26 936	23 816
Designated at fair value through profit or loss		13 940	19 328
Available for sale		39 491	29 704
Loans and receivables		153 894	138 834
Held to maturity		14 396	26 778
Hedging derivatives		782	1 043
Reinsurers' share in technical provisions		150	141
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		197	216
Tax assets		2 646	2 186
Current tax assets		201	162
Deferred tax assets		2 445	2 024
Non-current assets held for sale and assets associated with disposal groups	46	19 123	17 673
Investments in associated companies		431	104
Investment property		758	633
Property and equipment		2 651	2 590
Goodwill and other intangible assets		1 898	1 364
Other assets		1 871	1 759
<b>TOTAL ASSETS</b>		<b>285 382</b>	<b>270 010</b>

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2011	30-09-2012
Financial liabilities	18	225 804	216 146
Held for trading		27 355	22 393
Designated at fair value through profit or loss		28 678	23 905
Measured at amortised cost		167 842	167 496
Hedging derivatives		1 929	2 352
Technical provisions, before reinsurance		19 914	19 637
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		4	42
Tax liabilities		545	547
Current tax liabilities		255	158
Deferred tax liabilities		290	388
Liabilities associated with disposal groups	46	18 132	11 850
Provisions for risks and charges		889	547
Other liabilities		3 322	3 575
<b>TOTAL LIABILITIES</b>		<b>268 611</b>	<b>252 343</b>
Total equity	39	16 772	17 667
Parent shareholders' equity	39	9 756	10 629
Non-voting core-capital securities	39	6 500	6 500
Minority interests		516	539
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>285 382</b>	<b>270 010</b>

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

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

## Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
<b>30-09-2011</b>											
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	- 424	0	- 424	0	28	- 396
Other comprehensive income for the period	0	0	0	131	- 78	2	- 92	- 38	0	- 12	- 50
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>- 78</b>	<b>- 423</b>	<b>- 92</b>	<b>- 462</b>	<b>0</b>	<b>16</b>	<b>- 446</b>
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
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0
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	- 26	- 26
Change in scope	0	0	0	0	0	0	0	0	0	0	0
<b>Total change</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>- 78</b>	<b>- 1 274</b>	<b>- 92</b>	<b>- 1 313</b>	<b>0</b>	<b>- 10</b>	<b>- 1 323</b>
<b>Balance at the end of the period</b>	<b>1 245</b>	<b>4 340</b>	<b>- 1 529</b>	<b>197</b>	<b>- 521</b>	<b>6 475</b>	<b>- 373</b>	<b>9 834</b>	<b>7 000</b>	<b>517</b>	<b>17 351</b>
of which revaluation reserve for shares				208							
of which revaluation reserve for bonds				- 11							
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				3				10	13		13
<b>30-09-2012</b>											
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	6 831	- 422	9 756	6 500	516	16 772
Net result for the period	0	0	0	0	0	372	0	372	0	21	392
Other comprehensive income for the period	0	0	0	1 233	- 169	- 2	75	1 136	0	18	1 154
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 233</b>	<b>- 169</b>	<b>369</b>	<b>75</b>	<b>1 508</b>	<b>0</b>	<b>39</b>	<b>1 547</b>
Dividends	0	0	0	0	0	- 599	0	- 599	0	0	- 599
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	- 1	0	0	0	0	- 1	0	0	- 1
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	- 16	- 16
Change in scope	0	0	0	- 53	0	0	23	- 30	0	0	- 30
<b>Total change</b>	<b>0</b>	<b>0</b>	<b>- 1</b>	<b>1 180</b>	<b>- 169</b>	<b>- 236</b>	<b>98</b>	<b>872</b>	<b>0</b>	<b>23</b>	<b>895</b>
<b>Balance at the end of the period</b>	<b>1 245</b>	<b>4 341</b>	<b>- 1 529</b>	<b>1 063</b>	<b>- 762</b>	<b>6 595</b>	<b>- 324</b>	<b>10 629</b>	<b>6 500</b>	<b>539</b>	<b>17 667</b>
of which revaluation reserve for shares				175							
of which revaluation reserve for bonds				888							
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				29		13		- 68	- 26	168	141

The changes in equity during 9M 2012 include the accounting of a gross dividend of 0.01 euros per share (3.6 million euros in total) and the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (595 million euros or 8.5% of 7 billion euros). Both paid in the second quarter 2012.

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



## Consolidated cash flow statement (condensed)

In millions of EUR	9M 2011	9M 2012
Operating activities		
Net cash from (used in) operating activities	2 127	5 087
Investing activities		
Net cash from (used in) investing activities	- 832	- 13 963
Financing activities		
Net cash from (used in) financing activities	- 1 521	- 2 517
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	- 227	- 11 393
Cash and cash equivalents at the beginning of the period	20 557	13 997
Effects of exchange rate changes on opening cash and cash equivalents	- 109	140
Cash and cash equivalents at the end of the period	20 222	2 744

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

## Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

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

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

## Notes on segment reporting

### Segment reporting<sup>1</sup> according to the management structure of the group (note 2a in the annual accounts 2011)

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

The segment reporting (see below) is based on this breakdown, but also brings together all companies that are up for divestment under the Group Centre.

For reporting purposes, the business units hence are:

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

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

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

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

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

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

<sup>1</sup> Note that, on 8 October 2012 KBC announced an updated strategy which amongst other things includes a change in segmentation into business units. This updated segmentation is planned to be implemented from 1 January 2013 onward. For more information see [www.kbc.com](http://www.kbc.com).

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

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

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

Reconciliation between underlying result and result according to IFRS KBC Group, in millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	-248	372	406	937	1 233
+ MTM of derivatives for ALM hedging	-245	-29	-33	-226	-16
+ gains and losses on CDOs	-628	-32	274	-621	391
+ impairment on goodwill	-57	-16	0	-74	-16
+ result on legacy structured derivative business (KBC FP)	5	-7	6	62	-13
+ change in fair value of own debt instruments (due to own credit risk)	185	41	-144	144	-444
+ Results on divestments	-591	-868	23	-647	-764
Result after tax, attributable to equity holders of the parent: IFRS	-1 579	-539	531	-424	372

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

Gains and losses on CDO's: In the third quarter of 2012, the market price for corporate credit decreased, as reflected in credit default swap spreads, generating a value mark-up of KBC's CDO exposure (including the impact of the government guarantee, the related fee and the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2011, namely 70%). Remark that in January 2012, KBC collapsed two CDOs which on the one hand reduced the total nominal value of the CDO portfolio at that time by 1.7 billion euros and on the other hand resulted in a negative P/L impact of approximately 0.1 billion euros.

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

Results on divestments: In the third quarter of 2012, the positive result was mainly driven by a positive final price adjustment related to the closure of the sale of Warta.

	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding intersegment eliminations	Intersegment eliminations	KBC Group
In millions of EUR						
<b>UNDERLYING INCOME STATEMENT - 9M 2011</b>						
Net interest income	1 729	1 154	516	708	0	4 106
Earned premiums, insurance (before reinsurance)	1 601	586	0	953	- 52	3 088
Non-life	650	250	0	520	- 25	1 395
Life	951	336	0	433	- 27	1 693
Technical charges, insurance (before reinsurance)	- 1 537	- 439	0	- 737	37	- 2 676
Non-life	- 319	- 129	0	- 298	9	- 738
Life	- 1 217	- 310	0	- 439	28	- 1 938
Ceded reinsurance result	- 19	- 15	0	- 18	9	- 43
Dividend income	40	2	6	11	0	59
Net result from financial instruments at fair value through profit or loss	31	52	309	- 22	0	371
Net realised result from available-for-sale assets	53	15	13	24	0	106
Net fee and commission income	533	246	147	237	- 2	1 161
Other net income	- 32	31	- 78	24	- 10	- 64
<b>TOTAL INCOME</b>	<b>2 401</b>	<b>1 631</b>	<b>913</b>	<b>1 180</b>	<b>- 18</b>	<b>6 107</b>
Operating expenses	- 1 337	- 950	- 437	- 848	18	- 3 553
Impairment	- 253	- 428	- 384	- 113	0	- 1 179
on loans and receivables	- 37	- 327	- 357	- 15	0	- 736
on available-for-sale assets	- 199	- 98	- 3	- 69	0	- 369
on goodwill	0	0	0	0	0	0
on other	- 18	- 4	- 24	- 30	0	- 75
Share in results of associated companies	0	1	0	- 23	0	- 22
<b>RESULT BEFORE TAX</b>	<b>811</b>	<b>255</b>	<b>93</b>	<b>196</b>	<b>0</b>	<b>1 353</b>
Income tax expense	- 258	- 24	- 38	- 67	0	- 388
Net post-tax result from discontinued operations	0	0	0	0	0	0
<b>RESULT AFTER TAX</b>	<b>552</b>	<b>230</b>	<b>54</b>	<b>128</b>	<b>0</b>	<b>966</b>
attributable to minority interests	2	1	11	14	0	28
<b>attributable to equity holders of the parent</b>	<b>551</b>	<b>229</b>	<b>43</b>	<b>114</b>	<b>0</b>	<b>937</b>
<b>UNDERLYING INCOME STATEMENT - 9M 2012</b>						
Net interest income	1 678	1 052	398	320	0	3 448
Earned premiums, insurance (before reinsurance)	1 294	622	0	456	- 21	2 352
Non-life	680	248	0	280	- 20	1 187
Life	614	374	0	177	0	1 165
Technical charges, insurance (before reinsurance)	- 1 217	- 485	0	- 314	7	- 2 009
Non-life	- 329	- 137	0	- 167	7	- 626
Life	- 887	- 347	0	- 148	0	- 1 383
Ceded reinsurance result	- 27	- 8	0	1	8	- 27
Dividend income	28	1	6	1	0	36
Net result from financial instruments at fair value through profit or loss	44	151	455	46	0	695
Net realised result from available-for-sale assets	69	2	5	19	0	95
Net fee and commission income	569	225	149	23	0	965
Other net income	37	25	43	17	- 2	120
<b>TOTAL INCOME</b>	<b>2 475</b>	<b>1 585</b>	<b>1 056</b>	<b>567</b>	<b>- 8</b>	<b>5 676</b>
Operating expenses	- 1 314	- 931	- 441	- 439	8	- 3 116
Impairment	- 57	- 100	- 551	- 109	0	- 816
on loans and receivables	- 25	- 93	- 521	- 103	0	- 742
on available-for-sale assets	- 32	0	0	0	0	- 33
on goodwill	0	0	0	0	0	0
on other	0	- 6	- 30	- 5	0	- 41
Share in results of associated companies	0	1	0	- 33	0	- 32
<b>RESULT BEFORE TAX</b>	<b>1 105</b>	<b>555</b>	<b>65</b>	<b>- 13</b>	<b>0</b>	<b>1 711</b>
Income tax expense	- 321	- 80	- 68	13	0	- 457
Net post-tax result from discontinued operations	0	0	0	0	0	0
<b>RESULT AFTER TAX</b>	<b>783</b>	<b>475</b>	<b>- 3</b>	<b>- 1</b>	<b>0</b>	<b>1 254</b>
attributable to minority interests	1	0	9	11	0	21
<b>attributable to equity holders of the parent</b>	<b>782</b>	<b>475</b>	<b>- 12</b>	<b>- 11</b>	<b>0</b>	<b>1 233</b>

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
<b>Balance sheet information 31-12-2011</b>					
Total loans to customers	55 254	25 648	43 832	13 550	138 284
Of which mortgage loans	29 417	10 533	12 288	5 194	57 431
Of which reverse repos	0	16	1 413	0	1 429
Customer deposits	71 156	38 216	46 168	9 687	165 226
Of which repos	0	3 209	12 633	0	15 841
<b>Balance sheet information 30-09-2012</b>					
Total loans to customers	57 319	26 851	45 154	1 724	131 048
Of which mortgage loans	30 646	11 183	11 760	28	53 617
Of which reverse repos	46	9	4 717	0	4 772
Customer deposits	75 427	39 955	45 172	391	160 945
Of which repos	0	4 001	6 548	0	10 549

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

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
<b>9M 2011</b>				
Total income from external customers (underlying)	2 628	2 330	1 149	6 107
<b>31-12-2011</b>				
Total assets (period-end)	181 036	60 898	43 448	285 382
Total liabilities (period-end)	171 262	55 189	42 159	268 611
<b>9M 2012</b>				
Total income from external customers (underlying)	2 941	2 092	642	5 676
<b>30-09-2012</b>				
Total assets (period-end)	181 407	63 831	24 773	270 010
Total liabilities (period-end)	171 823	57 751	22 769	252 343

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

## Other notes

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

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Total	1 341	1 190	1 097	4 142	3 548
Interest income	2 910	2 563	2 493	9 151	7 752
Available-for-sale assets	438	311	277	1 386	938
Loans and receivables	1 645	1 540	1 469	4 944	4 589
Held-to-maturity investments	169	229	259	469	671
Other assets not at fair value	9	7	7	25	22
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	2 261	2 086	2 012	6 824	6 220
Financial assets held for trading	385	313	300	1 552	957
Hedging derivatives	155	135	143	397	440
Other financial assets at fair value through profit or loss	109	29	39	379	135
Interest expense	- 1 569	- 1 374	- 1 396	- 5 009	- 4 204
Financial liabilities measured at amortised cost	- 829	- 776	- 769	- 2 430	- 2 306
Other	- 6	- 6	- 2	- 6	- 8
Investment contracts at amortised cost	0	0	0	0	0
<i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i>	- 835	- 782	- 770	- 2 436	- 2 315
Financial liabilities held for trading	- 443	- 381	- 356	- 1 726	- 1 129
Hedging derivatives	- 191	- 169	- 220	- 603	- 609
Other financial liabilities at fair value through profit or loss	- 100	- 42	- 50	- 244	- 151

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

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Total	10	9	56	86	97
<u>Breakdown by portfolio</u>					
Fixed-income securities	2	- 22	- 4	12	- 55
Shares	8	31	60	74	152

In 1Q 2012, a net realised loss from available for sale assets of -39 million euros stemming from the finalisation of the events regarding Greece was incurred.

In 2Q 2012, further reductions of Spanish, Italian and Portuguese government bonds led to net realised losses from available for sale assets to the tune of -53 million euros, -8 million euros and -6 million euros (before tax) respectively. These were partly compensated by gains on the sale of other securities.

In 3Q 2012, KBC reduced mainly its Italian government bond portfolio. This constituted a reduction to the tune of -0.5 billion euros and resulted in a total realised loss from available for sale assets of -12 million euros. Next to this, KBC also decided to sell all its Spanish regional government bonds, which resulted in a -13 million euros P/L impact. These were for a part compensated by gains on the sale of other securities.

More information is presented in note 47.

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

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Total	281	309	343	877	955
Fee and commission income	480	479	494	1 529	1 464
Securities and asset management	201	202	214	681	617
Margin on deposit accounting (life insurance investment contracts without DPF)	17	33	24	35	81
Commitment credit	73	70	71	216	218
Payments	144	139	146	416	421
Other	47	35	39	181	128
Fee and commission expense	- 200	- 170	- 151	- 651	- 509
Commission paid to intermediaries	- 114	- 105	- 71	- 356	- 276
Other	- 86	- 65	- 80	- 295	- 233

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

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Total	- 149	368	106	53	547
Of which net realised result following					
The sale of loans and receivables	- 9	- 3	- 22	- 21	- 74
The sale of held-to-maturity investments	- 14	- 5	2	- 14	- 7
The repurchase of financial liabilities measured at amortised cost	0	0	0	- 1	- 1
Other: of which:	- 126	376	126	89	628
KBC Lease UK	0	0	44	2	85
Income concerning leasing at the KBC Lease-group	22	19	23	66	63
Income from consolidated private equity participations	11	5	5	39	15
Income from Group VAB	19	15	15	51	48
5/5/5 loans	- 263	0	0	- 263	- 56
Realised gains or losses on divestments	53	334	20	68	426

In 1Q 2012:

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

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

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

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
<b>9M 2011</b>				
Technical result	- 320	378	32	91
Earned premiums, insurance (before reinsurance)	1 694	1 410	-	3 104
Technical charges, insurance (before reinsurance)	- 1 930	- 742	-	- 2 671
Net fee and commission income	- 82	- 249	32	- 299
Ceded reinsurance result	- 2	- 41	0	- 43
Financial result	481	100	76	657
Net interest income			765	765
Dividend income			45	45
Net result from financial instruments at fair value			- 206	- 206
Net realised result from AFS assets			54	54
Allocation to the technical accounts	481	100	- 581	0
Operating expenses	- 111	- 270	- 6	- 386
Internal costs claim paid	- 6	- 57	-	- 63
Administration costs related to acquisitions	- 31	- 74	-	- 105
Administration costs	- 74	- 139	-	- 213
Management costs investments	0	0	- 6	- 6
Other net income			14	14
Impairments			- 416	- 416
Share in results of associated companies			0	0
RESULT BEFORE TAX	50	209	- 300	- 41
Income tax expense				- 36
Net post-tax result from discontinued operations				- 13
RESULT AFTER TAX				- 90
attributable to minority interest				2
<b>attributable to equity holders of the parent</b>				- 93
<b>9M 2012</b>				
Technical result	- 287	333	55	100
Earned premiums, insurance (before reinsurance)	1 167	1 202	-	2 369
Technical charges, insurance (before reinsurance)	- 1 383	- 633	-	- 2 016
Net fee and commission income	- 70	- 211	55	- 226
Ceded reinsurance result	- 1	- 25	0	- 27
Financial result	566	117	376	1 059
Net interest income			643	643
Dividend income			28	28
Net result from financial instruments at fair value			300	300
Net realised result from AFS assets			88	88
Allocation to the technical accounts	566	117	- 683	0
Operating expenses	- 99	- 232	0	- 331
Internal costs claim paid	- 6	- 55	-	- 61
Administration costs related to acquisitions	- 29	- 65	-	- 94
Administration costs	- 64	- 112	-	- 176
Management costs investments	0	0	0	0
Other net income			382	382
Impairments			- 159	- 159
Share in results of associated companies			0	0
RESULT BEFORE TAX	179	219	654	1 052
Income tax expense				- 178
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				874
attributable to minority interest				1
<b>attributable to equity holders of the parent</b>				873

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

## Operating expenses (note 12 in the annual accounts 2011)

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

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

The first nine months of 2012, include the new Belgian banking tax which is composed of mainly the following two elements which are taken up pro rata in the results: the contribution to the deposit guarantee scheme (46 million euros in 9M 2012) and the financial stability contribution (28 million euros in 9M 2012).

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

In millions of EUR	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
Total	- 940	- 1 473	- 302	- 1 377	- 2 048
Impairment on loans and receivables	- 473	- 198	- 283	- 733	- 742
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 402	- 182	- 304	- 703	- 785
Provisions for off-balance-sheet credit commitments	6	- 1	- 17	13	- 22
Portfolio-based impairments	- 77	- 16	38	- 43	66
Breakdown by business unit					
Belgium	- 10	- 15	- 12	- 37	- 25
Central and Eastern Europe	- 234	- 18	- 29	- 327	- 93
Merchant Banking	- 205	- 152	- 165	- 357	- 521
Group Centre	- 24	- 13	- 76	- 13	- 103
Impairment on available-for-sale assets	- 223	- 75	- 4	- 347	- 83
Breakdown by type					
Shares	- 87	- 24	- 4	- 106	- 33
Other	- 136	- 50	0	- 240	- 50
Impairment on goodwill	- 62	- 414	0	- 79	- 414
Impairment on other	- 183	- 786	- 15	- 218	- 809
Intangible assets, other than goodwill	0	0	0	- 1	0
Property and equipment and investment property	1	- 14	- 15	- 12	- 29
Held-to-maturity assets	- 34	0	0	- 50	0
Associated companies	0	- 334	0	0	- 334
Other	- 150	- 438	0	- 156	- 445

In 2Q 2012:

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

In 3Q 2012, the impairment on loans and receivables for the business unit Merchant Banking, includes an impairment on loans and receivables in Ireland of -129 million euros in 3Q 2012 (-460 million euros for the first nine months of 2012). For business unit Group Centre, the impairment on loans and receivables in the third quarter of 2012, includes an impairment at KBC Finance Ireland to the tune of -49 million euros.

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

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding IFRS 5 companies*
<b>FINANCIAL ASSETS, 31-12-2011</b>									
Loans and advances to credit institutions and investment firms <sup>a</sup>	4 600	305	0	14 253	-	-	-	19 158	18 700
Loans and advances to customers <sup>b</sup>	203	1 879	0	136 201	-	-	-	138 284	126 323
<i>Excluding reverse repos</i>								136 855	124 894
Discount and acceptance credit	0	0	0	137	-	-	-	137	136
Consumer credit	0	0	0	3 910	-	-	-	3 910	3 268
Mortgage loans	0	178	0	57 253	-	-	-	57 431	52 265
Term loans	203	1 531	0	61 880	-	-	-	63 614	59 340
Finance leasing	0	11	0	4 647	-	-	-	4 658	4 173
Current account advances	0	0	0	4 876	-	-	-	4 876	3 598
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	159	0	3 499	-	-	-	3 659	3 543
Equity instruments	1 028	28	1 446	-	-	-	-	2 501	2 491
Investment contracts (insurance)		7 652	-	-	-	-	-	7 652	7 652
Debt instruments issued by	4 286	3 997	37 299	2 890	14 063	-	-	62 535	59 822
Public bodies	3 101	3 594	29 183	224	13 365	-	-	49 467	47 122
Credit institutions and investment firms	647	204	3 862	211	491	-	-	5 415	5 078
Corporates	538	199	4 255	2 455	207	-	-	7 653	7 621
Derivatives	16 750	-	-	-	-	624	-	17 375	17 096
Total carrying value excl. accrued interest income	26 867	13 861	38 745	153 345	14 063	624	0	247 505	232 083
Accrued interest income	69	79	746	549	334	158	0	1 934	1 824
Total carrying value incl. accrued interest income	26 936	13 940	39 491	153 894	14 396	782	0	249 439	233 907
<sup>a</sup> Of which reverse repos								5 982	5 982
<sup>b</sup> Of which reverse repos								1 429	1 429
<b>FINANCIAL ASSETS, 30-09-2012</b>									
Loans and advances to credit institutions and investment firms <sup>a</sup>	4 206	2 500	0	10 421	-	-	-	17 127	
Loans and advances to customers <sup>b</sup>	28	4 814	0	126 207	-	-	-	131 048	
<i>Excluding reverse repos</i>								126 276	
Discount and acceptance credit	0	0	0	107	-	-	-	107	
Consumer credit	0	0	0	3 364	-	-	-	3 364	
Mortgage loans	0	150	0	53 467	-	-	-	53 617	
Term loans	28	4 593	0	57 137	-	-	-	61 758	
Finance leasing	0	10	0	4 083	-	-	-	4 094	
Current account advances	0	0	0	3 750	-	-	-	3 750	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	60	0	4 299	-	-	-	4 358	
Equity instruments	541	35	1 096	-	-	-	-	1 672	
Investment contracts (insurance)		10 684	-	-	-	-	-	10 684	
Debt instruments issued by	4 611	1 296	28 608	2 206	26 778	-	-	63 499	
Public bodies	3 905	847	20 368	197	25 591	-	-	50 909	
Credit institutions and investment firms	265	207	3 386	9	671	-	-	4 539	
Corporates	441	241	4 854	1 999	516	-	-	8 052	
Derivatives	14 429	-	-	-	-	1 043	-	15 472	
Total carrying value excl. accrued interest income	23 816	19 328	29 704	138 834	26 778	1 043	0	239 503	
Accrued interest income	0	0	0	0	0	0	0	0	0
Total carrying value incl. accrued interest income	23 816	19 328	29 704	138 834	26 778	1 043	0	239 503	
<sup>a</sup> Of which reverse repos								6 601	
<sup>b</sup> Of which reverse repos								4 772	

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

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

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding IFRS 5 companies*
<b>FINANCIAL LIABILITIES, 31-12-2011</b>									
Deposits from credit institutions and investment firms <sup>a</sup>	843	3 831	-	-	-	-	21 259	25 934	24 828
Deposits from customers and debt certificates <sup>b</sup>	4 288	17 565	-	-	-	-	143 373	165 226	156 810
<i>Excluding repos</i>								149 385	140 969
Deposits from customers	3 774	13 277	-	-	-	-	117 410	134 461	126 119
Demand deposits	0	0	-	-	-	-	37 472	37 472	32 909
Time deposits	3 774	13 277	-	-	-	-	42 010	59 061	55 520
Savings deposits	0	0	-	-	-	-	32 624	32 624	32 624
Special deposits	0	0	-	-	-	-	3 887	3 887	3 886
Other deposits	0	0	-	-	-	-	1 417	1 417	1 180
Debt certificates	514	4 288	-	-	-	-	25 963	30 766	30 692
Certificates of deposit	0	20	-	-	-	-	4 597	4 617	4 617
Customer savings certificates	0	0	-	-	-	-	710	710	710
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	514	4 167	-	-	-	-	12 694	17 375	17 316
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	101	-	-	-	-	7 961	8 063	8 048
Liabilities under investment contracts	-	7 014	-	-	-	-	0	7 014	7 014
Derivatives	21 699	0	-	-	-	1 601	-	23 300	23 060
Short positions	497	0	-	-	-	-	-	497	497
in equity instruments	4	0	-	-	-	-	-	4	4
in debt instruments	493	0	-	-	-	-	-	493	493
Other	0	173	-	-	-	-	2 408	2 581	2 581
Total carrying value excl. accrued interest expense	27 327	28 584	-	-	-	1 601	167 041	224 553	214 791
Accrued interest expense	27	94	-	-	-	328	801	1 251	1 222
Total carrying value incl. accrued interest expense	27 355	28 678	-	-	-	1 929	167 842	225 804	216 013
<sup>a</sup> Of which repos								6 574	6 563
<sup>b</sup> Of which repos								15 841	15 841

<b>FINANCIAL LIABILITIES, 30-09-2012</b>									
Deposits from credit institutions and investment firms <sup>a</sup>	757	1 628	-	-	-	-	20 506	22 891	22 891
Deposits from customers and debt certificates <sup>b</sup>	3 935	12 541	-	-	-	-	144 469	160 945	150 397
<i>Excluding repos</i>									
Deposits from customers	3 503	7 296	-	-	-	-	119 796	130 595	130 595
Demand deposits	0	0	-	-	-	-	36 515	36 515	36 515
Time deposits	3 503	7 296	-	-	-	-	43 434	54 233	54 233
Savings deposits	0	0	-	-	-	-	34 737	34 737	34 737
Special deposits	0	0	-	-	-	-	3 896	3 896	3 896
Other deposits	0	0	-	-	-	-	1 213	1 213	1 213
Debt certificates	432	5 245	-	-	-	-	24 674	30 351	30 351
Certificates of deposit	0	4	-	-	-	-	5 267	5 271	5 271
Customer savings certificates	0	0	-	-	-	-	551	551	551
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	432	4 650	-	-	-	-	12 621	17 703	17 703
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	590	-	-	-	-	6 235	6 825	6 825
Liabilities under investment contracts	-	9 680	-	-	-	-	-	0	9 680
Derivatives	16 956	0	-	-	-	2 352	-	19 307	19 307
Short positions	746	0	-	-	-	-	-	-	746
in equity instruments	20	0	-	-	-	-	-	-	20
in debt instruments	726	0	-	-	-	-	-	-	726
Other	0	56	-	-	-	-	2 520	2 577	2 577
Total carrying value excl. accrued interest expense	22 393	23 905	-	-	-	2 352	167 496	216 146	216 146
Accrued interest expense	0	0	-	-	-	0	0	0	0
Total carrying value incl. accrued interest expense	22 393	23 905	-	-	-	2 352	167 496	216 146	216 146
<sup>a</sup> Of which repos								2 415	2 415
<sup>b</sup> Of which repos								10 549	10 549

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

## Additional information on quarterly time series

### Total customer loans excluding reverse repo

In millions of EUR	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012
Total	136 281	136 855	131 940	127 321	126 276
Breakdown per business unit					
Belgium	54 190	55 254	55 776	56 798	57 274
Central and Eastern Europe	25 826	25 632	26 220	26 164	26 841
Merchant Banking	42 542	42 419	42 561	42 540	40 437
Group Centre (*)	13 723	13 550	7 383	1 819	1 724

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

### Total mortgage loans

In millions of EUR	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012
Total	57 081	57 431	53 951	52 884	53 617
Breakdown per business unit					
Belgium	28 457	29 417	29 703	30 131	30 646
Central and Eastern Europe	11 019	10 533	10 871	10 791	11 183
Merchant Banking	12 460	12 288	12 093	11 933	11 760
Group Centre (*)	5 145	5 194	1 284	29	28

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

### Total customer deposits excluding repos

In millions of EUR	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012
Total	167 683	149 385	149 685	150 328	150 397
Breakdown per business unit					
Belgium	72 687	71 156	71 324	74 593	75 427
Central and Eastern Europe	35 193	35 007	35 874	35 121	35 954
Merchant Banking	51 474	33 535	39 548	40 079	38 624
Group Centre (*)	8 329	9 687	2 940	534	391

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

### Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-09-2011		31-12-2011		31-03-2012		30-06-2012		30-09-2012	
	Interest Guaranteed	Unit Linked								
Total	18 860	7 579	18 891	7 936	16 296	8 820	15 651	9 595	15 481	10 684
Breakdown per business unit										
Belgium	15 363	6 466	15 414	6 859	15 240	7 713	14 784	8 687	14 604	9 741
Central and Eastern Europe	865	779	836	742	859	796	835	853	844	887
Group Centre	2 632	334	2 641	335	197	311	32	56	33	56

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

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

in number of shares	31-12-2011	30-09-2012
Ordinary shares	357 980 313	357 980 313
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	<i>344 619 736</i>	<i>344 619 736</i>
<i>of which treasury shares</i>	<i>18 169 054</i>	<i>18 167 854</i>
Non-voting core-capital securities	220 338 982	220 338 982
Other information		
Par value per ordinary share (in euros)	3,48	3,48
Number of shares issued but not fully paid up	0	0

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

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. On 16 October 2012 KBC sold its 18.2 million treasury shares. This represents all treasury shares previously owned by KBC Group and KBC Bank. 302 shares owned by other group companies where not sold. See also, note 48 on post balance sheet events.

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State representing 16 949 152 non-voting core-capital securities. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability) and in the number of non-voting core-capital securities as presented in the table above.

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

In the course of the first nine months of 2012, there was no significant change in related parties compared to the end of 2011. In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. The pro rata amount of the commitment fee in 3Q 2012 equals 30 million euros pre tax (90 million euros pre tax for 9M 2012), which is recognised in 'Net result from financial instruments at fair value through profit or loss'.

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability). In the second quarter of 2012, the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments was paid (595 million euros or 8.5% of 7 billion euros).

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

Company	Consolidation method	Ownership percentage at KBC Group level	Comments
For income statement comparison		9M 2011	9M 2012
Additions			
None			
Exclusions			
Centea	Full	100,00%	----- Sold in 3Q 2011
Fidea NV	Full	100,00%	----- Sold in 1Q 2012
KBC Clearing NV	Full	100,00%	----- Deconsolidated in 2Q12 due to immateriality
TUIR WARTA SA	Full	100,00%	----- Deconsolidated on 30 June 2012 due to sale
KBL EPB (Group)	Full	100,00%	----- Sold in 3Q 2012
Name Changes			
None			
Changes in ownership percentage and internal mergers			
DZI Insurance	Full	90,35%	100,00% Increase with 9,65% (mainly 4Q 2011)
Groep VAB NV	Full	74,81%	79,81% Increase with 5% (2Q 2012)
KBC Real Estate NV	Full	100,00%	----- Merger with KBC Bank on 1 July 2012
Nova Ljubljanska banka d.d. (group)	Equity	25,00%	22,04% Decrease with 2,96% (3Q 2012)
For balance sheet comparison		31-12-2011	30-09-2012
Additions			
None			
Exclusions			
Fidea NV	Full	100,00%	----- Sold in 1Q 2012
KBC Clearing NV	Full	100,00%	----- Deconsolidated in 2Q12 due to immateriality
TUIR WARTA SA	Full	100,00%	----- Deconsolidated on 30 June 2012 due to sale
KBL EPB (Group)	Full	100,00%	----- Sold in 3Q 2012
Name Changes			
None			
Changes in ownership percentage and internal mergers			
Groep VAB NV	Full	74,81%	79,81% Increase with 5% (2Q 2012)
KBC Real Estate NV	Full	100,00%	----- Merger with KBC Bank on 1 July 2012
Nova Ljubljanska banka d.d. (group)	Equity	25,00%	22,04% Decrease with 2,96% (3Q 2012)

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

### Situation as at 30 September 2012

On 30 September 2012, following planned divestments fulfill the criteria of IFRS 5:

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

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

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

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

### Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 30 September 2012

#### Kredyt Bank:

Activity:	Banking
Segment:	Group Centre
Other information:	On 28 February 2012, KBC Group has reached an agreement with Santander for the merger of its subsidiary Kredyt Bank and Bank Zachodni WBK. Following the proposed merger, Santander will hold approximately 76.5% of the merged bank and KBC around 16.4%. The rest will be held by other minority shareholders. Banco Santander S.A. has committed to help KBC to lower its stake in the merged bank to below 10% immediately after the merger. Furthermore, KBC's intention is to divest its remaining stake, with a view to maximising value. Based on the market valuations at the time of reaching the agreement, the transaction will have a positive effect on KBC's income statement of approximately +0.1 billion euros at the time of closing the transaction. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the last quarter of 2012. Mid-May 2012 a signed merger plan was filed for the approval by the Financial Supervisory Commission.

Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after a committed reduction of KBC's participation below 10% shortly after the registration of the merger and at the market valuations at the time of reaching the agreement approximately 0.7 billion euros of capital will be released, predominantly based on a reduction of Risk Weighted Assets – corresponding with a pro forma tier-1 impact at KBC-group consolidated level (calculated at year-end 2011) of approximately +0.8%.

Assuming a full exit and based on current market valuations, the pro forma tier-1 impact at KBC-group consolidated level (calculated at year-end 2011) is estimated at approximately +0.9%.

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

In millions of EUR	1Q 2011	2Q 2011	3Q 2011	2Q 2012	3Q 2012	9M 2011	9M 2012
<b>A: DISCONTINUED OPERATIONS</b>							
Income statement KBL EPB (including Vitis Life)							
Net interest income	35	40	38	26	0	112	55
Net fee and commission income	98	89	84	79	0	272	167
Other income	23	2	- 12	14	0	13	34
Total income	156	131	110	120	0	397	257
Operating expenses	- 108	- 97	- 115	- 110	0	- 320	- 220
Impairment	- 1	- 18	- 9	- 14	0	- 29	- 22
Share in results of associated companies	0	0	0	0	0	0	0
Result before tax	48	15	- 15	- 4	0	48	15
Income tax expense	- 11	- 4	2	- 1	0	- 13	- 8
Result after tax	37	11	- 13	- 5	0	35	7
Result of sale of KBL EPB (including Vitis Life)						0	
Impairment loss recognised on the remeasurement to fair value less costs to sell	- 37	- 11	- 432	- 3	0	- 480	25
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0	0	0	0	0
Result of sale after tax	- 37	- 11	- 432	- 3	0	- 480	25
Net post-tax result from discontinued operations	0	0	- 445	- 8	0	- 445	32
Cashflow statement KBL EPB (including Vitis Life)							
Net cash from (used in) operating activities						1 205	- 1 612
Net cash from (used in) investing activities						- 16	8
Net cash from (used in) financing activities						5	6
Net cash outflow/inflow						1 193	- 1 597
<b>B: NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS</b>							
					of which: Discontinued operations		of which: Discontinued operations
	31-12-2011					30-09-2012	
<b>Assets</b>							
Cash and cash balances with central banks	1 076	1 076			493		-
Financial assets	16 797	12 523			16 726		-
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	12	12			0		-
Tax assets	110	95			128		-
Investments in associated companies	13	13			0		-
Investment property and property and equipment	278	224			170		-
Goodwill and other intangible assets	352	196			101		-
Other assets	485	103			54		-
<b>Total assets</b>	<b>19 123</b>	<b>14 242</b>			<b>17 673</b>		<b>0</b>
<b>Liabilities</b>							
Financial liabilities	12 901	12 710			11 694		-
Technical provisions insurance, before reinsurance	4 533	424			0		-
Tax liabilities	38	6			16		-
Provisions for risks and charges	30	22			22		-
Other liabilities	631	304			118		-
<b>Total liabilities</b>	<b>18 132</b>	<b>13 466</b>			<b>11 850</b>		<b>0</b>
<b>Other comprehensive income</b>							
Available-for-sale reserve	- 81	- 72			100		78
Deferred tax on available-for-sale reserve	29	20			- 26		- 22
Cash flow hedge reserve	0	0			7		0
Translation differences	7	7			57		- 4
<b>Total other comprehensive income</b>	<b>- 45</b>	<b>- 46</b>			<b>137</b>		<b>52</b>

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

Sovereign bonds on selected European countries, in millions of euros (carrying amounts), 30-09-2012								
	Portfolio breakdown			Trading book	Maturity breakdown			
	AFS*	HTM*	FIV*		Total	Maturity date in 2012	Maturity date in 2013	Maturity date in & after 2014
Greece	44	0	1	0	45	0	0	45
Portugal	35	55	0	0	90	0	0	90
Spain	209	0	0	0	209	8	0	201
Italy	681	141	0	19	842	4	57	780
Ireland	132	307	0	0	440	0	0	440
<b>Total</b>	<b>1 101</b>	<b>504</b>	<b>1</b>	<b>19</b>	<b>1 626</b>	<b>13</b>	<b>57</b>	<b>1 556</b>

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

Evolution of Sovereign bond portfolio on selected European countries, banking and insurance (carrying amount in billions of EUR)					
	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012
Greece	0.3	0.2	0.0	0.0	0.0
Portugal	0.1	0.1	0.1	0.1	0.1
Spain	2.1	1.9	1.9	0.3	0.2
Italy	3.8	2.1	2.0	1.4	0.8
Ireland	0.4	0.4	0.4	0.4	0.4
<b>Total</b>	<b>6.7</b>	<b>4.8</b>	<b>4.4</b>	<b>2.3</b>	<b>1.6</b>

During the first quarter of 2012, KBC took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31.5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange end of March 2012 leading to a limited remaining carrying value of 43 million euro and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 42 million euros. At the end of September 2012, the carrying value of these bonds amounted to 44 million euro. The new Greek government bonds are classified in level 1 (while the former Greek bonds were classified in level 2).

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

- KBC reduced its Spanish sovereign bond exposure by selling all its HTM positions (0.2 billion euros) as well as a large portion of its AFS bonds (approximately 1.0 billion euros) leading to a realised loss of approximately -53 million euros before tax. More and above, about 0.4 billion euros of Spanish sovereign bonds matured in the course of the quarter.
- Also Italian sovereign bonds were sold. KBC Group's total exposure on Italian sovereign bonds decreased by a total carrying amount of approx. -0.5 billion euros. These sales resulted in a realised loss of -8 million euros.
- KBC also sold Portuguese government bonds maturing in 2014 and 2015. This resulted in a further reduction of around -14 million euros in carrying value and in an additional realised loss on AFS bonds of -6 million before tax.

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

- The sovereign exposure is partially affected by the closure of the sale of KBL EPB and Vitis. This resulted in a reduction of sovereign bonds from Italy and Spain for an amount of -0.1 billion euros for each.
- KBC Group's total exposure on Italian sovereign bonds further decreased by a total amount of about -0.5 billion euros. These sales resulted in a realised loss of approximately -12 million euros before tax.
- KBC furthermore decided to sell all its Spanish regional government bonds which resulted in an additional realised loss of -13 million euros before tax.

At 30 September 2012, the carrying amounts of the AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets for a total amount before tax of -62 million euros (Italy: -7 million, Portugal: -6 million, Spain: -44 million, Ireland: -2 million, Greece: -1 million).

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

Significant event between the balance sheet date (30 September 2012) and the publication of this report (8 November 2012).

On 16 October 2012 KBC sold its 18.2 million treasury shares. This represents all treasury shares previously owned by KBC Group and KBC Bank. 302 shares owned by other group companies where not sold. See also, note 39 on Parent shareholders' equity and non-voting core-capital securities.



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## **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 September 2012 and for the nine months then ended**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the "Company") as at 30 September 2012 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 nine-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 Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Réviseurs 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 Réviseurs 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.

Société civile ayant emprunté la forme d'une société coopérative  
à responsabilité limitée  
Burgerlijk vennootschap dat de rechtsvorm van een coöperatieve  
vereniging met beperkte aansprakelijkheid heeft aangenomen  
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Banque - Fortis - Bank 210-0905900-69





***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 September 2012 and for the nine months then ended***

**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, 8 November 2012

Ernst & Young Bedrijfsrevisoren bcvba  
Statutory auditor

Represented by

A blue ink signature of a stylized 'P' inside a circle, representing the signature of Pierre Vanderbeek.

Pierre Vanderbeek  
Partner

A blue ink signature of a stylized 'P' and 'T' intertwined, representing the signature of Peter Telders.

Peter Telders  
Partner

13PVDB0040

# KBC Group

## Risk and capital management

### 3Q and 9M2012



This section is not reviewed by the auditors.

## Credit risk

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

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

Credit risk: loan portfolio overview	31-12-2011	31-12-2011 (pro forma) <sup>1</sup>	30-09-2012
<b>Total loan portfolio (in billions of EUR)</b>			
Amount granted	186	169	168
Amount outstanding <sup>2</sup>	156	142	141
<b>Total loan portfolio, by business unit (as a % of the portfolio of credit granted)</b>			
Belgium	34%	37%	39%
CEE	19%	21%	22%
Merchant Banking	37%	40%	38%
Group Centre	10%	1%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Impaired loans (in millions of EUR or %)</b>			
Amount outstanding	11 234	9 992	10 746
Specific loan impairments	4 870	4 152	4 452
Portfolio-based loan impairments	371	317	260
Credit cost ratio, per business unit			
Belgium	0.10%	0.10%	0.06%
CEE	1.59%	1.59%	0.40%
Czech Republic	0.37%	0.37%	0.28%
Slovakia	0.25%	0.25%	0.27%
Hungary	4.38%	4.38%	0.86%
Bulgaria	14.73%	14.73%	1.03%
Merchant Banking	1.36%	1.36%	1.38%
Group Centre	0.36%	0.36% <sup>3</sup>	0.85% <sup>3</sup>
<b>Total</b>	<b>0.83%</b>	<b>0.83%<sup>3</sup></b>	<b>0.63%<sup>3</sup></b>
<b>Non-performing (NP) loans (in millions of EUR or %)</b>			
Amount outstanding	7 580	6 754	7 722
Specific loan impairments for NP loans	3 875	3 263	3 620
Non-performing ratio, per business unit			
Belgium	1.5%	1.5%	1.6%
CEE	5.6%	5.6%	5.5%
Merchant Banking	7.8%	7.8%	10.1%
Group Centre	5.5%	2.2%	2.5%
<b>Total</b>	<b>4.9%</b>	<b>4.8%</b>	<b>5.5%</b>
<b>Cover ratio</b>			
Specific loan impairments for NP loans / Outstanding NP loans	51%	48%	47%
Idem, excluding mortgage loans	62%	60%	59%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	69%	66%	61%
Idem, excluding mortgage loans	89%	88%	84%

1. Figures as from 31-12-2011 excluding entities marked as 'disposal groups' under IFRS 5 on 30 September 2012.

2. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.

3. CCR including IFRS 5 entities. Excluding IFRS 5 entities the CCR per 30/09/2012 would be 3.56% for Group Centre and 0.64% for the Total.

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

### Legend:

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

Loan portfolio Business Unit Belgium 30-09-2012, in millions of EUR		Belgium	
<b>Total outstanding amount</b>		58.486	
<b>Counterparty break down</b>		<u>% outst.</u>	
SME / corporate	1.540	2,6%	
retail	56.946	97,4%	
o/w private	31.845	54,4%	
o/w companies	25.101	42,9%	
<b>Mortgage loans (*)</b>		<u>% outst.</u> ind. LTV	
total	30.578	52,3%	64%
o/w FX mortgages	0	0,0%	-
o/w vintage 2007 and 2008	4.319	7,4%	-
o/w LTV > 100%	2.808	4,8%	-
<b>Probability of default (PD)</b>		<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)	47.301	80,9%	
medium risk (pd 5-7; 0.80%-6.40%)	8.057	13,8%	
high risk (pd 8-10; 6.40%-100.00%)	2.186	3,7%	
non-performing loans (pd 11 - 12)	935	1,6%	
unrated	7	0,0%	
<b>Other risk measures</b>		<u>% outst.</u>	
outstanding non-performing loans (NPL)	935	1,6%	
provisions for NPL	460		
all provisions (specific + portfolio based)	539		
cover NPL by all provisions (specific + portfolio)	58%		
2011 Credit cost ratio (CCR)	0,10%		
YTD 2012 CCR	0,06%		

### Remark

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

\* Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures: Kredyt Bank as from 31-03-2012 ; Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

Loan portfolio Business Unit Central & Eastern Europe 30-09-2012, in millions of EUR		Czech republic		Slovakia		Hungary		Bulgaria		Total CEE	
<b>Total outstanding amount</b>		21.157		4.392		5.322		703		31.574	
<b>Counterparty break down</b>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
SME / corporate	6.940	32,8%		2.302	52,4%	2.727	51,2%	293	41,7%	12.262	38,8%
retail	14.216	67,2%		2.090	47,6%	2.595	48,8%	410	58,3%	19.311	61,2%
o/w private	10.632	50,3%		1.756	40,0%	2.156	40,5%	253	35,9%	14.797	46,9%
o/w companies	3.585	16,9%		333	7,6%	439	8,2%	157	22,4%	4.514	14,3%
<b>Mortgage loans (1)</b>		<u>% outst.</u>		<u>ind. LTV</u>		<u>% outst.</u>		<u>ind. LTV</u>		<u>% outst.</u>	
total	7.073	33,4%	68%	1.475	33,6%	58%	1.904	35,8%	81%	116	16,4%
o/w FX mortgages	0	0,0%	-	0	0,0%	-	1.524	28,6%	89%	73	10,4%
o/w vintage 2007 and 2008	1.997	9,4%	-	284	6,5%	-	983	18,5%	-	52	7,3%
o/w LTV > 100%	476	2,3%	-	0	0,0%	-	546	10,3%	-	14	2,0%
<b>Probability of default (PD)</b>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
low risk (pd 1-4; 0,00%-0,80%)	12.940	61,2%		2.655	60,4%	2.245	42,2%	9	1,2%	17.849	56,5%
medium risk (pd 5-7; 0,80%-6,40%)	6.551	31,0%		1.115	25,4%	1.727	32,4%	263	37,5%	9.656	30,6%
high risk (pd 8-10; 6,40%-100,00%)	919	4,3%		283	6,4%	718	13,5%	134	19,1%	2.054	6,5%
non-performing loans (pd 11 - 12)	739	3,5%		144	3,3%	631	11,9%	216	30,7%	1.731	5,5%
unrated	7	0,0%		195	4,5%	0	0,0%	81	11,5%	284	0,9%
<b>Other risk measures</b>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
outstanding non-performing loans (NPL)	739	3,5%		144	3,3%	631	11,9%	216	30,7%	1.731	5,5%
provisions for NPL	431			85		341		105		962	
all provisions (specific + portfolio based)	525			118		405		127		1.175	
cover NPL by all provisions (specific + portfolio)	71%			82%		64%		59%		68%	
2011 Credit cost ratio (CCR)	0,37%			0,25%		4,38%		14,73%		1,59%	
YTD 2012 CCR (local currency) (2)	0,28%			0,27%		0,86%		1,03%		0,40%	

*Remarks*

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

(2) individual CCR's in local currencies.



Loan portfolio Business Unit Merchant Banking											
30-09-2012, in millions of EUR											
	Belgium		Western Europe		o/w Ireland		USA		Southeast Asia		
Total outstanding amount	20.405		20.625		16.249		2.762		918		
<b>Counterparty break down</b>	<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		
SME / corporate	20.405	100,0%	8.077	39,2%	3.701	22,8%	2.762	100,0%	918	100,0%	
retail	0	0,0%	12.548	60,8%	12.548	77,2%	0	0,0%	0	0,0%	
o/w private	0	0,0%	12.548	60,8%	12.548	77,2%	0	0,0%	0	0,0%	
o/w companies	0	0,0%	0	0,0%	0	0,0%	0	0,0%	0	0,0%	
<b>Mortgage loans (*)</b>	<b>% outst. ind. LTV</b>		<b>% outst. ind. LTV</b>		<b>% outst. ind. LTV</b>		<b>% outst. ind. LTV</b>		<b>% outst. ind. LTV</b>		
total	0	0,0%	-	12.548	60,8%	120%	12.548	77,2%	120%	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%	-	4.617	22,4%	-	4.617	28,4%	-	0	0,0%
o/w LTV > 100%	0	0,0%	-	8.389	40,7%	-	8.389	51,6%	-	0	0,0%
<b>Probability of default (PD)</b>	<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		
low risk (pd 1-4; 0,00%-0,80%)	12.810	62,8%	8.521	41,3%	6.473	39,8%	2.164	78,4%	485	52,8%	
medium risk (pd 5-7; 0,80%-6,40%)	4.847	23,8%	3.600	17,5%	2.577	15,9%	319	11,6%	332	36,2%	
high risk (pd 8-10; 6,40%-100,00%)	975	4,8%	4.553	22,1%	3.546	21,8%	195	7,1%	78	8,5%	
non-performing loans (pd 11 - 12)	597	2,9%	3.911	19,0%	3.653	22,5%	83	3,0%	23	2,5%	
unrated	1.175	5,8%	41	0,2%	0	0,0%	0	0,0%	0	0,0%	
<b>Other risk measures</b>	<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		<b>% outst.</b>		
outstanding non-performing loans (NPL)	597	2,9%	3.911	19,0%	3.653	22,5%	83	3,0%	23	2,5%	
provisions for NPL	503	-	1.466	-	1.337	-	74	-	14	-	
all provisions (specific + portfolio based)	713	-	1.916	-	1.645	-	85	-	28	-	
cover NPL by all provisions (specific + portfolio)	119%	-	49%	-	45%	-	102%	-	122%	-	
2011 Credit cost ratio (CCR)	n.a.	-	n.a.	-	3,01%	-	n.a.	-	n.a.	-	
YTD 2012 CCR	n.a.	-	n.a.	-	3,71%	-	n.a.	-	n.a.	-	

**Remarks**

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

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

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

USA = foreign branch in USA

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

Other = Real estate, (international) Trade finance, Specialised finance and Syndicated loans

Credit Investments = KBC Credit Investments

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



**Loan portfolio Business Unit Group Centre (excl. IFRS5 scope)**

30-09-2012, in millions of EUR

	Total Group Centre (mainly KBC Finance Ireland)	for information: Russia (included in IFRS 5 scope)
<b>Total outstanding amount</b>	1.745	2.038
<b>Counterparty break down</b>		
SME / corporate	1.745 100,0%	1.024 50,3%
retail	0 0,0%	1.013 49,7%
o/w private	0 0,0%	940 46,1%
o/w companies	0 0,0%	73 3,6%
<b>Mortgage loans (*)</b>		
total	0 0,0%	795 39,0%
o/w FX mortgages	0 0,0%	163 8,0%
o/w vintage 2007 and 2008	0 0,0%	355 17,4%
o/w LTV > 100%	0 0,0%	7 0,3%
<b>Probability of default (PD)</b>		
low risk (pd 1-4; 0,00%-0,80%)	431 24,7%	987 48,5%
medium risk (pd 5-7; 0,80%-6,40%)	824 47,2%	818 40,1%
high risk (pd 8-10; 6,40%-100,00%)	449 25,7%	54 2,6%
non-performing loans (pd 11 - 12)	43 2,5%	115 5,6%
unrated	0 0,0%	64 3,1%
<b>Other risk measures</b>		
outstanding non-performing loans (NPL)	43 2,5%	115 5,6%
provisions for NPL	22	88
all provisions (specific + portfolio based)	85	114
cover NPL by all provisions (specific + portfolio)	200%	100%
2011 Credit cost ratio (CCR)	0,70%	-1,99%
YTD 2012 CCR (local currency)	3,56%	-1,03%

**Legend**

 ind. LTV    Indexed Loan to Value: current outstanding loan / current value of property  
 avg. PD    Average Probability of Default


## Outstanding structured credit exposure (banking and insurance activities)

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

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

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('CDO exposure protected with MBIA' in the table).
- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('other CDO exposure' in the table) and in other ABS ('other ABS exposure' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

KBC investments in structured credit products (CDOs and other ABS), in billions of EUR		30-09-2012
Total nominal amount		17.3
o/w CDO exposure protected with MBIA		10.1
o/w other CDO exposure		5.5
o/w other ABS exposure		1.8
Cumulative value markdowns (mid 2007 to date)*		-4.3
Value markdowns		-3.7
for other CDO exposure		-3.5
for other ABS exposure		-0.2
Credit value adjustment (CVA) on MBIA cover		-0.6

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

Over the third quarter of 2012, there was a total notional reduction of 0.6 billion euros. This reduction was mainly observed at the level of the 'other ABS exposure' (0.5 billion euros) mainly due to the finalisation of the sale of KBL and for a lesser extent due to sales and repayments.

Since the inception, the outstanding other CDO positions held by KBC experienced net effective losses caused by claimed credit events until 9 October 2012 in the lower tranches of the CDO structure for a total amount of -2.2 billion euros. Of these, -2.1 billion euro's worth of events have been settled. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.

### Protection for CDO exposure

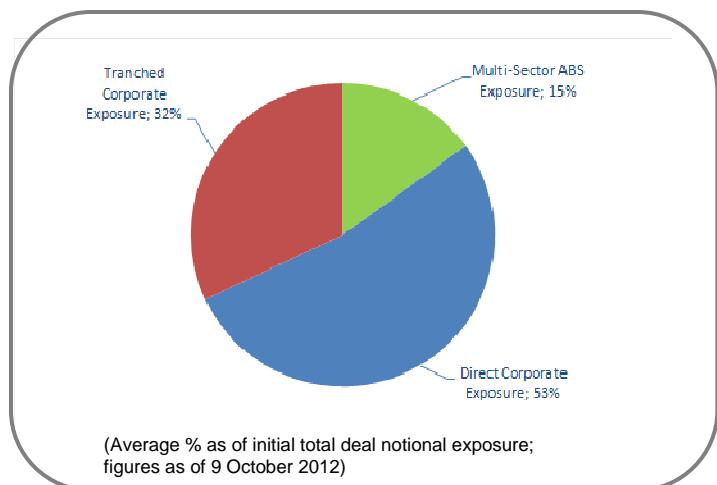
As stated above, KBC bought credit protection from MBIA for a large part of the (super senior) CDOs it originated.

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

Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR		30-09-2012
Total insured amount (notional amount of super senior swaps) <sup>1</sup>		10.1
Details for MBIA insurance coverage		
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)		0.8
- CVA for counterparty risk, MBIA		-0.6
(as a % of fair value of insurance coverage received)		70%

<sup>1</sup> 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



## Solvency

### Solvency KBC Group

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

	31-12-2011	30-09-2012
<b>In millions of EUR</b>		
<b>Regulatory capital</b>		
Total regulatory capital, KBC Group (after profit appropriation)	19 687	19 978
Tier-1 capital	15 523	16 972
Core Tier-1 capital	13 413	14 857
Parent shareholders' equity	9 756	10 629
Non-voting core-capital securities <sup>(2)</sup>	6 500	6 500
Intangible fixed assets (-)	- 446	- 408
Goodwill on consolidation (-)	- 1 804	- 1 057
Innovative hybrid tier-1 instruments <sup>(2)</sup>	420	423
Non-innovative hybrid tier-1 instruments <sup>(2)</sup>	1 690	1 692
Direct & indirect funding of investments in own shares	-	- 250
Minority interests	145	169
Equity guarantee (Belgian State)	564	300
Revaluation reserve available-for-sale assets (-)	117	- 1 063
Hedging reserve, cashflow hedges (-)	594	762
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 550	- 107
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	0
Equalization reserve (-)	- 139	- 104
Dividend payout (-) <sup>(3)</sup>	- 598	- 417
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 384	- 11
Items to be deducted <sup>(1)</sup> (-)	- 338	- 86
<b>Tier-2 &amp; 3 capital</b>	<b>4 164</b>	<b>3 006</b>
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	0
Revaluation reserve, available-for-sale shares (at 90%)	246	157
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	403	360
Subordinated liabilities	3 778	2 530
<b>Tier-3 capital</b>	<b>45</b>	<b>44</b>
IRB provision shortfall (50%) (-)	0	0
Items to be deducted <sup>(1)</sup> (-)	- 338	- 86
<b>Capital requirement</b>		
<b>Total weighted risks</b>	<b>126 333</b>	<b>111 115</b>
Banking	110 355	98 475
Insurance	15 791	12 426
Holding activities	286	288
Elimination of intercompany transactions between banking and holding activities	- 100	- 74
<b>Solvency ratios</b>		
Tier-1 ratio	12,29%	15,27%
Core Tier-1 ratio	10,62%	13,37%
CAD ratio	15,58%	17,98%

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

<sup>(2)</sup> According to CRD II, these items are considered as grandfathered items.

<sup>(3)</sup> for 31/12/2011: includes 595 million euros coupon on non-voting core capital securities and 3 million euros dividend on ordinary shares; for 30/09/2012: includes a pro rata of the estimated dividend and coupon for 2012.

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

The pro forma tier-1 ratio at 30 September 2012 including the impact of the sale of Kredyt Bank and KBC's treasury shares amounts to approximately 16.8%.

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

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

Basel II IRB, since its implementation in 2008, is the primary approach (used for somewhat more than 80% of the weighted credit risks, of which approx. 60% according to Advanced and approx. 20% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (almost 20%) are calculated according to the Standardised approach.

## Solvency banking and insurance activities separately

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

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2011	30-09-2012
Total regulatory capital, after profit appropriation	16 364	15 561
Tier-1 capital	12 346	12 436
Tier-2 and tier-3 capital	4 019	3 126
Total weighted risks	106 256	97 498
Credit risk	85 786	78 071
Market risk	9 727	8 683
Operational risk	10 744	10 744
Solvency ratios		
Tier-1 ratio	11,6%	12,8%
of which core tier-1 ratio	9,6%	10,6%
CAD ratio	15,4%	16,0%
Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2011	30-09-2012
Available capital	2 533	3 632
Required solvency margin (*)	1 263	994
Solvency ratio and surplus		
Solvency ratio (%)	201%	365%
Solvency surplus (in millions of EUR)	1 270	2 638

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

# KBC Group Analyst presentation 3Q2012





## Analyst tele-conference

8 November 2012 - 9.30 AM CET



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# Key Takeaways

## Resilient business performance

- Underlying net group profit of 406m EUR for 3Q12, demonstrating resilience of commercial franchise
- FY2012 guidance for loan loss provisions in Ireland maintained at 500m-600m EUR

## Capital and liquidity positions further strengthened

- Pro-forma Tier-1 ratio of 16.8% in 3Q12 at KBC Group, up from 15.4% in 2Q12
- Estimated B3 CET at the end of 2013: 11.2% phased in (10.2% fully loaded), factoring in 4.67bn EUR repayment of YES instruments by end 2013 (of which a substantial part in 2012)
- Continued strong liquidity position (82% LTD ratio), with 2012 funding needs covered. Covered bonds will support funding mix diversification, which will reduce funding costs

## Updated strategy

- Groupwide communication updated strategy KBC 2013 and beyond: done
- Preparation for implementation on 1st January 2013: on track

## Momentum maintained on divestments and derisking

- Sales of KBL epb, Zagliel and KBC Lease Deutschland have been closed
- GIIPS exposure reduced again, down 67% since the end of 2011
- P&L sensitivity to CDO positions significantly reduced thanks to derisking activities



# Contents

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1 3Q 2012 financial highlights

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2 Divestments and derisking

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3 Strong solvency and solid liquidity

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4 Wrap up

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Annex 1: 3Q12 underlying performance of business units

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Annex 2: Other items



Section 1

# 3Q 2012

# Financial highlights

# 3Q 2012 financial highlights

Underlying results

- Continued good underlying net group profit of 406m EUR in 3Q12, produced by strong commercial franchise in all our core markets and core activities
- Net interest income was negatively impacted by low interest rate environment, lower reinvestments yields (partly due to reduced GIIPS exposure), higher senior debt costs and the deconsolidation of Warta/Zagiel. However, commercial margins remained sound
- Good growth in loan and deposit volumes in our core markets
- Net fee and commission income rose by 1% q-o-q and 7% y-o-y on a comparable basis
- Strong gains from financial instruments at fair value, mainly driven by positive CVA changes
- Good sales of unit-linked life products. Performance in life and non-life insurance benefited from higher investment results (driven by higher realised gains on AFS shares)
- The combined ratio (non-life) stood at an excellent 90% YTD
- Underlying cost/income ratio of 57% YTD
- Credit cost ratio at a low 0.63% YTD. Excluding Ireland (in line with guidance), this ratio stands at 0.27%

Reported results

- Net reported profit of 531m EUR, driven by strong increase in CDO valuations, offset partly by negative M2M on own credit risk.

Capital

- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of the sale of Kredyt Bank (not yet closed) and the impact of the sale of treasury shares – at approximately 16.8% (with core tier-1 ratio at 14.7%)

Liquidity & Funding

- Strong liquidity position, with a loan-to-deposit ratio of 82% (83% at the end of 2Q12) Unencumbered assets are more than double the amount of short-term wholesale funding
- 2012 funding needs covered and additional buffer in place thanks to the issuance of 2.75bn EUR unsecured long-term debt
- Covered bonds will support funding mix diversification, which will reduce funding costs

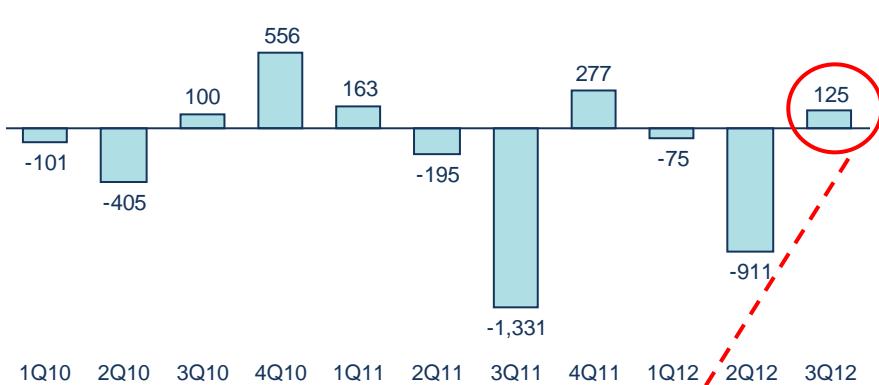
# Earnings capacity

## Underlying net profit \*



Including exceptional items

## Exceptional items



## Reported net profit \*



## Main exceptional items (post-tax)

- Revaluation of structured credit portfolio
- M2M of own credit risk

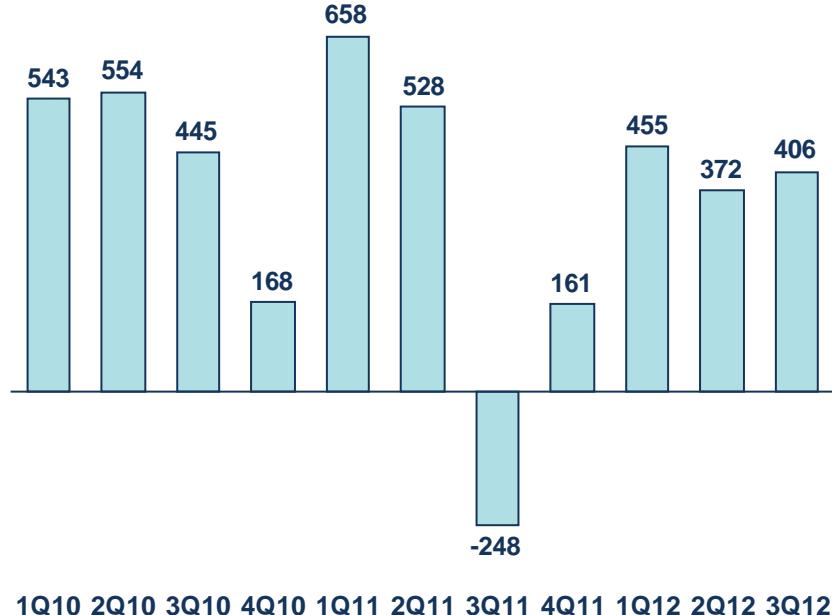
+ 274m EUR

- 144m EUR

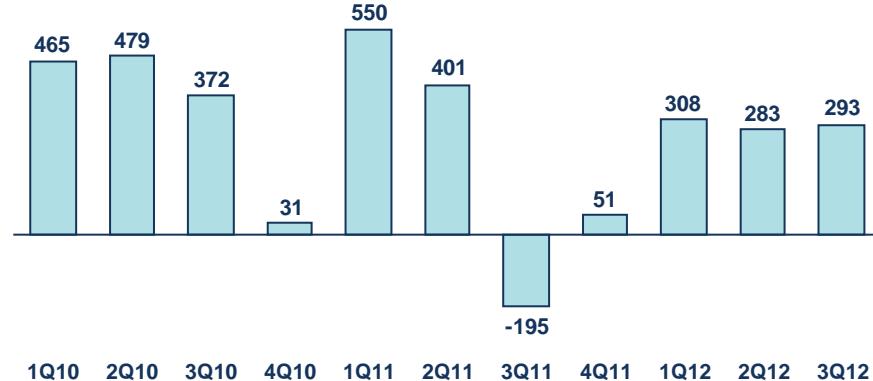
# Underlying profit at KBC Group

Amounts in m EUR

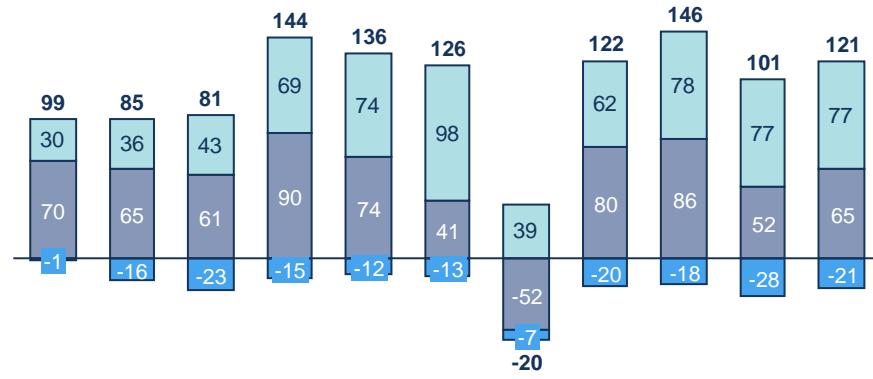
Underlying net profit at KBC Group \*



Underlying net profit contribution of banking to KBC Group \*



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

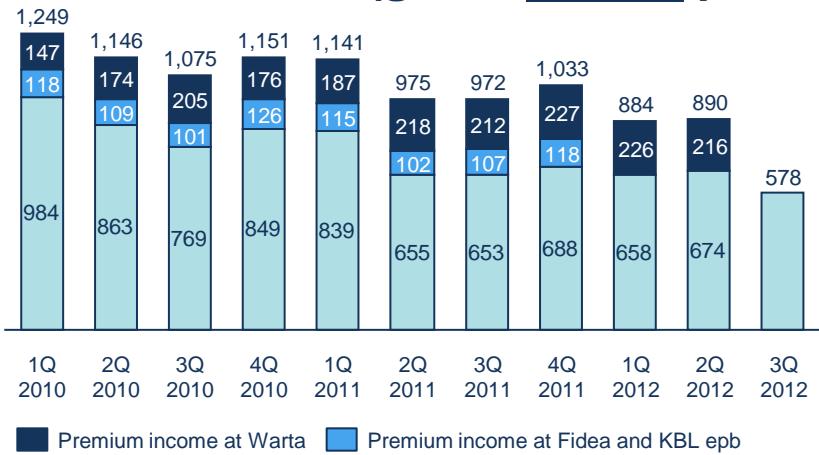


\* Difference between underlying net profit at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items and Vitis

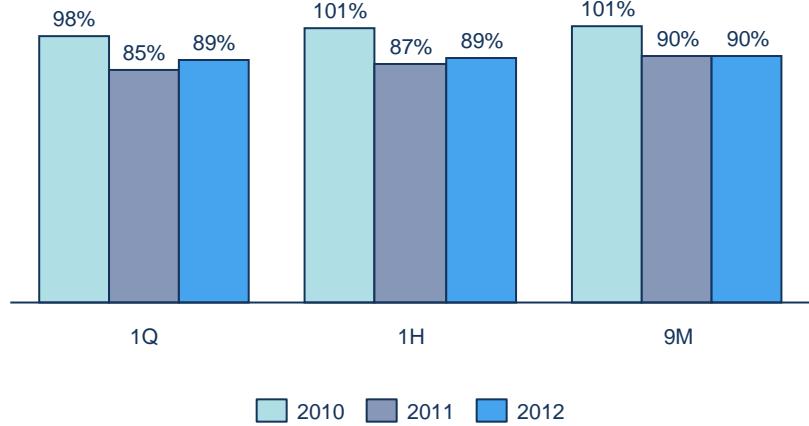
Non-Life result    Life result    Non-technical & taxes

# Underlying revenue trend - Group

## Premium income (gross earned premium)



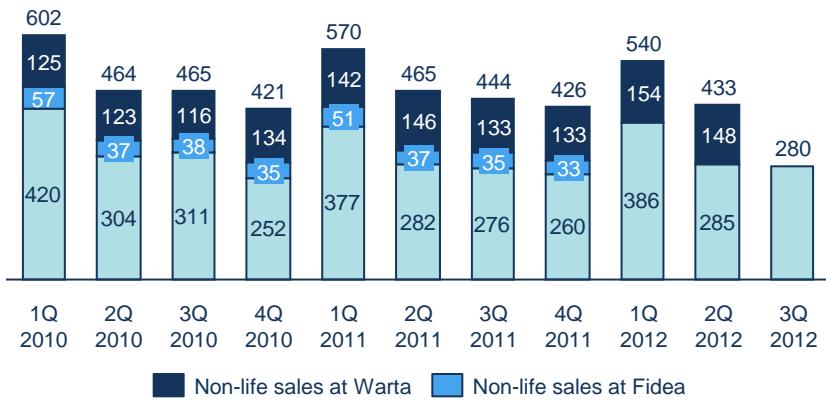
## Combined ratio (Non-Life)



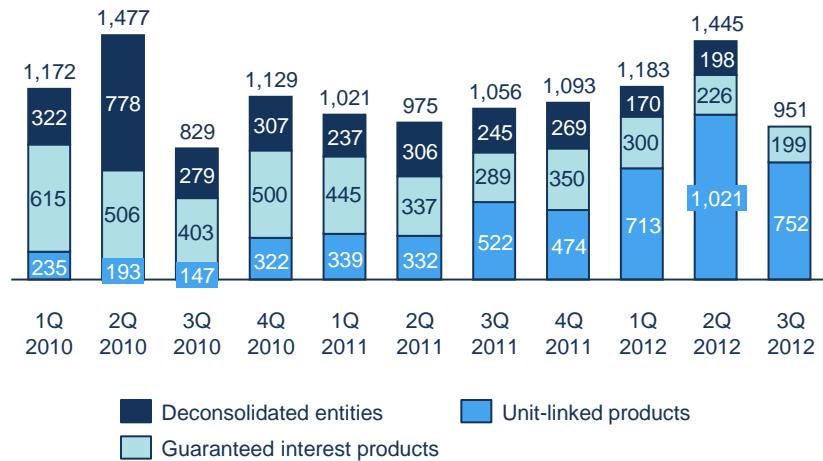
- Insurance premium income (gross earned premium) at 578m EUR
- Excluding deconsolidated entities,
  - Non-life premium income (307m) up almost 2% q-o-q and y-o-y. The non-life combined ratio in 9M12 stood at a very good 90%
  - Life premium income (271m) down 27% q-o-q and 23% y-o-y

# Underlying revenue trend - Group

## Non-Life sales (gross written premium)

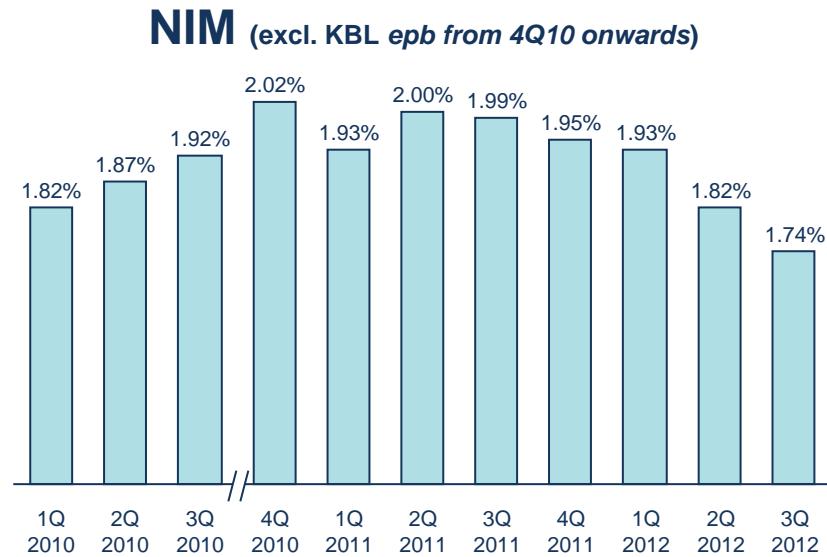
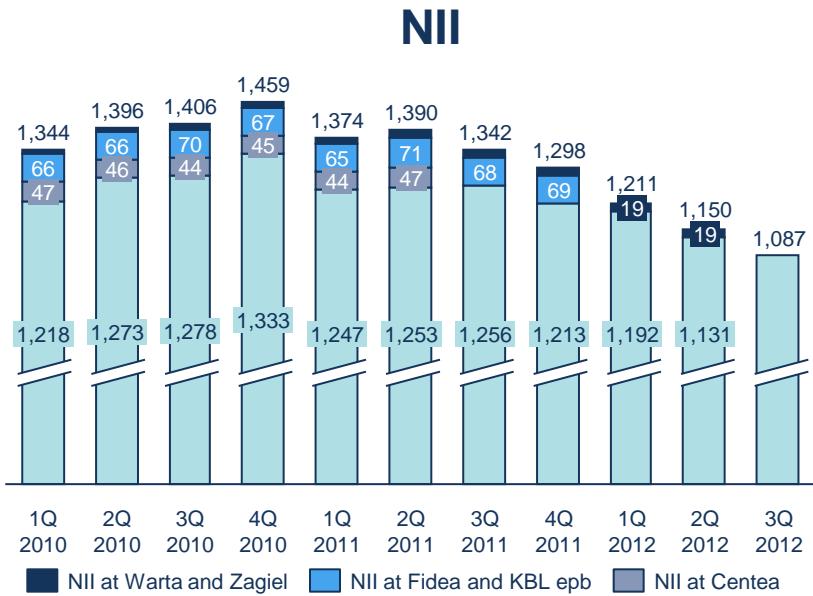


## Life sales (gross written premium)



- Sales of Non-Life insurance products:
  - Up almost 2% year-on-year and down 2% q-o-q, excluding the divestment of Fidea and Warta
- Sales of Life insurance products:
  - Down 34% q-o-q and 10% y-o-y (-24% and +17%, respectively, excluding deconsolidated entities)
  - Deliberate shift from guaranteed interest products to unit-linked products (mainly in the Belgium Business Unit and the Czech Republic)
  - Sales of unit-linked products already account for 79% of total life insurance sales

# Underlying revenue trend - Group



- Excluding deconsolidated entities, net interest income fell by 4% q-o-q (mainly in the BE BU) and 13% y-o-y (across all BUs)
- Net interest margin (1.74%): -25bps y-o-y and -8bps q-o-q partly due to the low interest rate environment, lower reinvestment yields (partly due to reduced GIIPS exposure) and higher senior debt costs (mainly visible in MEB BU). However, commercial margins remained sound
  - NIM in Belgium fell by 13bps quarter-on-quarter to 1.15%, while NIM in Central & Eastern Europe fell by 1bp quarter-on-quarter to 3.03%
- On a comparable basis, loan volumes rose by 2% y-o-y, with continued growth in our home markets (+6% y-o-y in both the BE BU and CEE BU), partly offset by a reduced corporate loan book in BU MEB
- Deposit volumes in our core markets increased (+4% y-o-y in BE BU and +3% y-o-y in CEE BU). Deposit decrease in BU MEB (-4% q-o-q)

Amounts in m EUR

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

# Underlying revenue trend - Group

## F&C



F&C at Warta and Zagiel  
 F&C at Centea  
 F&C at Fidea and KBL epb

## AUM

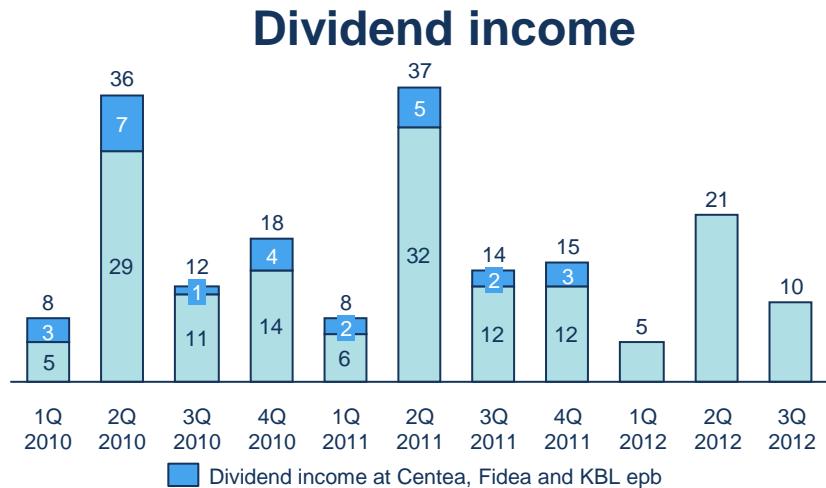
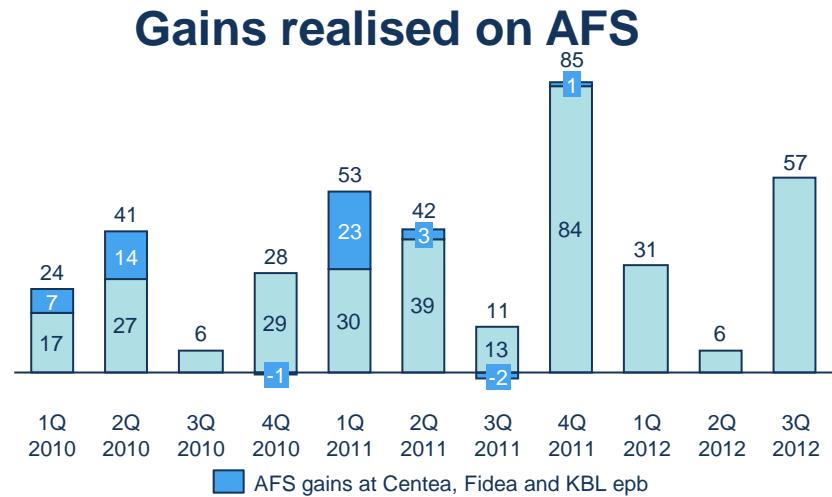
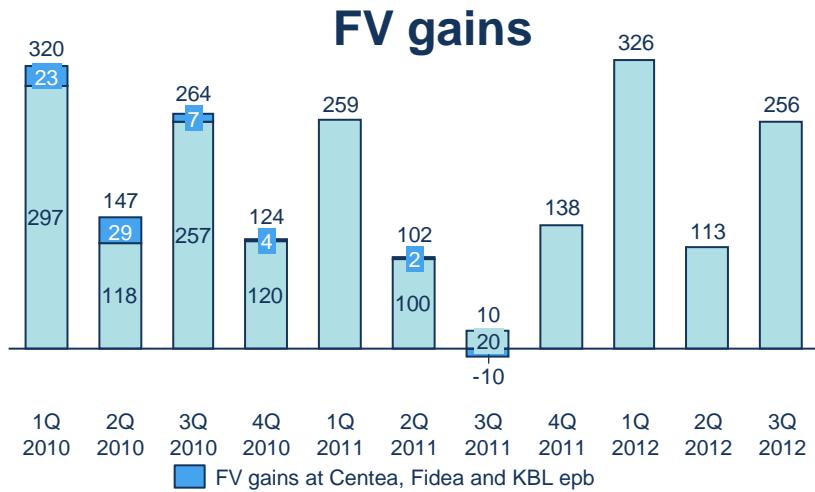


Amounts in bn EUR

AuM managed by KBL epb

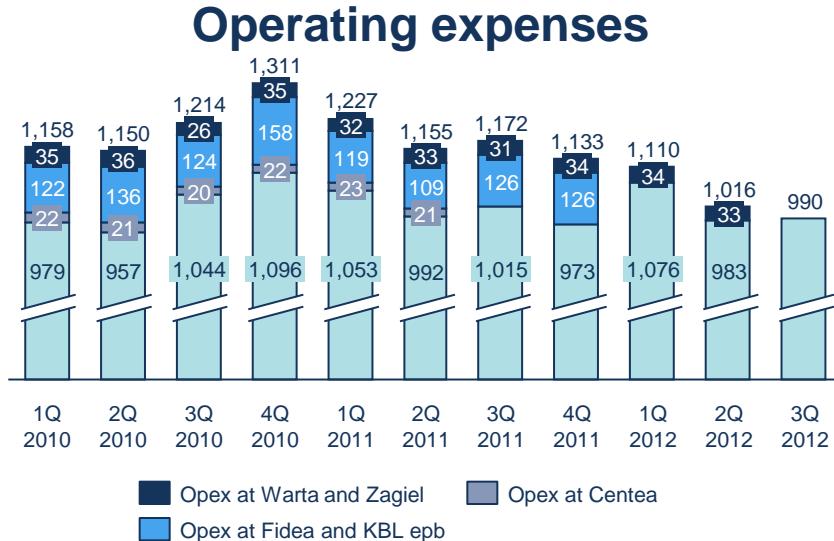
- Excluding deconsolidated entities, net fee and commission income:
  - increased 1% q-o-q
  - rose by 7% y-o-y driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products
- Assets under management increased by 3% quarter-on-quarter (due entirely to a positive price trend) to 155bn EUR at the end of 9M12

# Underlying revenue trend - Group



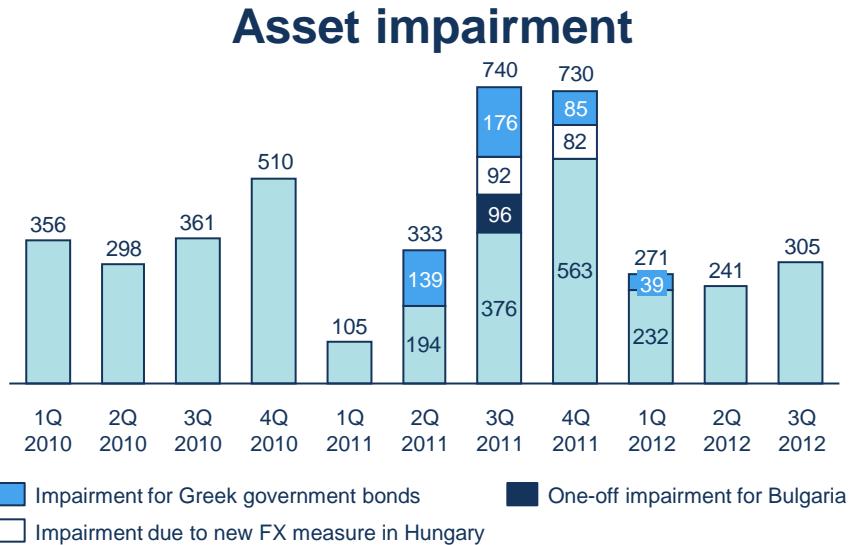
- The sharply higher q-o-q figure for net gains from financial instruments at fair value (256m EUR) was primarily the result of a satisfactory dealing room performance and a positive q-o-q change in credit value adjustments (CVA)
- Gains realised on AFS assets came to 57m EUR (mainly on shares at KBC Insurance)
- Dividend income amounted to 10m EUR

# Underlying operating expenses - Group



- Excluding deconsolidated entities (KBL epb, Fidea and Warta), costs fell by 2% y-o-y and rose by 1% q-o-q
  - Operating expenses fell by 2% y-o-y, thanks in part to lower restructuring charges
  - Operating expenses increased by 1% q-o-q in 3Q12 due entirely to the impact of a recuperation of funds from the former Deposit Guarantee Scheme in Belgium in 2Q12 (51m EUR pre-tax and 34m EUR post-tax). Without this impact, operating expenses fell by 4% q-o-q
  - Underlying cost/income ratio for the banking business stood at 57% YTD (56% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

# Underlying asset impairment - Group



- Higher impairment charges (+64m EUR q-o-q to 305m EUR)
  - Quarter-on-quarter increase of 85m EUR in loan loss provisions, mainly for the Belgian corporate entities and foreign branches (given the unsustainably low level in 1H12) and KBC Finance Ireland (project finance), despite slightly lower (though still significant) provisioning at KBC Bank Ireland (129m EUR in 3Q12 compared with 136m EUR in 2Q12, fully in line with our previous guidance)
  - Compared with the very high level recorded in 3Q11 (475m EUR), loan loss provisions were down by 191m EUR, as 3Q11 included a substantial impairment charge for Hungary (92m EUR related to FX mortgage relief measures), Bulgaria (96m EUR) and Ireland (187m EUR)
  - Impairment of 4m EUR on AFS shares (mainly at KBC Insurance) and 18m EUR on investment property

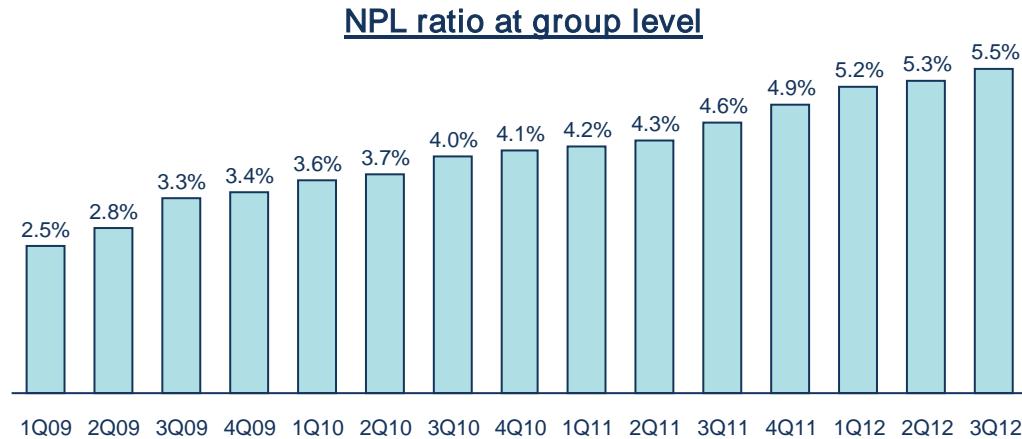
# Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.63% in 9M12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a very low 0.27% in 9M12. The NPL ratio amounted to 5.5%
- Credit cost ratio in Belgium amounted to only 6bps
- Somewhat higher loan losses in CEE (+11m EUR q-o-q) , due in part to 1 large corporate loan at CSOB Bank CZ, but credit cost ratio in CEE remained at a low level
- Loan losses higher in Merchant Banking (+14m EUR q-o-q) compared with the unsustainably low level of provisioning for Belgian corporate entities and foreign branches. Excluding Ireland, the CCR in Merchant Banking still amounted to just 24bps in 9M12

Credit cost ratio (CCR)

outstanding loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	9M12
	'Old' BU reporting				'New' BU reporting	
<b>Belgium</b> <b>58bn</b>	0.13%	0.09%	0.17%	0.15%	0.10%	0.06%
<b>CEE</b> <b>32bn</b>	0.26%	0.73%	2.12%	1.16%	1.59%	0.40%
<b>CEE (excl. one-off items in 2H11)</b>						0.69%
<b>Merchant B. (incl. Ireland)</b> <b>50bn</b>	0.02%	0.48%	1.32%	1.38%	1.36%	1.38%
<b>Merchant B. (excl. Ireland)</b> <b>33bn</b>	0.02%	0.53%	1.44%	0.67%	0.59%	0.24%
<b>Ireland</b> <b>16bn</b>	0.03%	0.31%	0.96%	2.98%	3.01%	3.71%
<b>Total Group</b> <b>141bn</b>	<b>0.13%</b>	<b>0.46%</b>	<b>1.11%</b>	<b>0.91%</b>	<b>0.82%</b>	<b>0.63%</b>

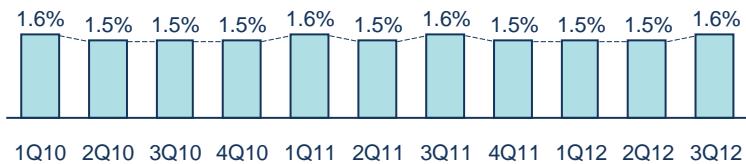
# NPL ratio at Group level



9M 2012	Non-Performing Loans (>90 days overdue)	High risk, excl. restructured loans (probability of default >6.4%)	Restructured loans (probability of default >6.4%)
Belgium BU	1.6%	2.9%	0.8%
CEE BU	5.5%	4.2%	2.3%
MEB BU including Ireland	10.1%	7.8%	4.7%
MEB BU excluding Ireland	4.1%	7.0%	0.9%
Ireland	22.5%	9.3%	12.5%

# NPL ratios per business unit

BELGIUM BU



 non-performing loan ratio

CEE BU



MEB BU

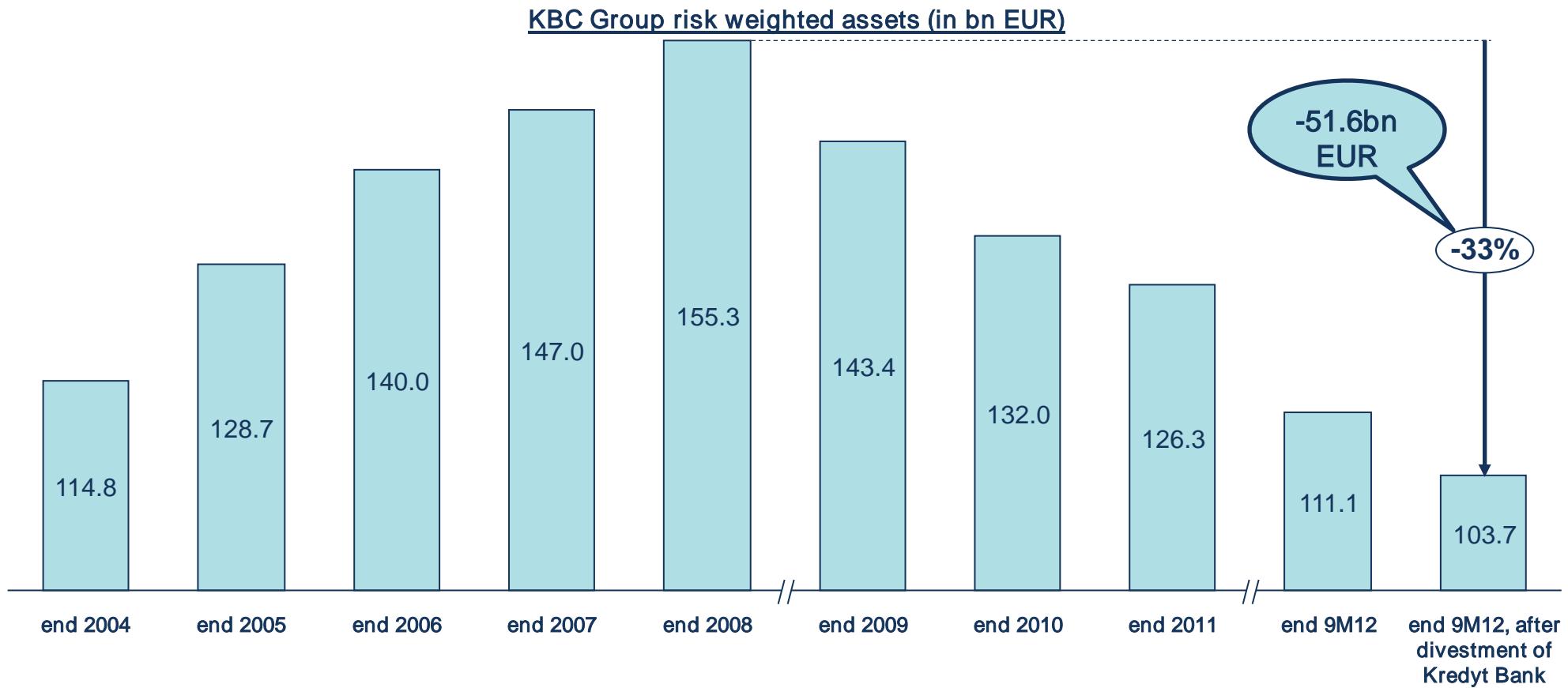


 NPL including Ireland    NPL excluding Ireland

Section 2

# Divestments and derisking

# RWA reduced by more than initially planned



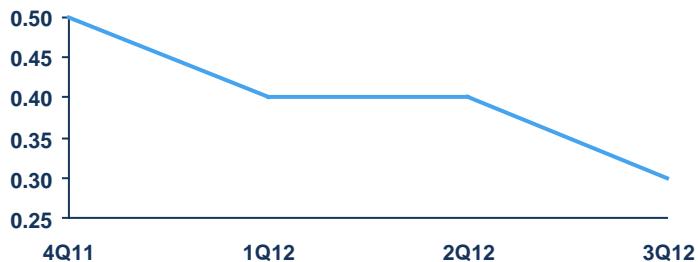


# Update on outstanding\* CDO exposure at KBC (3Q 2012)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- CDO exposure protected with MBIA	10.1	-0.6
- Other CDO exposure	5.5	-3.5
<b>TOTAL</b>	<b>15.6</b>	<b>-4.1</b>

Amounts in bn EUR	Total
Outstanding value adjustments	-4.1
Claimed and settled losses	-2.2
- Of which impact of settled credit events	-2.1

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



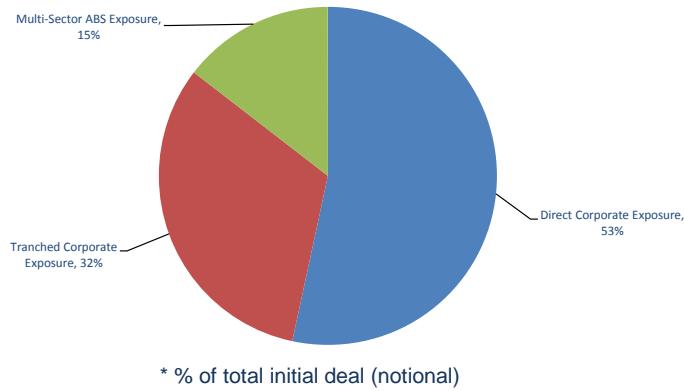
- The total notional amount remained stable over the last quarter. The outstanding markdowns decreased as a result of the credit spread tightening.
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 10.7% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- P&L sensitivity significantly reduced thanks to derisking activities
- Reminder: CDO exposure largely written down or covered by a State guarantee

\* Figures exclude all expired, unwound or terminated CDO positions

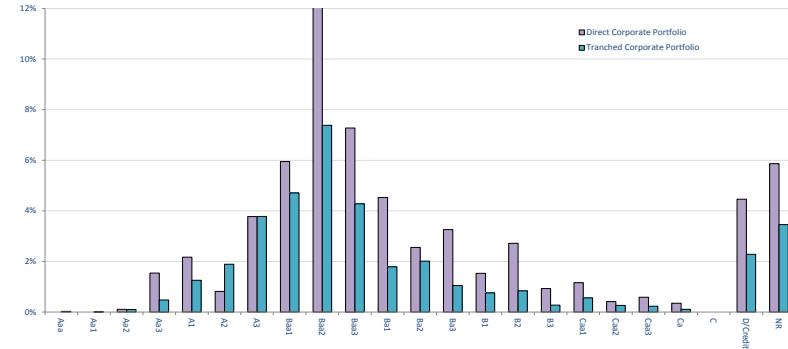
\*\* Taking into account the guarantee transacted with the Belgian State and a provision rate for MBIA at 70%

# Breakdown of KBC's CDOs originated by KBC FP (figures as of 9 October 2012)

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

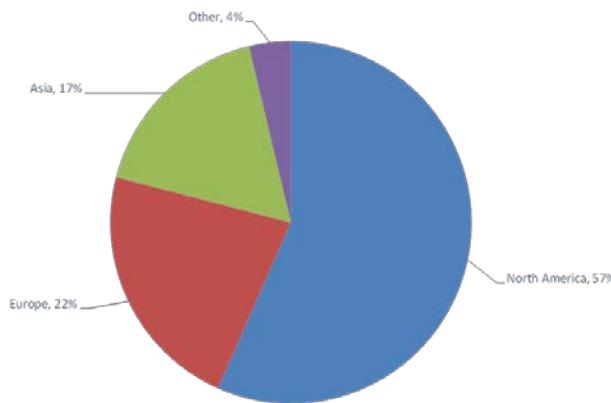


Corporate breakdown by ratings \*



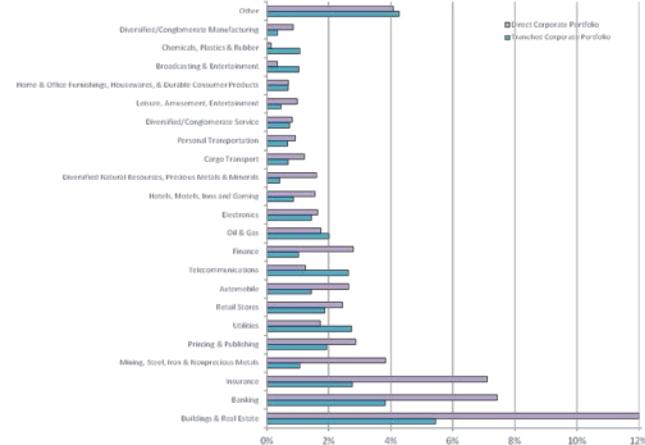
\* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio; Figures based on Moody's Ratings

Corporate breakdown by region\*



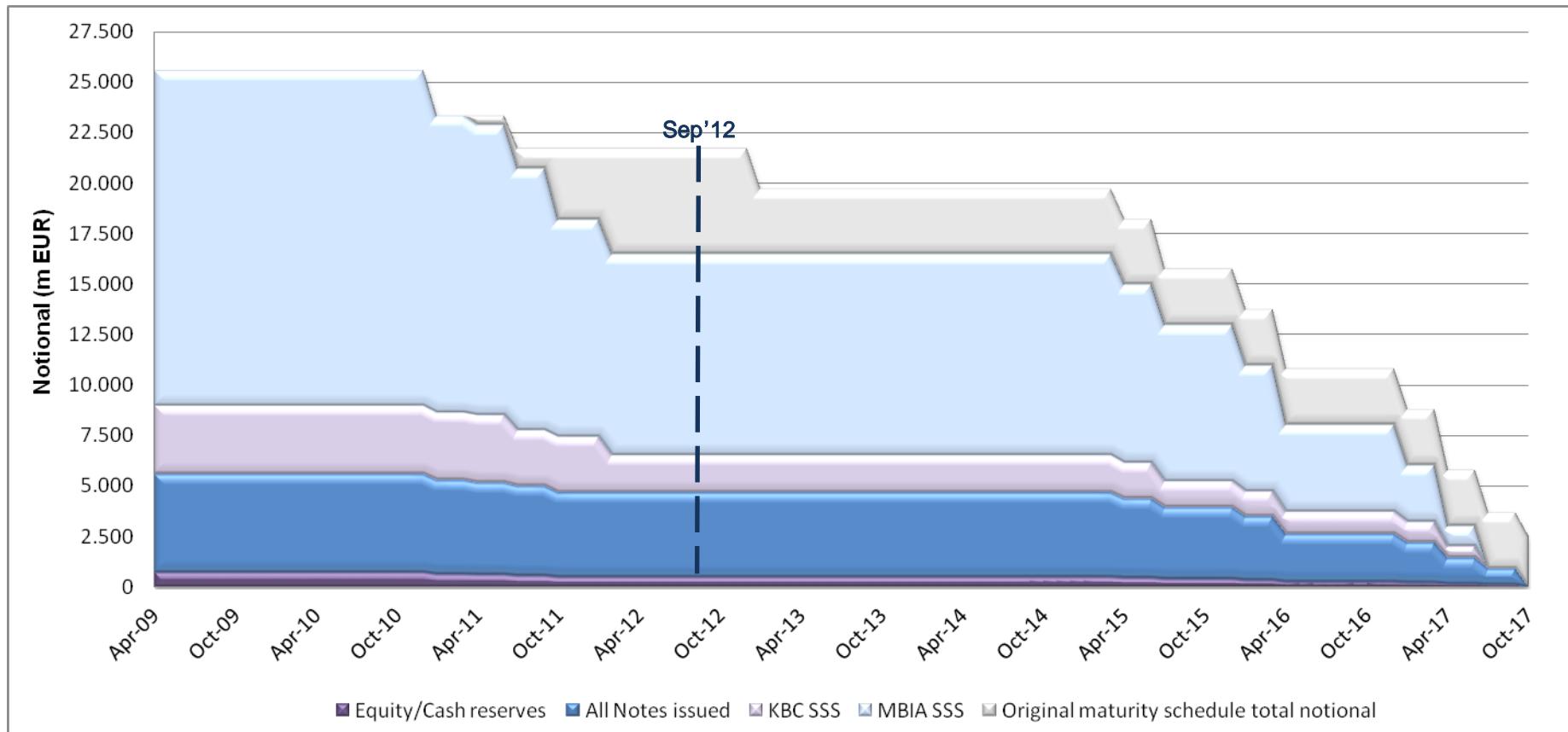
\* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio

Corporate breakdown by industry \*



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

# Maturity schedule of the CDOs issued by KBC FP





# GIIPS exposure down by 67% since the end of 2011

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

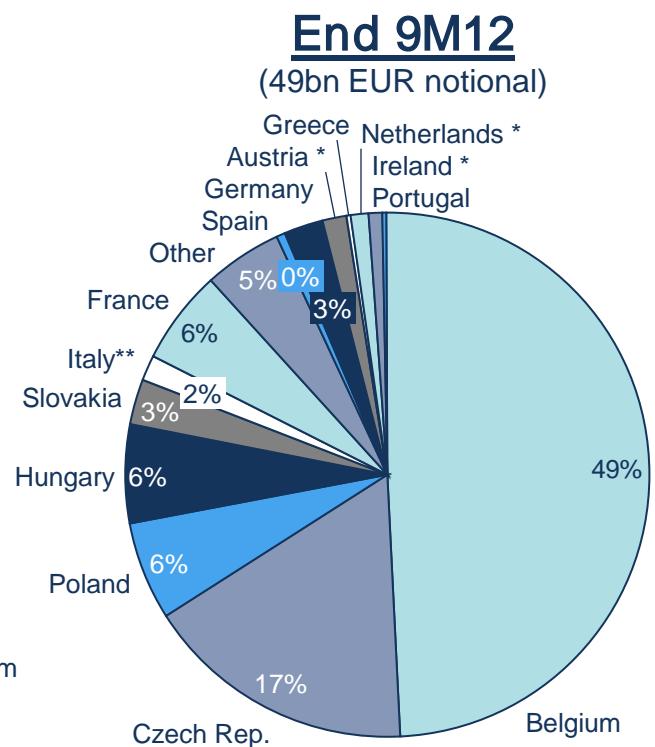
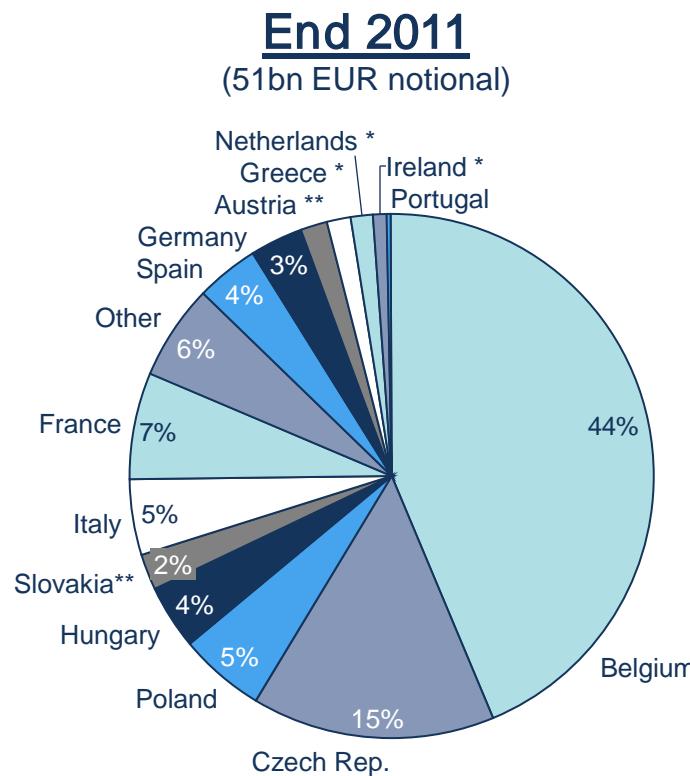
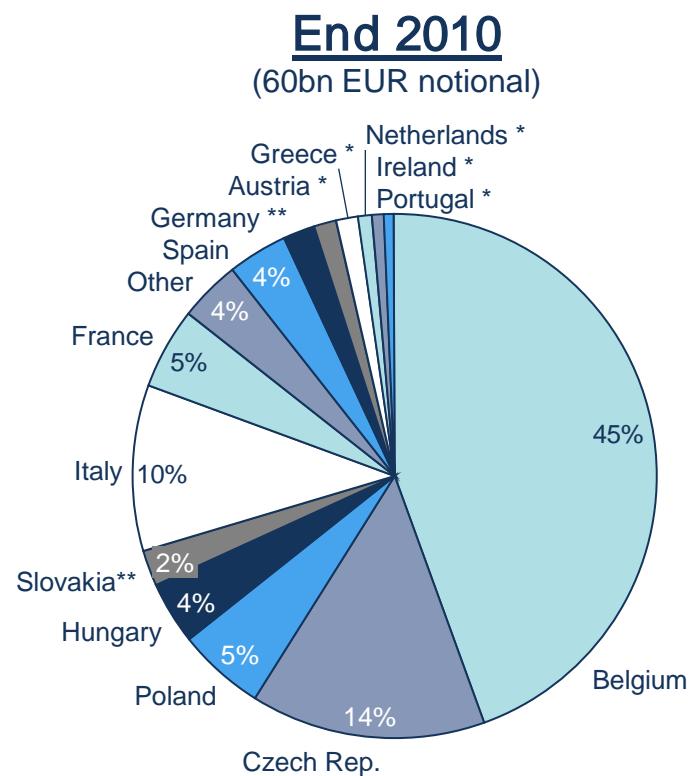
	End 2010	End 1Q11	End 2Q11	End 3Q11	End 2011	End 1Q12	End 2Q12	End 3Q12
Greece	0.6	0.6	0.5	0.3	0.2	0.0	0.0	0.0
Ireland	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Italy	6.4	6.2	6.1	3.8	2.1	2.0	1.4	0.8
Portugal	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1
Spain	2.2	2.2	2.2	2.1	1.9	1.9	0.3	0.2
<b>TOTAL</b>	<b>10.0</b>	<b>9.7</b>	<b>9.6</b>	<b>6.7</b>	<b>4.8</b>	<b>4.4</b>	<b>2.3</b>	<b>1.6</b>

**Year-to-date, KBC has reduced its GIIPS exposure (carrying amount) by roughly 67%:**

- Greece: reduction of 0.2bn EUR
- Italy: reduction of 1.3bn EUR
- Spain: reduction of 1.7bn EUR
- - **TOTAL** reduction of 3.2bn EUR

# Government bond portfolio

- Notional investment of 49bn EUR in government bonds (excl. trading book) at end 9M12, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments



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

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

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

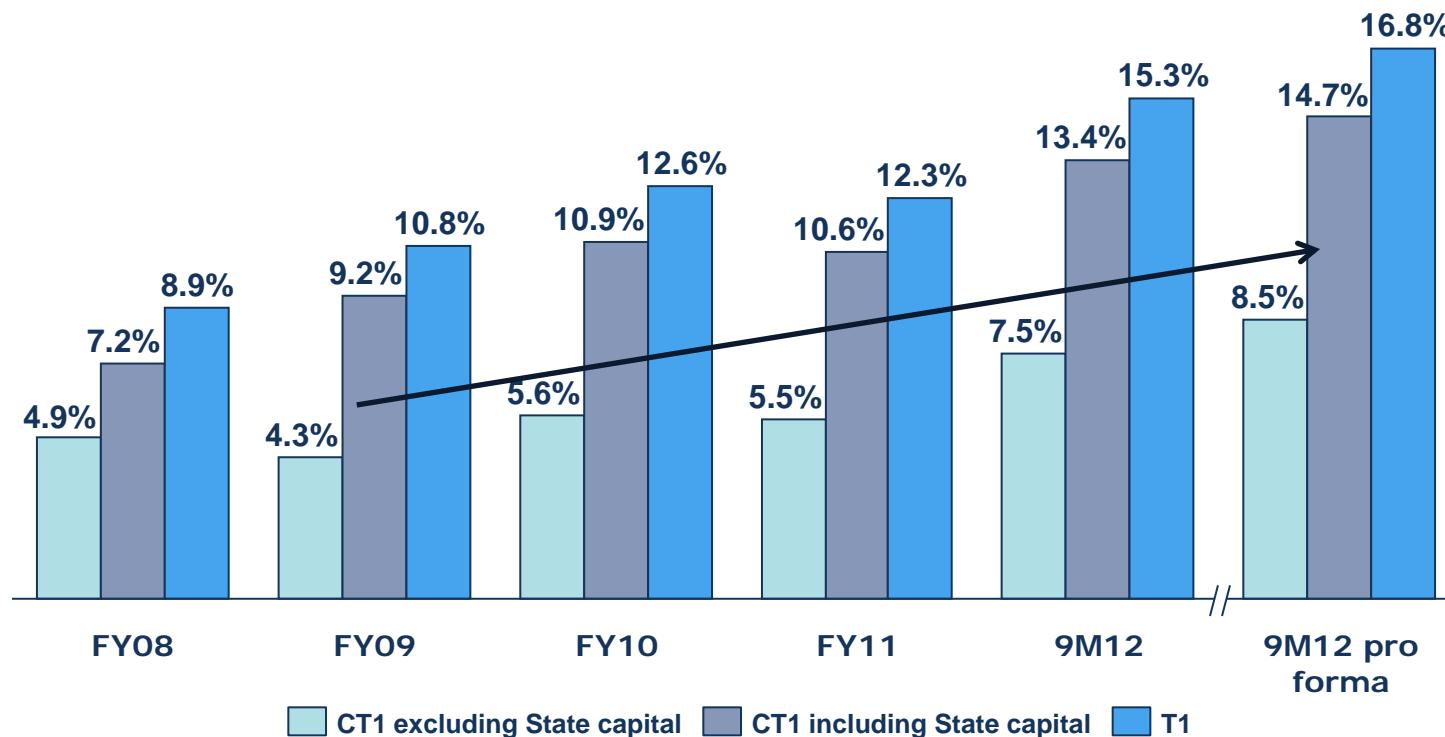


Section 3

# Strong solvency and Solid liquidity

# Strong capital position

- Strong tier-1 ratio of 15.3% (16.8% pro forma) at KBC Group as at end 9M12
- Pro forma core tier-1 ratio – including the effect of the sale of Kredyt Bank (not yet closed) and the impact of the sale of treasury shares – of 14.7% at KBC Group



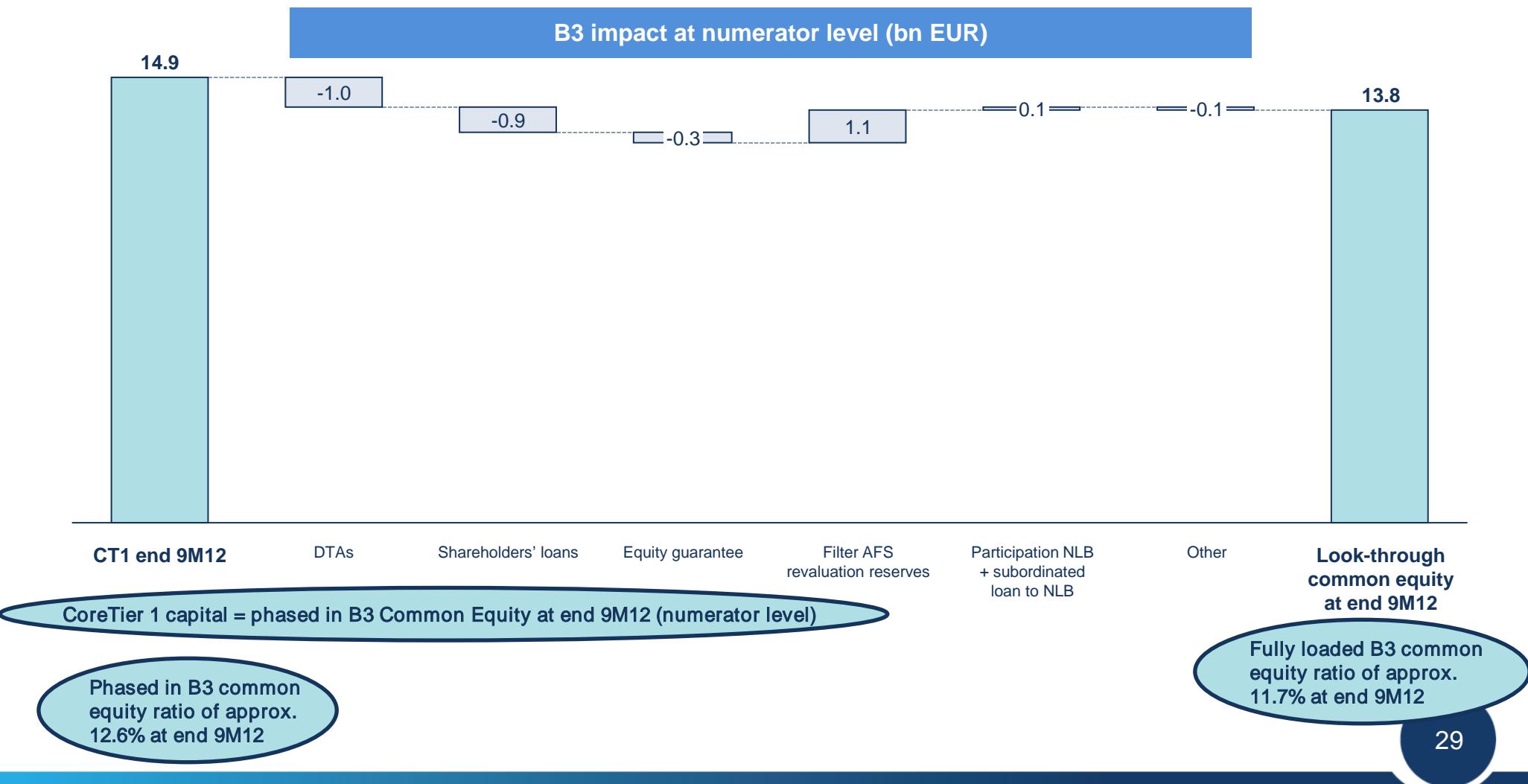
\* 9M12 pro forma CT1 includes 1) the impact of divestment agreements already signed, but not yet concluded (Kredyt Bank) and 2) the impact of the sale of treasury shares

- First repayment of 500m EUR to the Federal Government in January 2012 plus 15% penalty
- Next reimbursement will be made once the common equity target has been decided by the National Bank of Belgium
- We are continuing our efforts to ensure that 4.67bn EUR in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan, with a substantial part being repaid before the end of 2012

# Look-through common equity at end 9M12

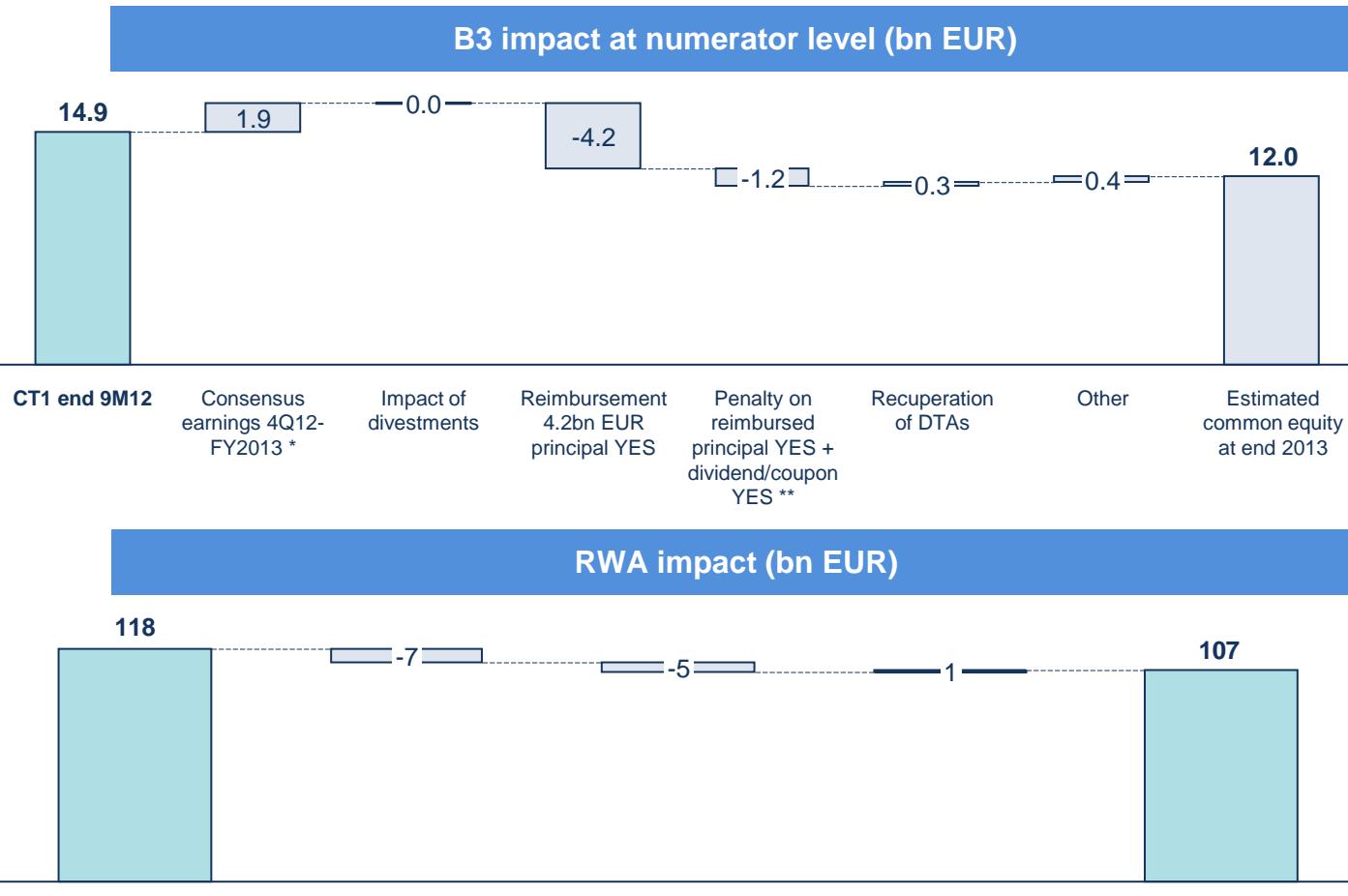
## From phased in to fully loaded B3 at numerator level

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



# Estimated common equity at end 2013

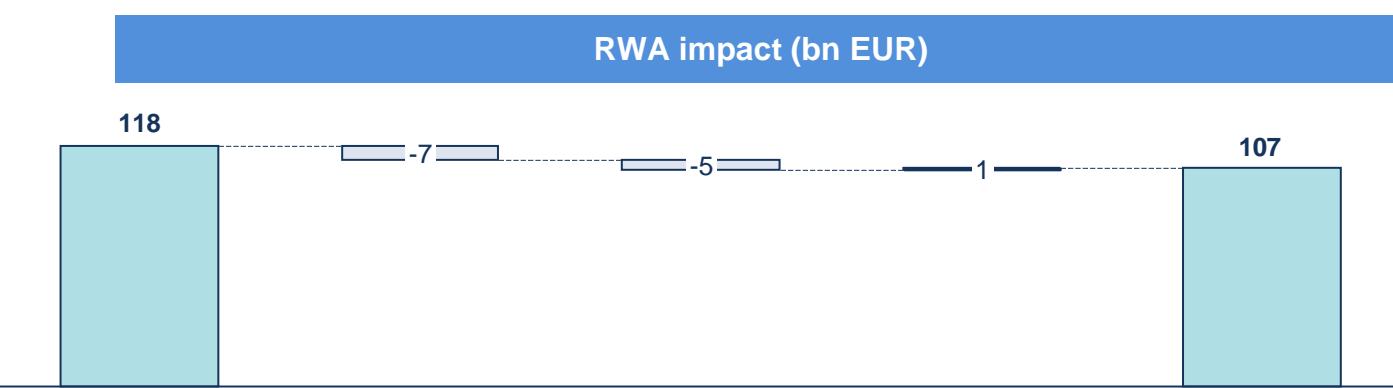
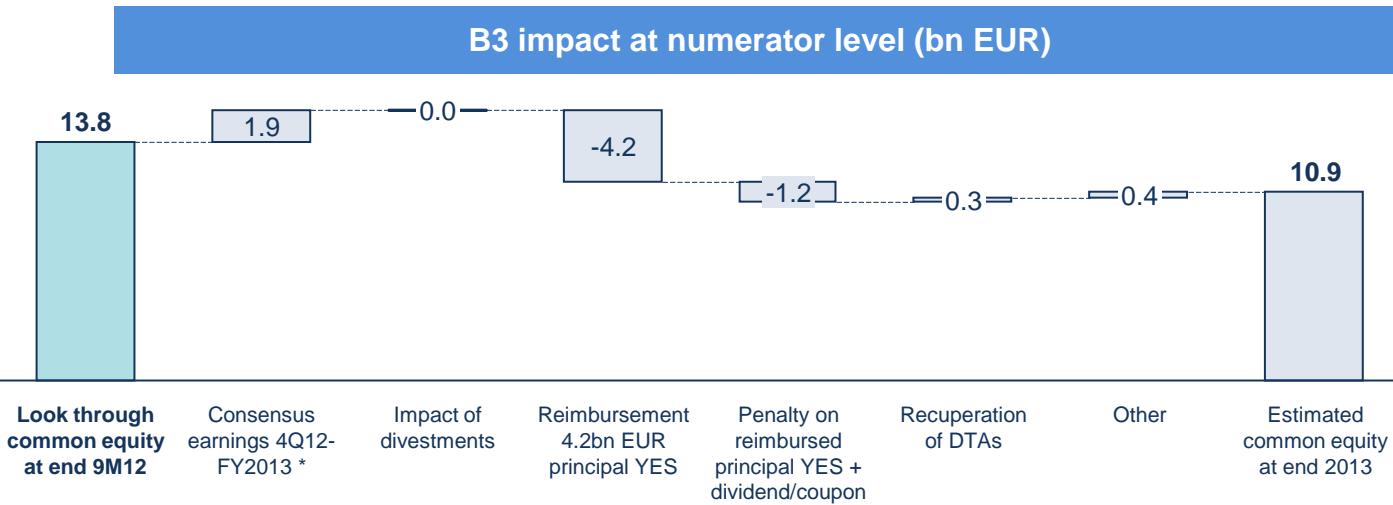
## Phased in B3 (given remaining YES being part of common equity as agreed with local regulator)



- Phased in B3 common equity ratio of approx. 12.6% at end 9M12
- Phased in B3 common equity ratio of approx. 11.2% at end 2013

# Estimated common equity at end 2013

## Fully loaded B3 (given remaining YES being part of common equity as agreed with local regulator)

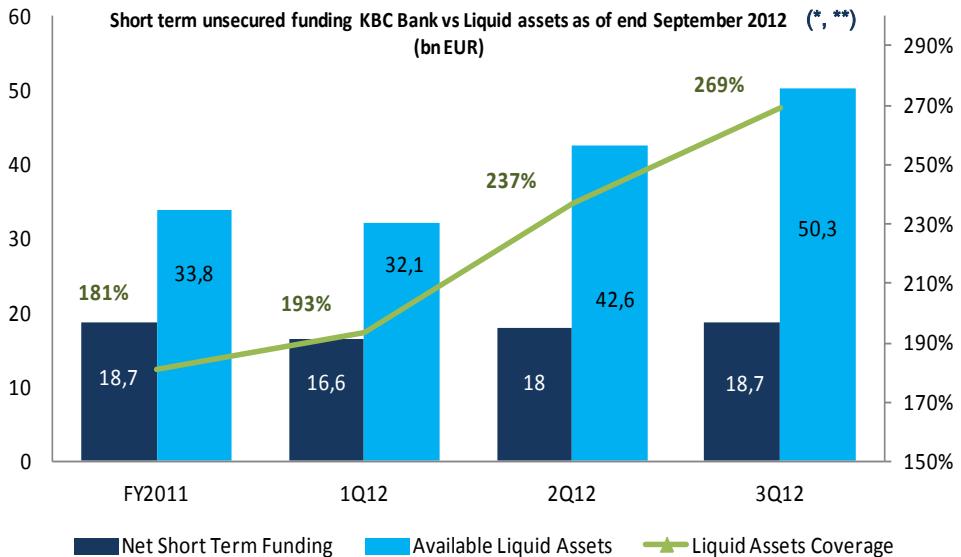


- Fully loaded B3 common equity ratio of approx. 11.7% at end 9M12
- Fully loaded B3 common equity ratio of approx. 10.2% at end 2013

# A solid liquidity position (1)

- Strong liquidity position strengthened even more by a solid increase in the liquid asset buffer
- 2012 funding needs covered and buffer established given:
  - Long-term funding needs decrease as steps to reduce RWA continue
  - The issue of 2.75bn EUR unsecured long-term debt YTD (of which 0.5bn EUR on 4y issued in 3Q12)
  - Moreover, substantial increases in stable funding have been registered in different entities of the Bank Group
- Legislative framework for covered bond in Belgium in place. KBC is in the process of obtaining a license from the NBB to issue covered bonds
- KBC plans its first covered bond issue in 4Q12/1Q13. This will enable KBC to further diversify its investor base and funding mix, which will reduce funding costs

# A solid liquidity position (2)



The liquid asset buffer increased substantially in comparison with the end of June 2012, due to the following factors:

- Increasing investments in highly liquid assets and positive MtM
- The automation of the credit claims pledging process allows KBC to pledge more than 4bn EUR's worth (after haircuts) of loans at NBB
- The total amount of unencumbered assets increased substantially as less secured funding was attracted

Therefore, the already strong liquidity position has improved further as:

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

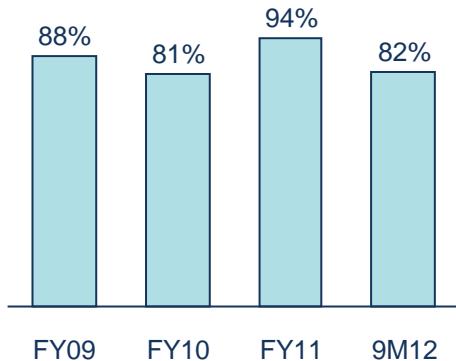
\* According to IFRS5, the situation at 28/09/2012 (right-hand side) excludes the investment entities (Absolut Bank, Kredit Bank, KBC Deutschland, KBC Banka, ADB, KBL)

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

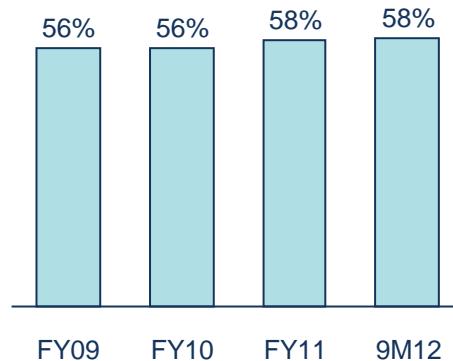
# A solid liquidity position (3)

- LTD ratio of 82% at KBC Bank at the end of 9M12
- The LTD decrease is mainly the result of loan reduction in the MEB BU (in line with the building down of our overseas balance sheet)
  - The q-o-q LTD decrease in the Belgium BU can be explained by strong deposit growth, more than compensating the loan growth
  - The q-o-q LTD increase in the CEE BU is mainly due to CSOB CZ, where we noticed strong loan growth and very limited unsecured deposit inflow

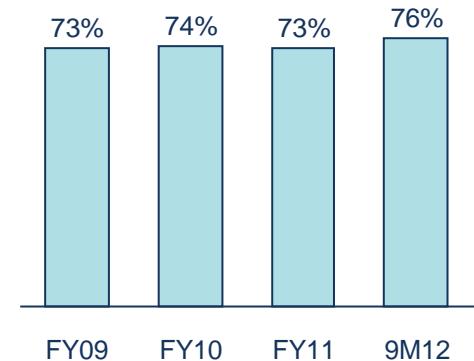
LTD ratio at KBC Bank\*



LTD ratio at Belgium BU\*\*



LTD ratio at CEE BU\*\*\*



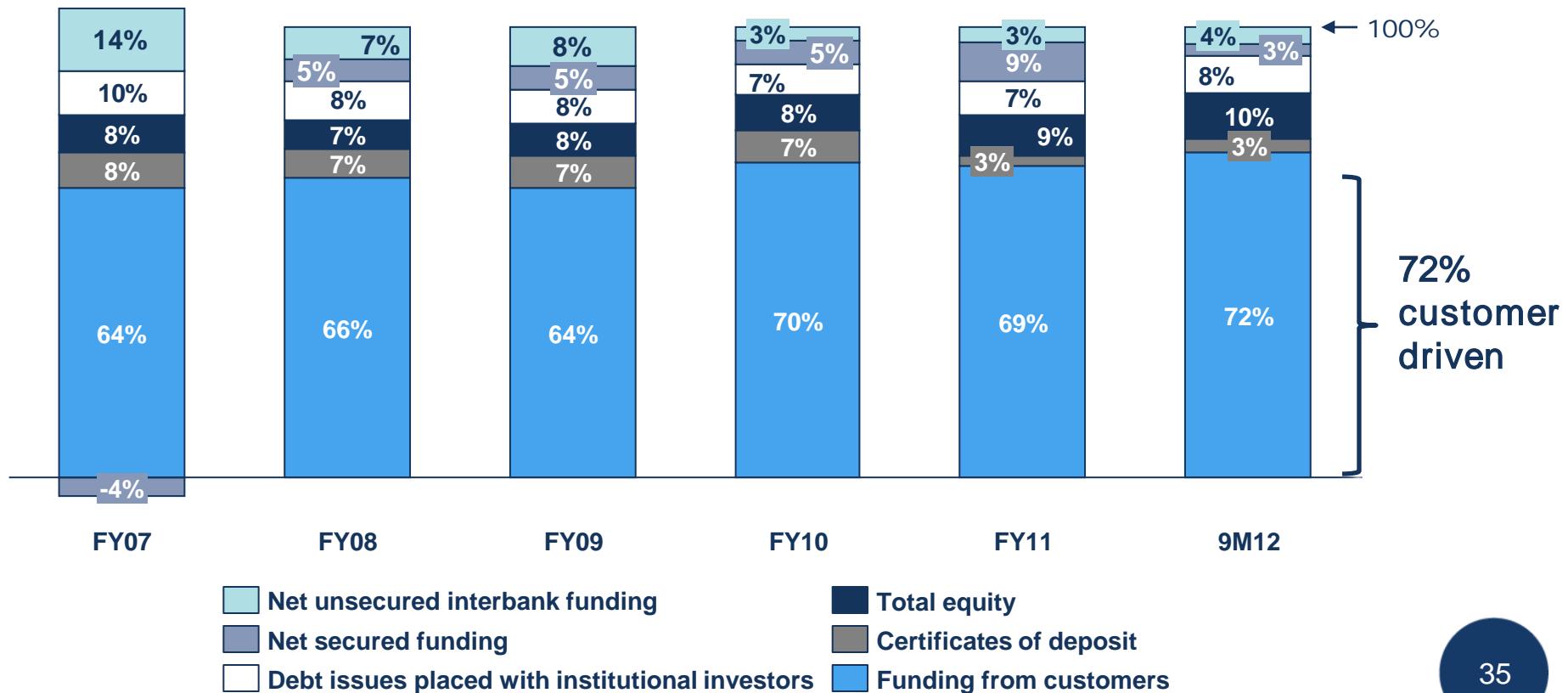
\* Excluding all the entities earmarked for divestment in Group Centre: KBL *epb*, ADB, KBC Deutschland, KBC Banka, Absolut Bank and Kredyt Bank

\*\* Excluding Centea (retroactively adjusted)

\*\*\* Excluding Kredyt Bank and Absolut Bank (items earmarked for divestment in Group Centre)

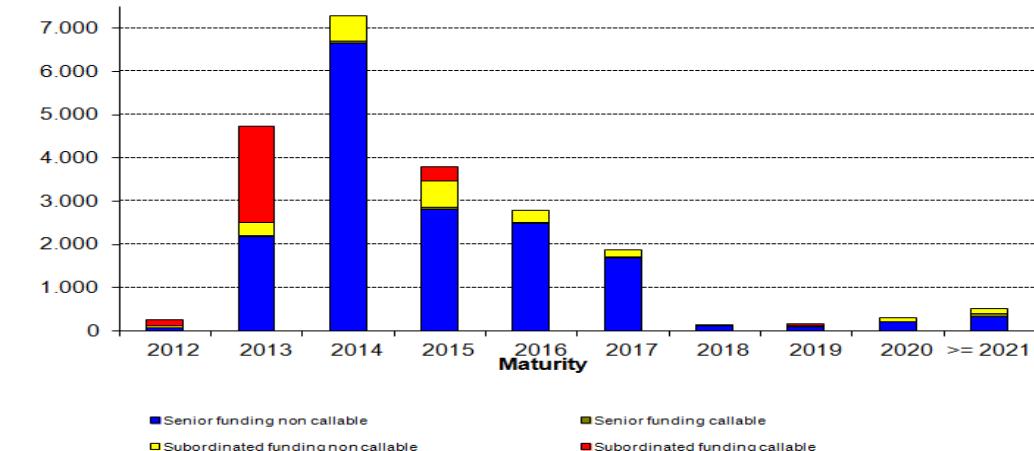
# A solid liquidity position (4)

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

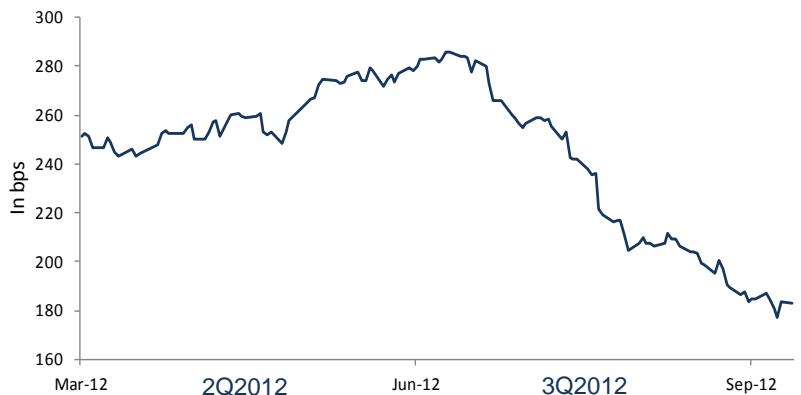


# Upcoming mid-term funding maturities

Breakdown funding maturity buckets  
Senior vs. subordinated & callable vs. non-callable



3Y Linearly Interpolated Credit Spreads



- KBC successfully issued 3 new benchmark senior unsecured deals for a total amount of 2.75bn EUR in 2012
- Long-term funding requirements for 2012 fully covered
- KBC's credit spreads narrowing in 3Q12
- KBC Bank has 5 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Covered bonds will support funding mix diversification

Note that the graph on left -hand side does not include the ECB LTRO for a total amount of 8.7bn EUR (3y maturity)

The background of the slide features a vibrant, abstract pattern of blue and white bokeh lights, creating a festive and dynamic atmosphere.

## Section 4

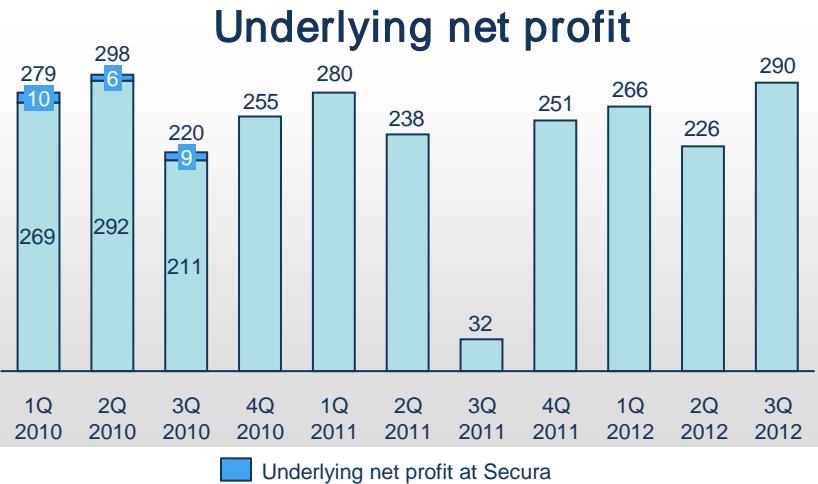
# Wrap up

- Resilient business performance in core markets
- Momentum maintained on divestments and derisking
- Capital and liquidity positions further strengthened

Annex 1

# 3Q 2012 underlying performance of business units





## Volume trend

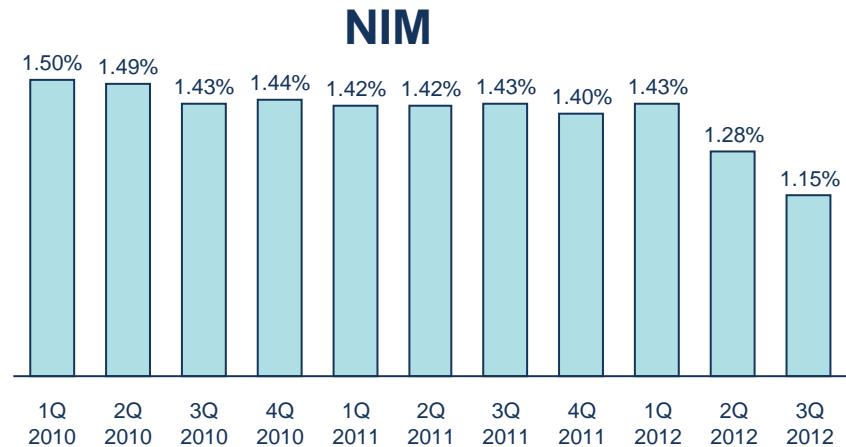
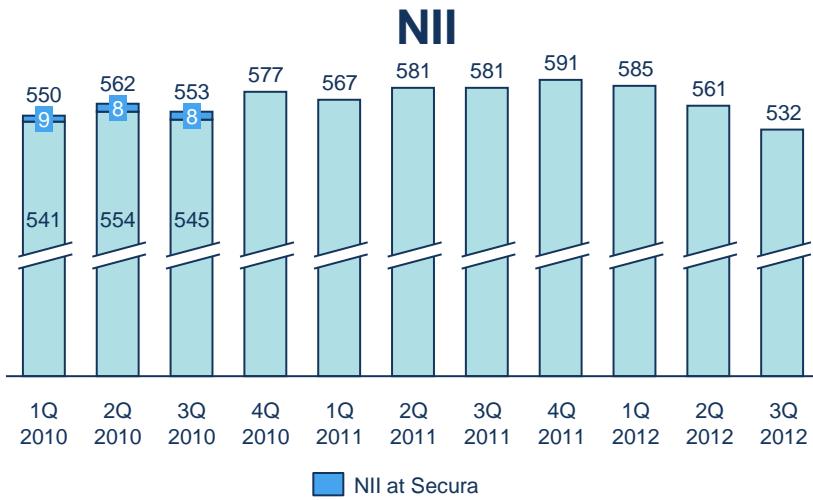
	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	57bn	31bn	75bn	145bn	24bn
Growth q/q*	+1%	+2%	+1%	+3%	+4%
Growth y/y	+6%	+8%	+4%	+5%	+12%

\* Non-annualised

\*\* Loans to customers, excluding reverse repos (and not including bonds)

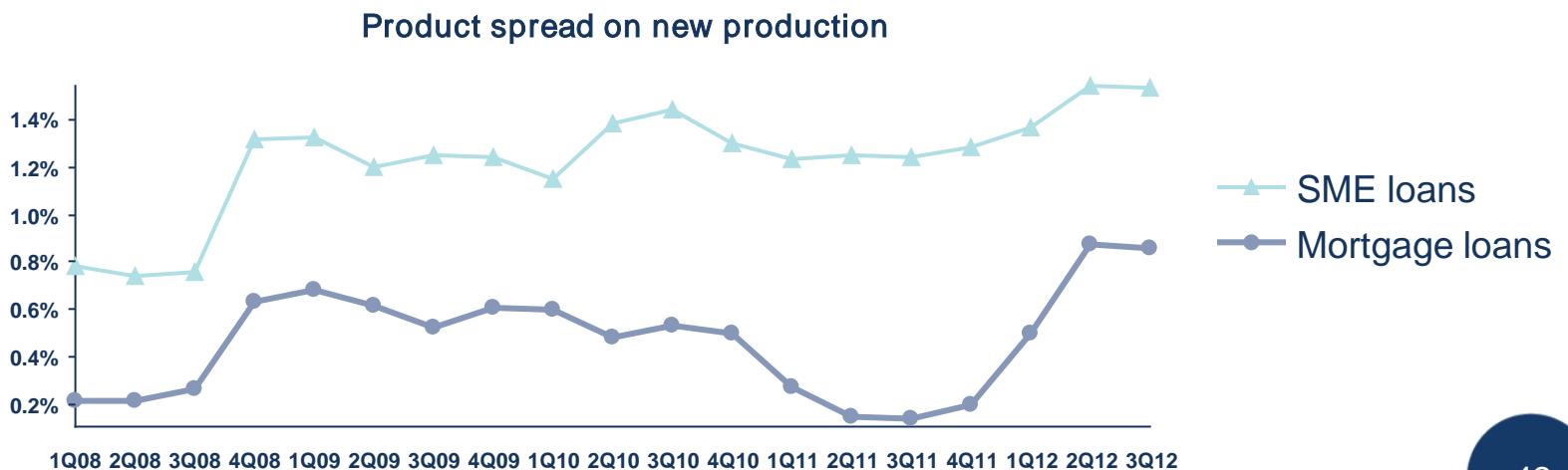
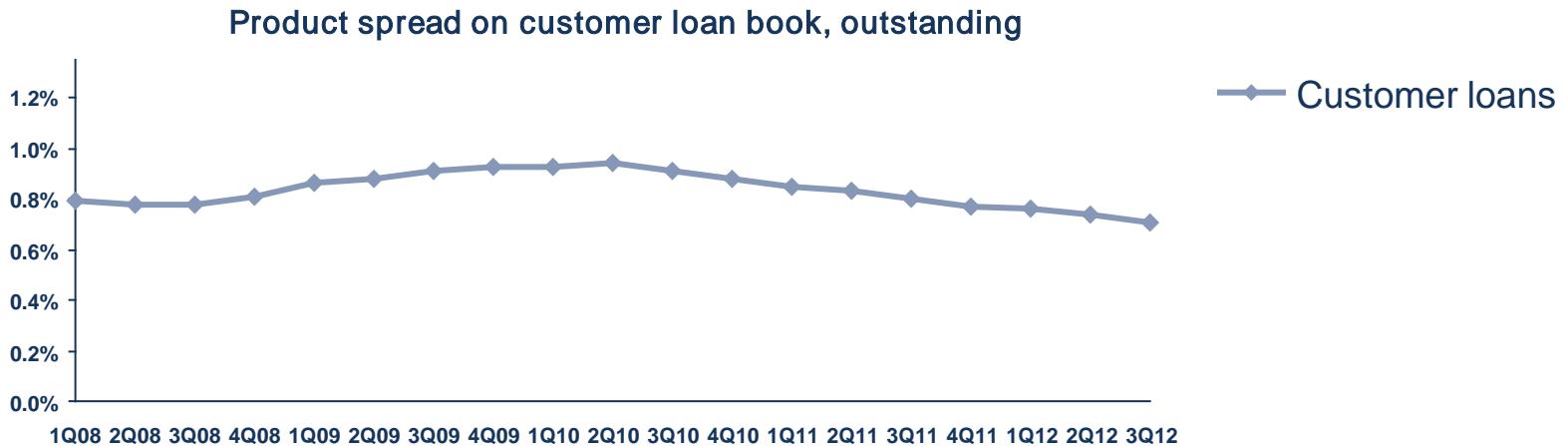
- Underlying net profit at the Belgium Business Unit amounted to 290m EUR
  - The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent non-life performance, stable net fee and commission income, only slightly higher costs despite a recuperation of funds from the Deposit Guarantee Scheme in 2Q12 and low impairment charges
- Increase in quarter-on-quarter (+1%) and year-on-year (+6%) loan volume, driven by growth in mortgage loans
- Deposit volumes up 4% year-on-year and 1% quarter-on-quarter

# Belgium Business Unit (2)



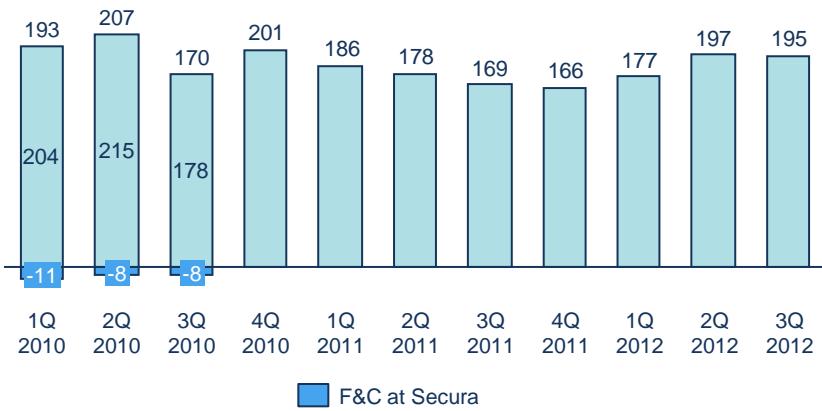
- Net interest income (532m EUR)
  - Down 5% q-o-q and 8% y-o-y
  - The net interest margin narrowed by 13bps quarter-on-quarter to 1.15%, largely attributable to the low interest rate environment and lower reinvestment yields partly due to the reduced exposure to GIIPS during the last quarters. However, commercial margins remained sound

# Credit margins in Belgium



# Belgium Business Unit (3)

## F&C



## AUM

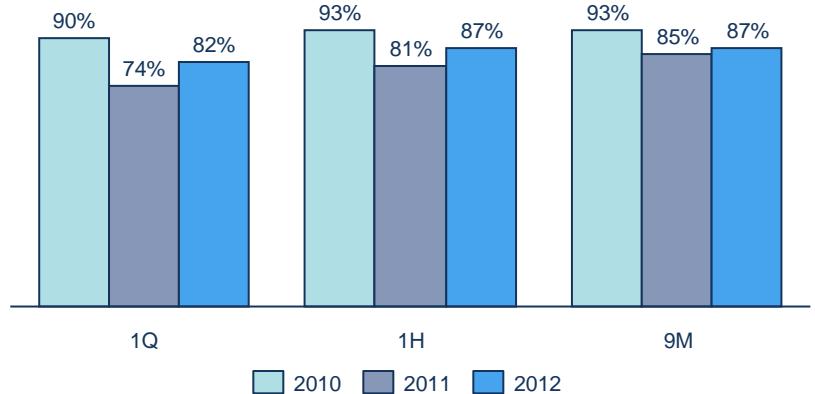


- Net fee and commission income (195m EUR)
  - Net fee and commission income increased by 16% y-o-y, mainly driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). Customers' risk appetite remained low. Net fee and commission income fell by 1% q-o-q despite higher income from mutual funds (both entry and management fees). This was due to somewhat lower q-o-q sales of unit-linked life products and lower securities transactions (brokerage and lending)
- Assets under management increased by 3% q-o-q (and +5% y-o-y) to 145bn EUR, thanks entirely to a positive price effect

## Premium income (gross earned premium)



## Combined ratio (Non-Life)



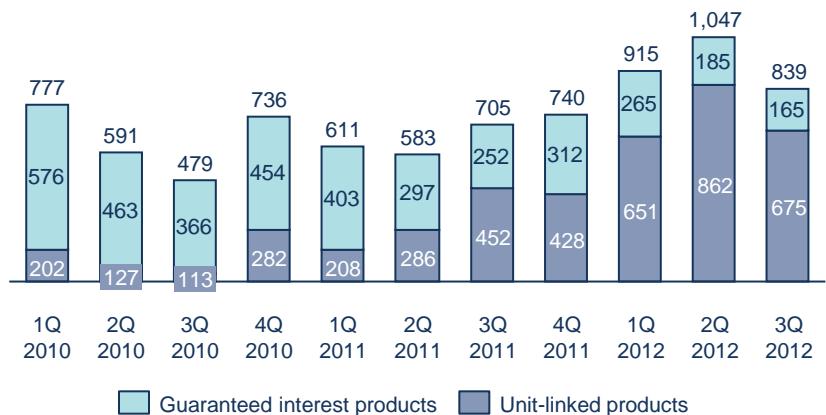
- Insurance premium income (gross earned premium) at 394m EUR
  - Non-life premium income (228m) up 1% q-o-q and 3% y-o-y (mainly in Fire insurance)
  - Life premium income (166m) down 10% q-o-q and 34% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a decrease in the guaranteed interest rate on Life savings products from May 2012 onwards (from 2.25% to 2.00%)
- Combined ratio remained at an excellent level of 87% in 9M12

## Non-Life sales (gross written premium)



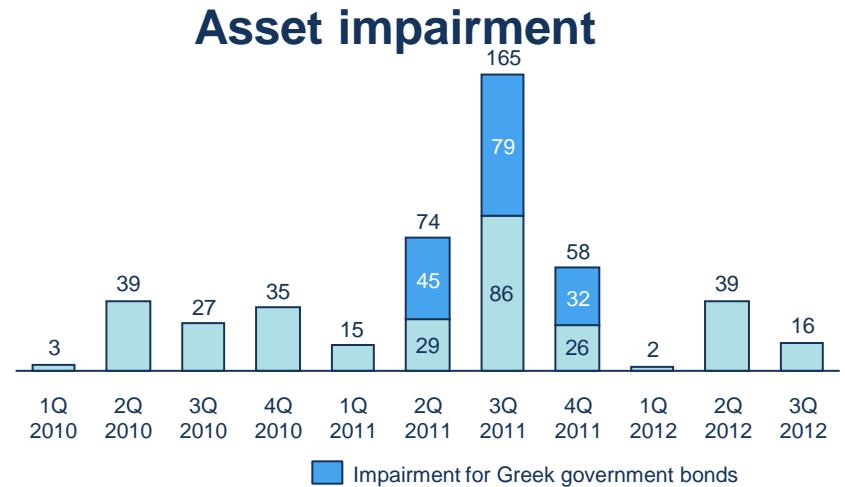
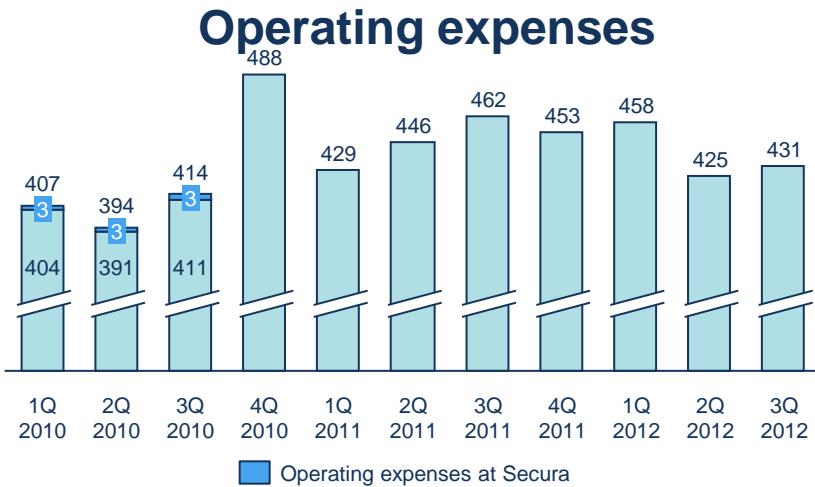
■ Non-Life sales at Secura

## Life sales (gross written premium)



■ Guaranteed interest products ■ Unit-linked products

- Sales of Non-Life insurance products:
  - fell by 6% quarter-on-quarter, but rose by 4% year-on-year
- Sales of Life insurance products:
  - rose by 19% year-on-year (but fell by 20% quarter-on-quarter given the very high level in 2Q12). The year-on-year increase was driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products
  - As a result, guaranteed interest products and unit-linked products accounted for 20% and 80%, respectively, of life insurance sales in 3Q12

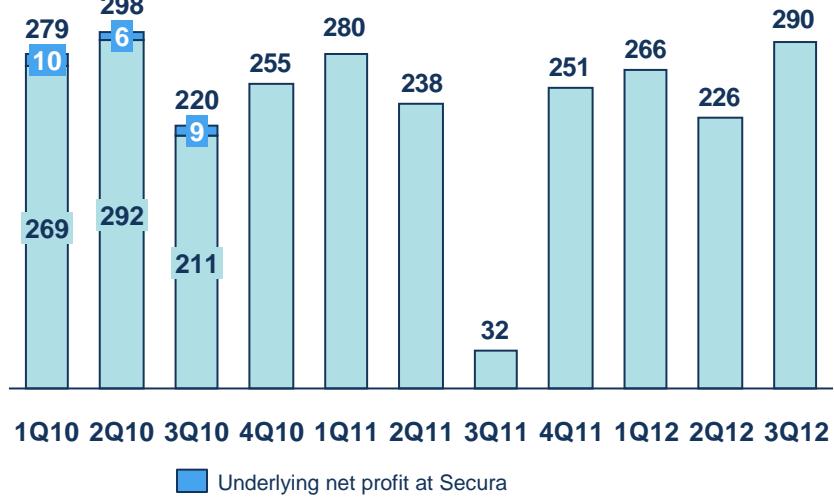


- Operating expenses: +2% quarter-on-quarter and -7% year-on-year
  - The q-o-q increase is entirely related to the +51m EUR pre-tax (and +34m EUR post-tax) recuperation of funds from the former Belgian Deposit Guarantee Scheme in 2Q12. This impact was partly offset by lower staff and marketing expenses
  - The y-o-y decrease can be explained by a combination of various items, such as lower restructuring charges and lower ICT and marketing costs
  - Underlying cost/income ratio: 60% YTD (and 59% YTD excluding the provision for the 5-5-5 product in 1Q12)
- Loan loss provisions were again quite limited in 3Q12 (only 12m EUR). Credit cost ratio of 6 bps in 9M12. NPL ratio at 1.6%. Limited impairments on AFS shares (4m EUR)

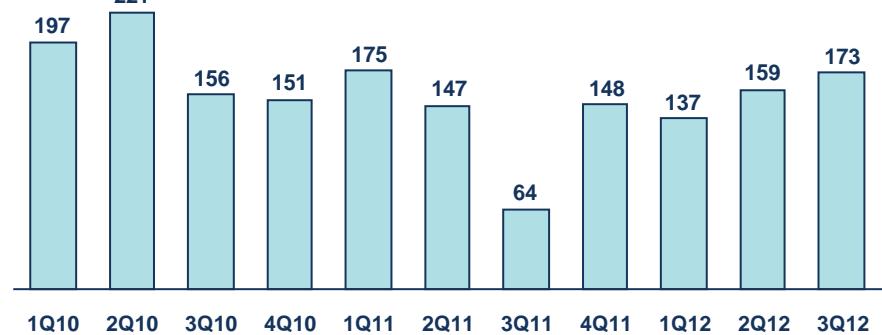
# Underlying profit at the Belgium BU

Amounts in m EUR

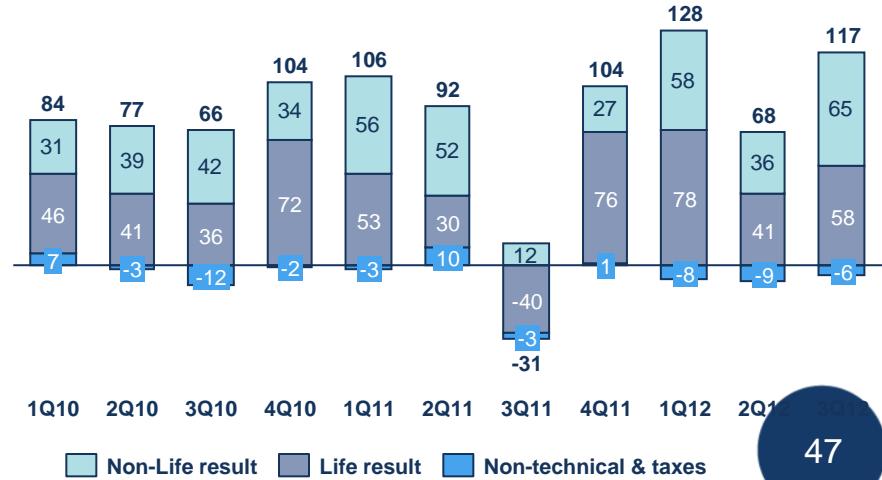
Underlying net profit at the Belgium BU \*



Underlying net profit contribution of banking to the Belgium BU \*



Underlying net profit contribution of insurance to the Belgium BU \*



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

## Underlying net profit



## Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	27bn	11bn	36bn	10bn	2bn
Growth q/q*	+2%	+3%	+1%	-2%	+3%
Growth y/y	+6%	+4%	+3%	-10%	+5%

\* Non-annualised

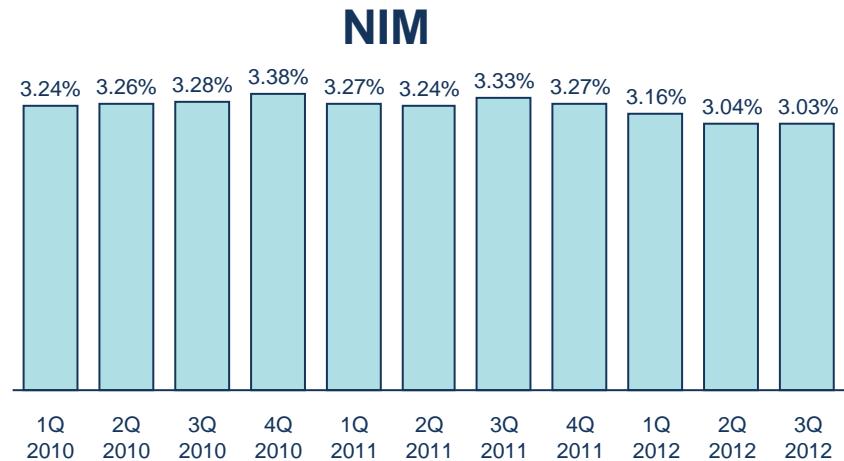
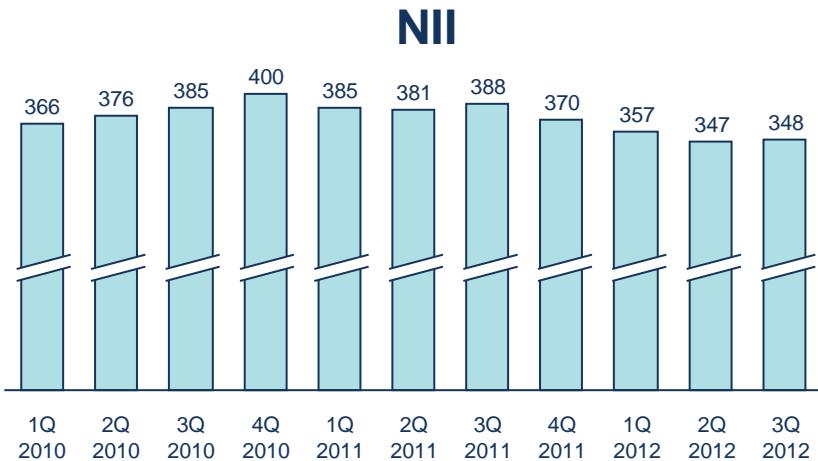
\*\* Loans to customers, excluding reverse repos (and not including bonds)

- Underlying net profit at CEE Business Unit of 169m EUR
  - CEE profit breakdown: 143m Czech Republic, 18m Slovakia, 36m Hungary, 3m Bulgaria, -31m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
  - Results from the banking business were characterised by stable net interest income, increased net fee and commission income, stable costs and relatively low loan loss provisions
  - Profit contribution from the insurance business remained limited in comparison to the banking business.

## Organic growth<sup>(\*)</sup>

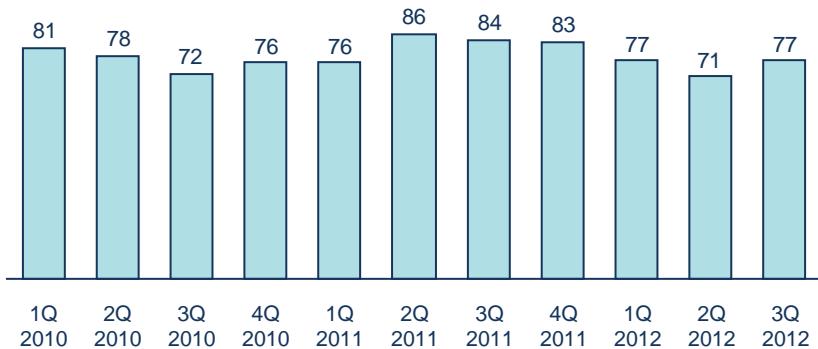
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
<b>CZ</b>	+2%	+11%	+3%	+12%	0%	+3%
<b>SK</b>	+1%	+8%	+3%	+12%	+6%	+12%
<b>HU</b>	0%	-13%	+1%	-22%	+1%	-2%
<b>BU</b>	+3%	+1%	0%	-6%	0%	+5%
<b>TOTAL</b>	<b>+2%</b>	<b>+6%</b>	<b>+3%</b>	<b>+4%</b>	<b>+1%</b>	<b>+3%</b>

- The total loan book rose by 2% q-o-q and 6% y-o-y. On a y-o-y basis, the increases in the Czech Republic (+11% y-o-y thanks to a continued increase in mortgage loans, but also an increase in corporate loans) and Slovakia (+8% y-o-y thanks to an increase in mortgage loans) were only partly offset by decreases in Hungary (where the trend was impacted not only by the FX mortgage relief programme, but also by a decreased corporate loan portfolio)
- Total deposits were up 1% q-o-q and 3% y-o-y
- Loan to deposit ratio at 76%



- Net interest income stabilised q-o-q, but fell by 10% y-o-y to 348m EUR. Excluding the FX effect, net interest income fell by 1% q-o-q and 7% y-o-y. This can mainly be explained by a decrease in the loan portfolio at K&H Bank (following the repayment of FX mortgages in 2011 and a decreased corporate loan portfolio)
- The net interest margin remained roughly stable quarter-on-quarter at 3.03%, but fell by 30bps year-on-year, mainly caused by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins) and the FX impact of the CZK

## F&C



## AUM



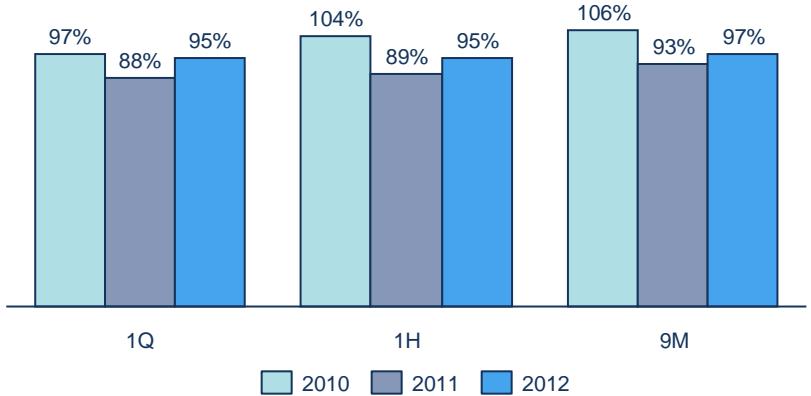
Amounts in bn EUR

- Net fee and commission income (77m EUR) rose by 9% q-o-q, but fell 8% y-o-y (or +8% q-o-q and -5% y-o-y, respectively, excluding the FX effect)
- Assets under management decreased by 2% q-o-q to roughly 10bn EUR, essentially as a result of net outflows. Y-o-y, assets under management fell by 10%, driven by net outflows (-11%) and a small positive price effect (+1%)

## Premium income (gross earned premium)

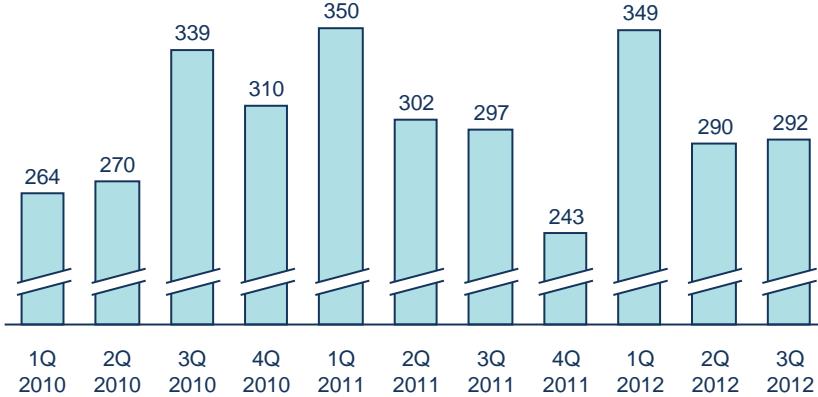


## Combined ratio (Non-Life)

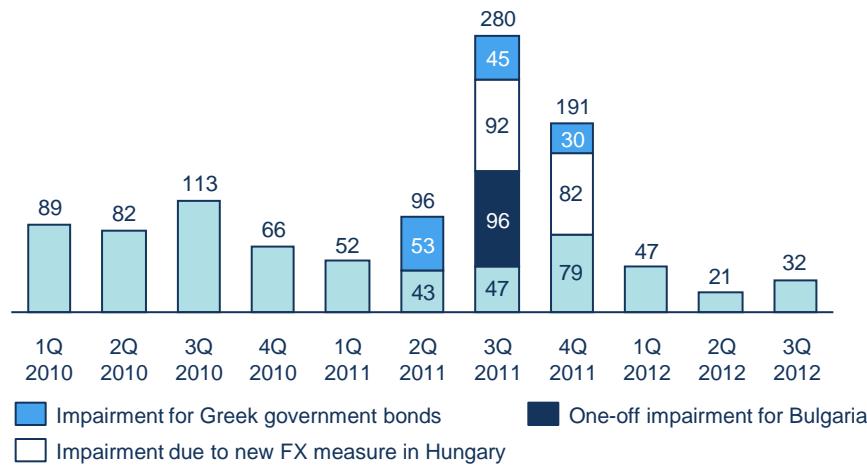


- Insurance premium income (gross earned premium) stood at 186m EUR
  - Non-life premium income (85m) up 4% q-o-q and down 3% y-o-y
  - Life premium income (101m) sharply down q-o-q, mainly the result of strong sales of unit-linked products in the Czech Republic during 2Q12
- Combined ratio at 97% in 9M12

## Operating expenses



## Asset impairment



- Opex (292m EUR) rose by 1% q-o-q, but fell by 2% y-o-y
  - Excluding FX changes, opex remained more or less unchanged both q-o-q and y-o-y
  - YTD cost/income ratio at 58% (54% excluding Hung. bank tax)
- Asset impairment at 32m
  - L&R impairments remained at a low level q-o-q, but decreased sharply y-o-y as 3Q11 had been impacted by high FX mortgage impairments in Hungary and one-off impairments for Bulgaria. This led to a credit cost ratio of 0.40% YTD (1.59% in FY11). NPL ratio at 5.5%

	Loan book	2009* CCR	2010 CCR	2011 CCR	9M12 CCR
<b>CEE</b>	<b>32bn</b>	<b>2.12%</b>	<b>1.16%</b>	<b>1.59%</b>	<b>0.40%</b>
- Czech Rep.	21bn	1.12%	0.75%	0.37%	0.28%
- Hungary	5bn	2.01%	1.98%	4.38%	0.86%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.27%
- Bulgaria	1bn	2.22%	2.00%	14.73%	1.03%

\* CCR according to 'old business unit reporting'

- 3Q12 **underlying net profit** at the K&H Group amounted to 36m EUR (35m EUR YTD, including full-year bank tax)
- 3Q12 **loan loss provisions** amounted to 6m EUR (28m EUR in 1Q12 and 3m EUR in 2Q12). The credit cost ratio came to 0.86% YTD versus 1.66% in 9M11. The favourable figures in 3Q12 are due to:
  - continued stable trends in corporate and SME portfolios
  - Re-launch of the bank's own easement programme in June
  - positive trends of performing clients signing up for the accumulation loan under the government FX debtor relief programme
- **NPL** declined to 11.9% in 3Q12 (12.6% in 2Q12)
  - NPL Retail: 17.9% in 3Q12 (19.4% in 2Q12):
    - Increase in retail NPL until May 2012
    - Starting from June, the rise in delinquencies slowed down primarily due to the re-launch of the bank's own easement programme and first positive signs of the accumulation loan programme

#### Hungarian loan book – key figures as at 30 Sep 2012

<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL</u>	<u>NPL coverage</u>
SME/Corporate	2.7bn	7.5%	63%
Retail	2.6bn	16.5%	64%
o/w private	2.2bn	17.9%	63%
o/w companies	0.4bn	9.9%	70%
	5.3bn	11.9%	64%

#### Proportion of High Risk and NPLs



## Municipal loans

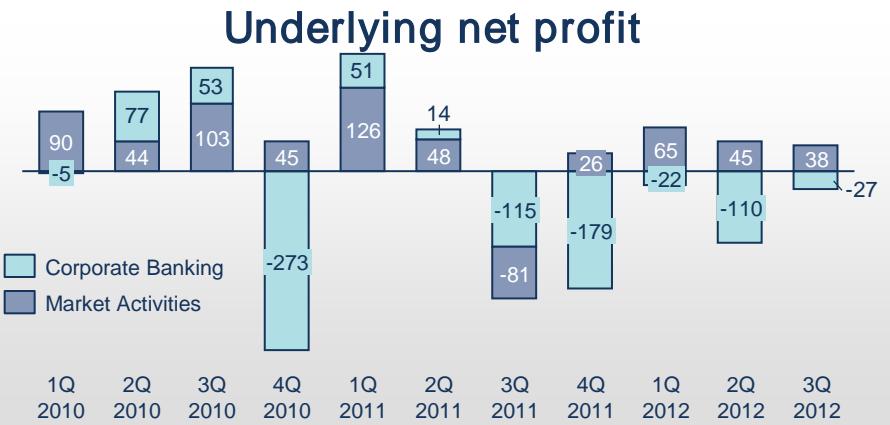
The government has announced that it will launch a second phase in the consolidation of municipal debt, whereby a total amount of 612bn HUF (2.2bn EUR) in debt will be taken over by the State. Details have not yet been announced, and consultations are going on among the relevant Ministries and the Hungarian Banking Association

## Banking tax

The government originally intended to phase out banking tax in two waves (half it in 2013 and reduce to average European level from 2014). Based on recent announcements in 2013, it will be kept at the level of 2012 (57m EUR pre-tax for K&H)

## Financial transaction levy

As of 1 Jan 2013 a financial transaction levy will be introduced. The general rate of the levy will be 0.3% for cash transactions and 0.2% for other transactions (with certain exceptions), with a cap of 6,000 HUF per transaction. Since it has an impact on the cost structure of the banks, it will prompt them to readjust their fee structure. The gross amount of the levy is estimated to be annually approx. 43m EUR pre-tax for K&H. The final version of the law is not yet passed in the parliament



## Volume trend

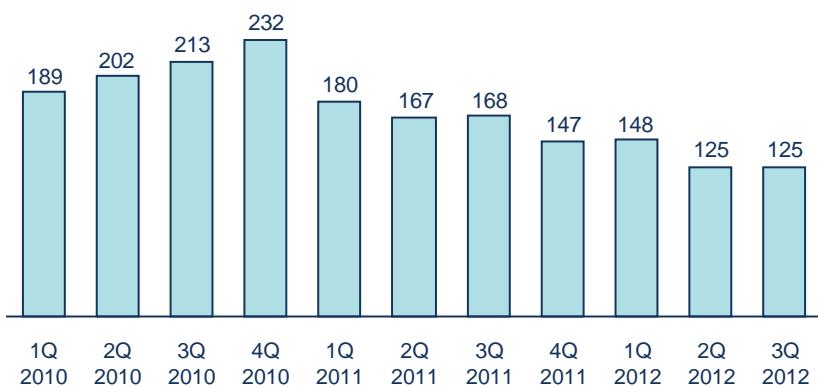
	Total loans	Customer deposits
Volume	40bn	39bn
Growth q/q*	-5%	-4%
Growth y/y*	-4%	-25%

\*non-annualised

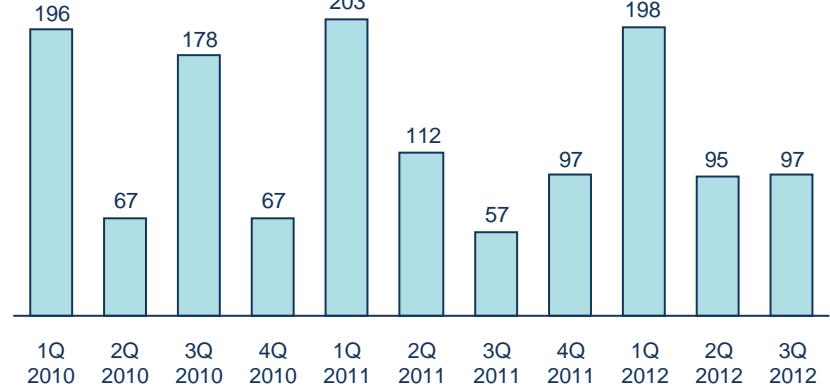
- Underlying net profit in the Merchant Banking Business Unit totalled 10m EUR
  - The higher q-o-q result from this business unit's **Corporate Banking** activities in 3Q12 was due entirely to a positive credit value adjustment and a 44m EUR reversal regarding the fraud case at KBC Lease UK. This was only partly offset by somewhat higher loan loss provisions for Belgian corporate entities and foreign branches. The result for 3Q12 was negative, partly on account of the high loan impairment charges at KBC Bank Ireland (129m EUR in 3Q12 versus 136m in 2Q12, fully in line with our guidance). Excluding KBC Bank Ireland, the 3Q12 result would be +64m EUR
  - The 38m EUR result from the unit's **Market Activities** was down q-o-q due to losses realised on bond sales

# Merchant Banking Business Unit (2)

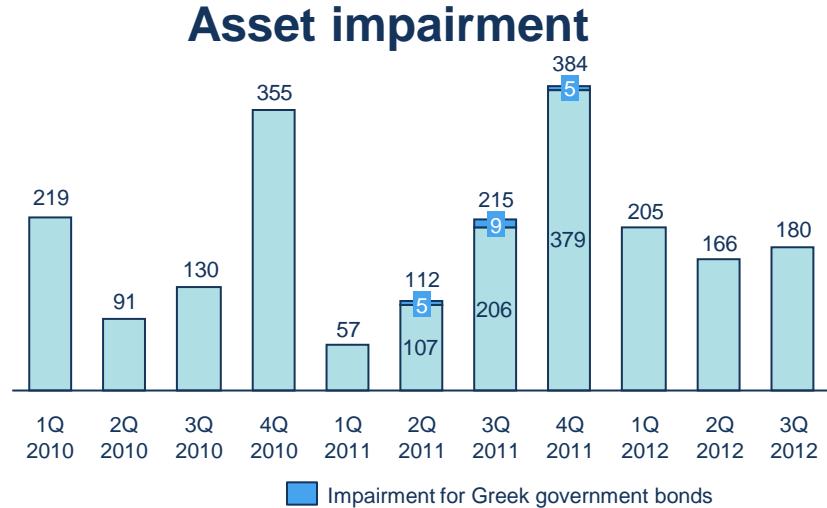
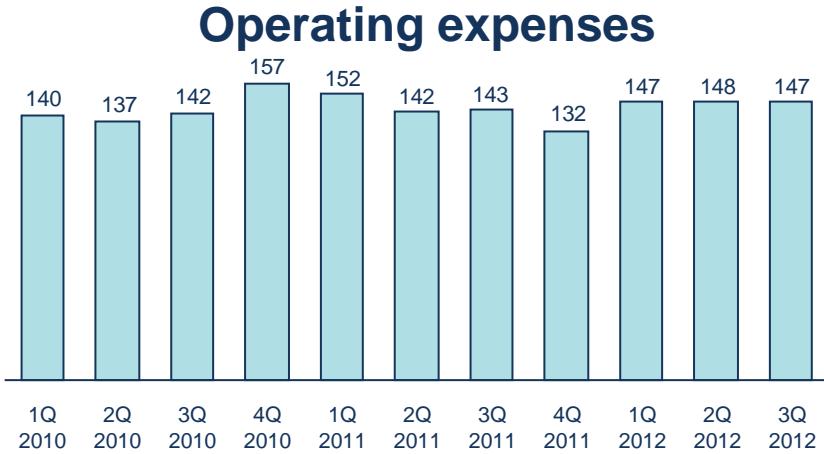
**NII** (Commercial Banking)



**FV gains** (Market Activities)



- The 3Q12 net interest income level stabilised q-o-q, but decreased roughly 25% y-o-y due to lower reinvestment yields due to the reduced GIIPS exposure, higher senior debt costs and reduced volumes
- Stable q-o-q fair value gains within the 'Market Activities' sub-unit. The quarter under review included a satisfactory dealing room performance and positive CVAs (thanks to tightening corporate credit spreads)



- Operating expenses decreased by 1% quarter-on-quarter, but rose by 2% year-on-year to 147m EUR mainly due to higher banking tax. Underlying cost/income ratio: 42% in 9M12 (and 41% excluding the provision for the 5-5-5 product in 1Q12)
- Total impairments amounted to 180m EUR in 3Q12
  - The somewhat higher q-o-q impairment on L&R was accounted for by Belgian corporate entities and foreign branches. Loan loss provisions at KBC Bank Ireland amounted to 129m EUR (versus 136m EUR in 2Q12), fully in line with our guidance. The credit cost ratio came to 1.38% in 9M12 (compared to 1.36% in 2011) and the NPL ratio to 10.1% (0.24% and 4.1%, respectively, excluding KBC Bank Ireland)
  - Other impairment charges amounted to 14m EUR and related to real estate investments

- Loan loss provisions in 3Q12 of 129m EUR (136m EUR in 2Q12). The loss after tax in 3Q12 was 71m EUR
- Emerging stabilisation in parts of the domestic economy and an improvement in financial sentiment towards Ireland. Slightly better than expected tax revenues, broadly flat unemployment and a range of survey indicators reflect a tentative turning point in domestic activity of late
- There are signs that the housing market may have bottomed out in terms of prices and transaction levels
- KBCI is implementing longer term mortgage resolution options as part of its Mortgage Arrears Resolution Strategy that should restore a significant number of customers back to financial stability. KBCI's comprehensive outreach programme continues to have positive results
- The Personal Insolvency Bill is expected to be enacted in 1Q13. The degree of impact on the KBCI mortgage portfolio will be determined by the final parameters including: (i) the voting rights of creditors, (ii) requirement for borrowers prior cooperation and (iii) the upper debt limit in the Personal Insolvency Arrangement
- Commercial customers operating in the Irish domestic market continue to face a challenging environment.
- Successful retail deposit campaign with expanded product offering. Increased gross retail deposit levels of +0.9bn EUR (YTD) to 1.7bn EUR and new customer accounts of c. 16,000 to end 3Q12
- Local tier-1 ratio to 11.36% at the end of 3Q12 through a capital increase of 100m EUR (11.12% at the end of 2Q12)

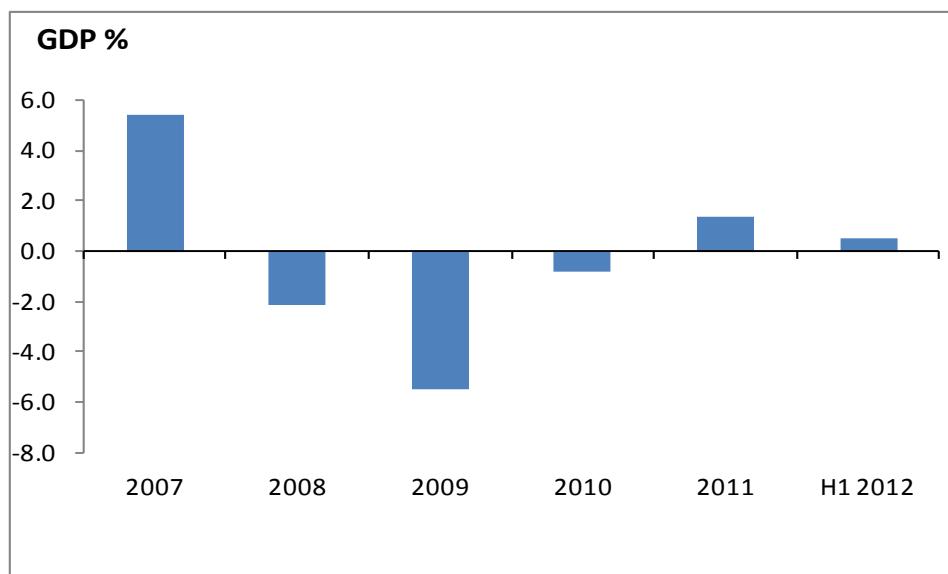
Irish loan book – key figures as at September 2012

<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL</u>	<u>NPL coverage</u>
Owner occupied mortgages	9.4bn	16.9%	31%
Buy to let mortgages	3.2bn	28.0%	40%
SME /corporate	1.8bn	17.8%	70%
Real estate investment	1.3bn	28.6%	62%
Real estate development	0.5bn	90.7%	73%
	16.2bn	22.5%	45%

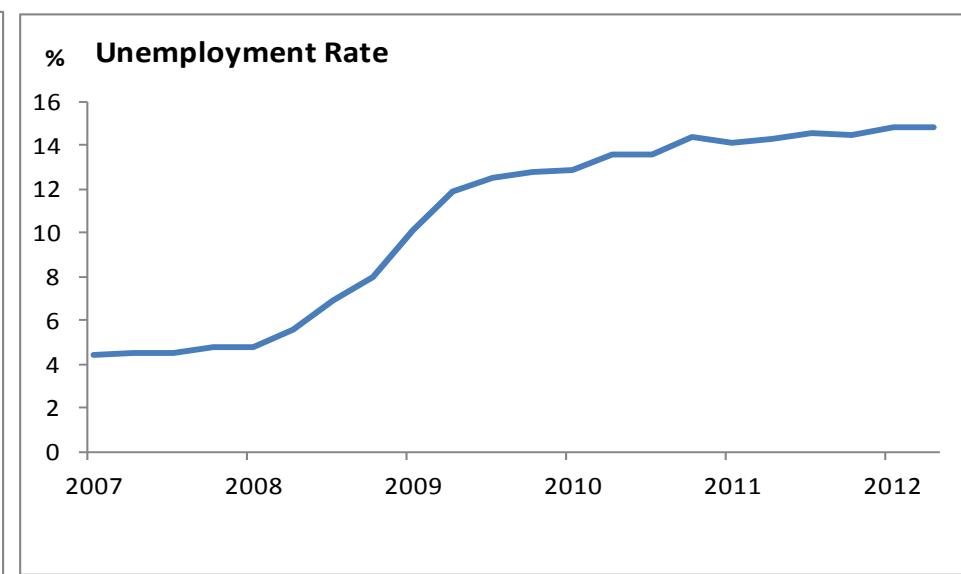
Proportion of High Risk and NPLs



Continuing tentative signs of GDP stabilisation.



Unemployment rate has remained broadly stable through 2012

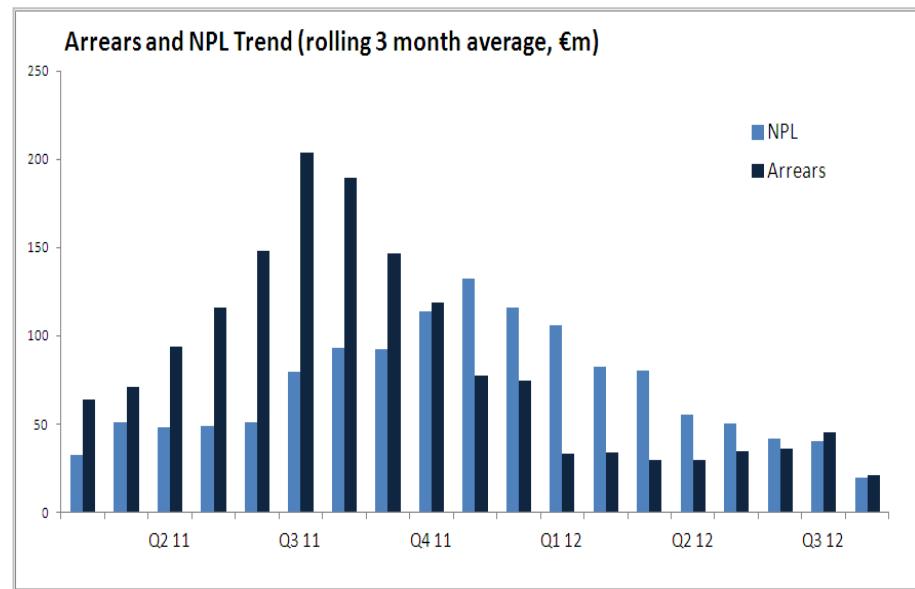


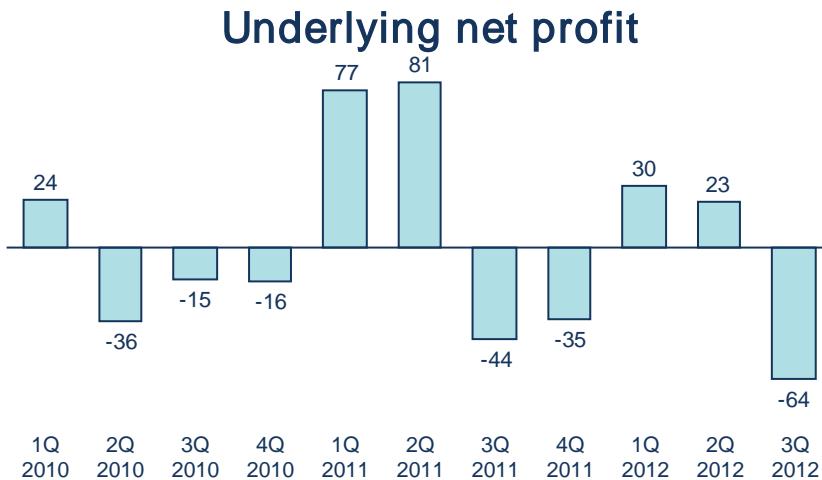
# Ireland (3) Key indicators show tentative signs of stabilisation

Residential property prices have increased in each of the last 3 months



Reduction in residential mortgage arrears & NPL growth continuing year to date in 2012





- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12, while Warta and Zagiel were deconsolidated in underlying as of 3Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the 'Group Centre' (starting in 1Q10). The Group Centre posted an underlying loss of 64m EUR
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the 'Group Centre'

## Breakdown of underlying net profit at Group Centre

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

Mainly due to an increase in loan loss provisions for KBC Finance Ireland (a limited number of project finance files)

Mainly allocation funding cost goodwill and liquidity costs regarding divestments and the result of NLB

## NPL, NPL formation and restructured loans in Russia

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%	11.2%	10.3%	7.6%	5.6%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%	-0.2%	-0.9%	-2.7%	-2.0%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%	3.2%	2.3%	2.3%	2.0%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8	4	-10	-3	-3



## Annex 2

# Other items



# Overview of divestment programme

## Finalised:

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

## Signed:

Kredyt Bank



## In preparation/work-in-progress for 2012/2013 (including)

Absolut Bank  
KBC Banka  
NLB  
Antwerp Diamond Bank  
KBC Bank Deutschland

# Summary of government transactions (1)

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

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

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



# Summary of government transactions (2)

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

	<b>Belgian State</b>	<b>Flemish Region</b>
Amount	<b>3.5bn</b>	<b>3.5bn</b>
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



# Contact information

## Investor Relations Office

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Go to [www.kbc.com](http://www.kbc.com) for the latest update