

1Q2013

KBC Group Extended Quarterly Report



www.kbc.com

via smartphone: m.kbc.com



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: $[\text{total regulatory capital}] / [\text{total weighted risks}]$.

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

(Core) Tier-1 capital ratio (Basel II): $[\text{tier-1 capital}] / [\text{total weighted risks}]$. The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian Federal and Flemish Regional governments).

Cost/income ratio (banking): $[\text{operating expenses of the banking activities of the group}] / [\text{total income of the banking activities of the group}]$.

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

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

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

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

Liquidity Coverage Ratio (LCR): $[\text{stock of high quality liquid assets}] / [\text{total net cash outflow over the next 30 calendar days}]$.

Net interest margin of the group: $[\text{net interest income of the banking activities}] / [\text{average interest-bearing assets of the banking activities}]$.

Net stable funding ratio (NSFR): $[\text{available amount of stable funding}] / [\text{required amount of stable funding}]$.

Non-performing loan ratio: $[\text{amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than 90 days in arrears or overdrawn)}] / [\text{total outstanding loan portfolio}]$

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

Return on allocated capital (ROAC) for a particular business unit: $[\text{result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital}] / [\text{average capital allocated to the business unit}]$. The result of a business unit is the sum of the result of all the companies in that business unit, adjusted for 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: $[\text{result after tax, attributable to equity holders of the parent}] / [\text{average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets}]$.

Solvency ratio, insurance: $[\text{consolidated available capital of KBC Insurance}] / [\text{minimum required solvency margin of KBC Insurance}]$.



Investor Relations contact details

Investor.relations@kbc.com – www.kbc.com/ir – m.kbc.com

KBC Group NV, Investor Relations Office, Havenlaan 2, BE 1080 Brussels, Belgium

Visit www.kbc.com

Contents

Report on 1Q2013

- Summary 5
- Overview of results according to IFRS 7
- Overview of adjusted results 8
- Selected balance sheet data 12
- Selected ratios 12
- Strategy highlights and main events 13

Analysis of 1Q2013 results per business unit

- New breakdown by business unit as of 2013 16
- Belgium Business Unit 17
- Czech Republic Business Unit 20
- International Markets Business Unit 22
- Group Centre 27

Consolidated financial statements according to IFRS

- Consolidated income statement 30
- Consolidated statement of comprehensive income (condensed) 31
- Consolidated balance sheet 32
- Consolidated statement of changes in equity 33
- Consolidated cash flow statement 34
- Notes on statement of compliance and changes in accounting policies 34
- Notes on segment reporting 35
- Other notes 38

Risk and capital management

- Credit risk 54
- Solvency 60

KBC Group Report on 1Q2013



This press release contains
information that is subject to
transparency regulations
for listed companies.
Date of release: 16 May 2013

Summary: 520 million euros profit, 15 billion euros capital, 9 million clients.

KBC ended the first three months of 2013 with a net profit of 520 million euros, compared with a net profit of 240 million euros in the previous quarter and 380 million euros a year earlier.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 359 million euros, compared with 279 million euros in the previous quarter and 501 million euros in the corresponding quarter of 2012.



Johan Thijs, Group CEO:

'KBC has started 2013 by posting a high level of profit in the first quarter. We recorded a good 520 million euros in net profit against what was a challenging economic background. At group level and excluding deconsolidated entities, we achieved a higher net interest margin, which had a positive impact on interest income, recorded strong fee and commission income, posted solid gains on financial instruments, as well as on available-for-sale assets, and recorded an excellent combined ratio and cost/income ratio.

A new management structure was introduced at the start of 2013, reflecting the group's updated strategy. Based on this, the group also reworked its financial segment reporting presentation.

In 1Q2013, the Belgium Business Unit generated a net result of 385 million euros, above the average figure of 340 million euros for the four preceding quarters. We recorded strong fee and commission income, an excellent non-life insurance combined ratio, a very low cost/income ratio and high realised gains on available-for-sale securities. Given the economic circumstances, the quarter under review was also characterised by lower net interest income, and – due to the impact of a limited number of corporate loans – a relatively high level of loan loss provisions in line with the previous quarter.

In the quarter under review, the Czech Republic Business Unit generated a net result of 132 million euros, slightly down on the average figure of 145 million euros for the four preceding quarters. The results for this quarter reflected an increase in net fee and commission income, good cost control and roughly stable loan loss impairment. Net interest income was flat, disregarding FX effects, while the net interest margin widened slightly. The combined ratio for non-life insurance went up somewhat.

In 1Q2013, the International Markets Business Unit recorded a net result of -87 million euros, down on the average of -65 million euros for the four preceding quarters. The quarter's result was impacted by the Hungarian bank tax being booked for the full year and by the high level of loan loss impairment in Ireland, where impairment charges of 300 to 400 million euros are expected to be recorded for the full year.

Yet again, we took further steps in implementing our divestment plan. Continuing on what had been announced at the end of 2012, we successfully placed our participation in Bank Zachodni WBK through a secondary offering. The proceeds from the sale of the 15 million shares offered came to 0.9 billion euros, further strengthening our already solid solvency position. We also finalised the sale of our remaining 22% stake in NLB to the Republic of Slovenia in March. KBC is now no longer a shareholder of NLB, complying with the request of the European Commission to divest from NLB. Furthermore, we reached an agreement with Société Générale and Telenor regarding the acquisition of KBC Banka in Serbia, a move which marks our exit from the Serbian banking market. These sales are among the last major milestones in implementing the strategic plan agreed with the European Commission in 2009. Consequently, we are now in a position to focus on our core activities.

We also managed to reduce the remaining CDO exposure from 15.5 billion euros at the end of 2012 to 13.9 billion euros at the end of this quarter. Even when account is taken of both the cost of reducing this CDO exposure and the fee for the guarantee scheme, the market valuation of the CDO exposure increased by some 0.2 billion euros.

The liquidity position of our group remained strong, with the LCR and NSFR being well above 100%.

Our capital position has strengthened further to a tier-1 ratio of 15.4%, or 15.7% on a pro-forma basis, when the effects of the sale of Absolut Bank and KBC Banka are included. Our common equity ratio under Basel III at the end of the quarter stood at 12.0% (fully loaded), well above our goal to maintain a target common equity ratio under Basel III (fully loaded) of 10% as of 1 January 2013. We intend to accelerate repayment of 1.17 billion euros of state aid to the Flemish Regional Government and to pay the accompanying premium of 583 million euros in the first half of 2013, subject to the customary approval of the National Bank of Belgium.

These results strengthen our belief in our business. It works to the benefit of our 9 million clients, our 37 000 employees, our shareholders and other stakeholders. We truly appreciate and are grateful for all the trust that has been placed in us.'

Impact of the legacy business and valuation of own credit risk:

In order to give a good insight in the ongoing business performance, KBC also provides adjusted figures that exclude a) the impact of the legacy business, i.e. the valuation of the remaining CDOs in portfolio (including fees for the related guarantee agreement with the Belgian State) and the impact of divestments and b) the impact of the valuation of own credit risk. For the quarter under review, these items had the following impact:

- CDOs: During the first quarter, corporate and ABS credit spreads tightened further, as had been the case during the fourth quarter of 2012. When the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government and the cost of reducing the CDO exposure are taken into account, there was a positive post-tax impact of some 165 million euros.
- Remaining divestments: The successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain. In contrast, the sale of KBC Banka, as well as closing the sale of NLB, led to a capital loss. The combined effect amounted to a positive 22 million euros (post tax).
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between year-end 2012 and the end of the first quarter resulted in a negative marked-to-market adjustment of 26 million euros (post tax).

Financial highlights for 1Q2013 compared to 4Q2012:

- High level of group profit thanks to strong commercial franchise and positive CDO valuation.
- Return on Equity based on adjusted results of 13%.
- Net interest margin up and net interest income stable.
- Growth in deposit volumes in our core markets, stable loan portfolio.
- Excellent combined ratio at 87% year-to-date, with low claims ratio.
- Strong level of net fee and commission income, up by 14% (on a like-for-like basis).
- Underlying cost/income ratio at 51% year-to-date.
- Credit cost ratio at a rather high 0.80% year-to-date. Ireland's ratio down to 2.47%.
- Consistently strong liquidity position, with LCR at 133% and NSFR at 106%.
- Solvency: strong capital base: *pro forma* tier-1 ratio – including the effect of divestments which have been signed, but are not yet closed – at 15.7% (with a core tier-1 ratio of 13.5%). Basel III common equity ratio (fully loaded) at 12.0%, well above the 10% target.

Overview KBC Group (consolidated)	1Q2012	4Q2012	1Q2013
Net result, IFRS (in millions of EUR)	380	240	520
Basic earnings per share, IFRS (in EUR) ¹	0.71	-0.97	1.25
Adjusted net result (in millions of EUR)	501	279	359
Basic earnings per share, based on adjusted net result (in EUR) ¹	1.19	-0.92	0.86
Breakdown per business unit (in millions of EUR) ²			
Belgium	486	295	385
Czech Republic	158	114	132
International Markets	-163	-18	-87
Group Centre	19	-113	-71
Parent shareholders' equity per share (in EUR, end of period)	32.2	29.0	30.0

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

² A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report). The 2012 reference figures have been restated in order to reflect this new breakdown.

Overview of results according to IFRS

A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated financial statements' section of the quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity, and cash flow, as well as several notes to the accounts, are also available in the same section.

In order to provide a good insight into the ongoing business performance, KBC also publishes an overview of adjusted results, where the impact of legacy activities (divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines at the bottom of the presentation (see next section).

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Net interest income	1 261	1 190	1 097	1 121	1 068	-	-	-
Interest income	2 695	2 563	2 493	2 382	2 193	-	-	-
Interest expense	-1 434	-1 374	-1 396	-1 261	-1 125	-	-	-
Earned premiums, insurance (before reinsurance)	884	890	578	623	577	-	-	-
Technical charges, insurance (before reinsurance)	-752	-757	-499	-584	-487	-	-	-
Ceded reinsurance result	-14	-1	-12	13	-12	-	-	-
Dividend income	6	21	13	5	5	-	-	-
Net result from financial instruments at fair value through profit or loss	60	43	275	42	314	-	-	-
Net realised result from available-for-sale assets	32	9	56	85	142	-	-	-
Net fee and commission income	304	309	343	360	393	-	-	-
Fee and commission income	492	479	494	541	641	-	-	-
Fee and commission expense	-188	-170	-151	-181	-248	-	-	-
Other net income	73	368	106	187	76	-	-	-
Total income	1 853	2 072	1 954	1 854	2 076	-	-	-
Operating expenses	-1 132	-1 033	-1 003	-1 081	-1 039	-	-	-
Impairment	-273	-1 473	-302	-463	-352	-	-	-
on loans and receivables	-261	-198	-283	-330	-295	-	-	-
on available-for-sale assets	-5	-75	-4	-11	-13	-	-	-
on goodwill	0	-414	0	-8	-7	-	-	-
on other	-7	-786	-15	-114	-37	-	-	-
Share in results of associated companies	-9	17	-6	1	0	-	-	-
Result before tax	439	-417	644	310	684	-	-	-
Income tax expense	-93	-110	-103	-56	-160	-	-	-
Net post-tax result from discontinued operations	40	-8	0	-6	0	-	-	-
Result after tax	387	-535	540	249	524	-	-	-
attributable to minority interests	7	5	9	9	4	-	-	-
attributable to equity holders of the parent	380	-539	531	240	520	-	-	-
Basic earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	-	-	-
Diluted earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	-	-	-

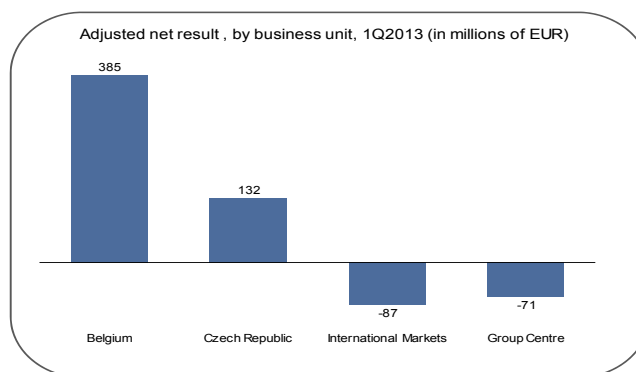
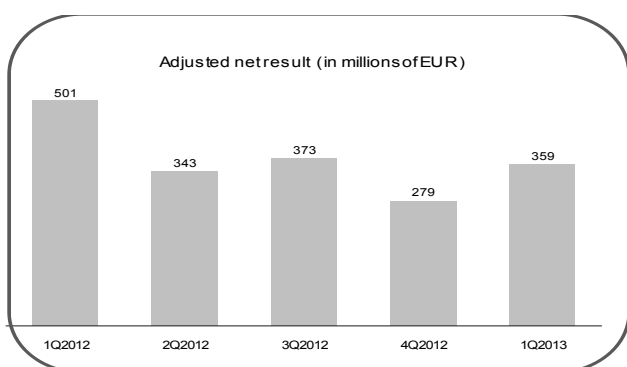
Overview of adjusted results

In addition to the figures according to IFRS (previous section), KBC provides figures aimed at giving more insight into the ongoing business performance. Hence, in the overview below, the impact of legacy activities (remaining divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines at the bottom of the presentation (in segment reporting, these items are all included in the Group Centre). Moreover, a different accounting treatment for capital-market income was applied to the Belgium Business Unit (all trading results shifted to 'Net results from financial instruments at fair value').

A full explanation of the differences between the IFRS and adjusted figures is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report.

Consolidated income statement, KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013
Adjusted net result (i.e. excluding legacy business and own credit risk)								
Net interest income	1 217	1 153	1 078	1 084	1 032	-	-	-
Earned premiums, insurance (before reinsurance)	884	890	578	623	577	-	-	-
Technical charges, insurance (before reinsurance)	-752	-757	-499	-584	-487	-	-	-
Ceded reinsurance result	-14	-1	-12	13	-12	-	-	-
Dividend income	5	22	10	5	4	-	-	-
Net result from financial instruments at fair value through profit or loss	353	58	223	156	218	-	-	-
Net realised result from available-for-sale assets	31	9	55	85	96	-	-	-
Net fee and commission income	312	309	345	359	385	-	-	-
Other net income	22	60	80	89	76	-	-	-
Total income	2 057	1 743	1 857	1 831	1 890	-	-	-
Operating expenses	-1 110	-1 016	-990	-1 068	-1 029	-	-	-
Impairment	-271	-241	-305	-378	-335	-	-	-
on loans and receivables	-261	-198	-283	-329	-295	-	-	-
on available-for-sale assets	-5	-24	-4	-4	-13	-	-	-
on goodwill	0	0	0	0	-7	-	-	-
on other	-5	-18	-18	-45	-20	-	-	-
Share in results of associated companies	-9	-9	-13	1	0	-	-	-
Result before tax	667	477	549	385	526	-	-	-
Income tax expense	-159	-129	-167	-98	-163	-	-	-
Result after tax	508	348	382	287	363	-	-	-
attributable to minority interests	7	5	9	9	4	-	-	-
attributable to equity holders of the parent	501	343	373	279	359	-	-	-
Belgium	486	244	335	295	385	-	-	-
Czech Republic	158	159	149	114	132	-	-	-
International Markets	-163	-41	-38	-18	-87	-	-	-
Group Centre	19	-19	-72	-113	-71	-	-	-
Basic earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	-	-	-
Diluted earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	-	-	-
Legacy business and own credit risk impact (after tax)								
Legacy – gains/losses on CDOs	138	-39	280	46	165	-	-	-
Legacy – divestments	81	-884	23	3	22	-	-	-
MTM of own credit risk	-340	41	-144	-87	-26	-	-	-
Net result (IFRS)								
Result after tax, attributable to equity holders of the parent: IFRS	380	-539	531	240	520	-	-	-

Analysis of the quarter under review



The net result for the quarter under review amounted to 520 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result amounted to 359 million euros, compared with 279 million euros in 4Q2012 and 501 million euros in 1Q2012.

Total income (adjusted net result)

- Net interest income stood at 1 032 million euros, down 5% quarter-on-quarter and 15% year-on-year. The quarter-on-quarter comparison was impacted partly by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was affected in part by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Disregarding these items, net interest income fell by just 1% quarter-on-quarter and 10% year-on-year. This was due primarily to the lower income generated by asset and liability management (lower reinvestment yields), while commercial margins remained healthy. The net interest margin came to 1.72% for the quarter under review, 1 basis point higher than in the previous quarter, but 15 basis points lower than the high level of a year earlier. In the Belgium Business Unit, deposit and loan volumes were up quarter-on-quarter and year-on-year (loans: +1% year-on-year and +0.3% quarter-on-quarter; deposits: +10% year-on-year and 5% quarter-on-quarter). The loan book in the Czech Republic increased by 9% year-on-year and by 0.3% quarter-on-quarter, while deposits rose by 2% year-on-year and declined 1% quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined 6% year-on-year (due to Ireland and Hungary) and 1% quarter-on-quarter, while the deposit base grew by 18% year-on-year (driven by Ireland and Slovakia) and by 4% quarter-on-quarter.
- Both the life and non-life insurance businesses recorded good net results during the quarter under review. In total, gross earned premiums less gross technical charges and the ceded reinsurance result came to 78 million euros, up 50% quarter-on-quarter, but down 34% year-on-year. However, when account is taken of the deconsolidation of Warta, this result was 42% higher than the year-earlier figure.

The non-life segment was characterised by a slightly lower level of premiums and a significantly lower level of technical charges compared with 4Q 2012, resulting in an excellent combined ratio of 87%.

In the life segment, and on a comparable basis, sales of life insurance products (including unit linked products not included in premium income figures) declined by 54% on their level in 4Q2012, which had benefited from a very successful savings campaign. Year-on-year, these sales have fallen by as much as 52%, triggered by a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013.

It should be noted that the insurance results were also impacted by lower investment income, but benefited from strict control of general administrative expenses.

- The net result from financial instruments at fair value amounted to 218 million euros in the quarter under review, higher than the 197-million-euro average for the last four quarters. This figure is usually defined by dealing-room income, but this quarter has been influenced primarily by a positive result of 85 million euros on the marked-to-market valuations in respect of the derivative instruments used in asset and liability management.
- Net realised gains from available-for-sale assets stood at 96 million euros for the quarter under review, well above the 45-million-euro average for the last four quarters. In 1Q2013, this item benefited from gains on the sale of Belgian government bonds.

- Net fee and commission income amounted to 385 million euros, up 7% quarter-on-quarter and 23% year-on-year. The quarter-on-quarter comparison was impacted in part by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was impacted partially by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Disregarding these items, income was up 14% quarter-on-quarter and 18% year-on-year. The main drivers for this increase were entry and management fees on mutual funds, as well as income from unit-linked life insurance products. Assets under management stood at 156 billion euros, up 1% on the quarter-earlier figure because of a positive price effect.
- Other net income came to 76 million euros.

Operating expenses (adjusted net result)

- Operating expenses came to 1 029 million euros in 1Q2013, down 4% on their level in the previous quarter and down 7% on their year-earlier level. The quarter-on-quarter comparison was impacted in part by the deconsolidation of Kredyt Bank, NLB and by certain other sales, while the year-on-year performance was impacted partly by the deconsolidation of the aforementioned entities plus Warta and Żagiel. Excluding deconsolidated companies, costs increased by 2% compared with the previous quarter, which was chiefly attributable to the bank tax being charged for the full year in Hungary, as well as to the financial transaction levy there. Year-on-year and excluding deconsolidated companies, costs were also 2% higher. The year-to-date cost/income ratio came to 51%, a clear indication that costs remain well under control. However, it was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used in asset and liability management and by net realised gains from available-for-sale assets.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 295 million euros in 1Q2013, down on the 329 million euros recorded in the previous quarter, but up on the 261 million euros recorded a year earlier. The figure for 1Q2013 included loan loss impairment of 99 million euros recorded at KBC Bank Ireland (as opposed to 87 million euros in the previous quarter and 195 million euros in the year-earlier quarter), as well as a relatively high 138 million euros in the Belgium Business Unit. The annualised credit cost ratio stood at 0.80% year-to-date. This breaks down into a high 0.62% for the Belgian Business Unit (compared to 0.28% for FY2012), 0.42% in Czech Republic Business Unit (up from 0.31% for FY2012) and 1.78% for the International Markets Business Unit (down from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 13 million euros and other impairment charges amounted to 27 million euros in the quarter under review.

Impact of the legacy business and own credit risk on the result:

- CDOs: During the first quarter, corporate and ABS credit spreads tightened further, as had been the case during the fourth quarter of 2012. When the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government and the cost of reducing the CDO exposure are taken into account, there was a positive post-tax impact of some 165 million euros.
- Remaining divestments: The successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain. In contrast, the sale of KBC Banka, as well as closing the sale of NLB, led to a capital loss. The combined effect amounted to a positive 22 million euros (post tax).
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between year-end 2012 and the end of the first quarter 2013 resulted in a negative marked-to-market adjustment of 26 million euros (post tax).

Breakdown per business unit

- In 1Q2013, the Belgium Business Unit generated a net result of 385 million, above the average of 340 million for the four preceding quarters. The quarter under review was characterised by lower net interest income, strong fee and commission income, an excellent non-life insurance combined ratio and lower sales of life insurance. Other features included the relatively high level of realised gains on available-for-sale securities, an excellent cost/income ratio and relatively high loan loss provisioning.
- In the quarter under review, the Czech Republic Business Unit posted an underlying net result of 132 million euros, slightly down on the average figure of 145 million euros for the four preceding quarters. The quarter under review was characterised by stable net interest income, good net fee and commission income, higher non-life claims and lower life insurance sales, lower trading results, capital gains from the sale of mortgage bonds, good cost control and a roughly stable level of loan loss impairment.
- In the quarter under review, the International Markets Business Unit generated a net result of -87 million, down on the average of -65 million euros for the four preceding quarters. The net result breaks down as follows: 17 million euros for Slovakia, -19 million euros for Hungary (where the special bank tax for full-year 2013 was booked in this quarter), -9 million euros for Bulgaria (negatively impacted by an impairment on a bond), and -77 million euros for Ireland (still affected by high loan loss provisioning).
- The Group Centre recorded a net result of 90 million euros in 1Q2013. This performance includes the impact of the legacy business and own credit risk (a combined 161 million euros in 1Q2013). Excluding these items, the Group Centre's adjusted net result was -71 million euros.

Equity and solvency

- The group's tier-1 ratio (under Basel II) stood at a strong 15.4% at 31 March 2013 (core tier-1 ratio of 13.2%). Including the effect of the sale of Absolut Bank and KBC Banka, the *pro forma* tier-1 ratio was as high as 15.7% (core tier-1 ratio of 13.5%).
- The solvency ratio for KBC Insurance stood at an excellent 326% at 31 March 2013, up from an already very high 322% at the end of the previous quarter.
- The common equity ratio under the current Basel III framework came to 12.0% (fully loaded, but including the aid from the Flemish Region) at the end of the first quarter of 2013, well above the targeted common equity ratio of 10% under Basel III (fully loaded).

Liquidity

- The group's liquidity remains excellent, as reflected in the LCR ratio of 133% at 31 March 2013, as well as in the NSFR ratio of 106% at the end of the quarter.

Selected balance sheet data

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-03- 2012	30-06- 2012	30-09- 2012	31-12- 2012	31-03- 2013	30-06- 2013	30-09- 2013	31-12- 2013
Total assets	290 635	285 848	270 010	256 928*	258 567	-	-	-
Loans and advances to customers*	135 980	133 326	131 048	128 492	129 753	-	-	-
Securities (equity and debt instruments)*	65 853	64 227	65 171	67 295	65 071	-	-	-
Deposits from customers and debt certificates*	166 551	163 685	160 945	159 632	167 994	-	-	-
Technical provisions, before reinsurance*	19 925	19 539	19 637	19 205	18 836	-	-	-
Liabilities under investment contracts, insurance*	7 871	8 856	9 680	10 853	11 664	-	-	-
Parent shareholders' equity	10 949	9 687	10 629	12 017*	12 505	-	-	-
Non-voting core-capital securities	6 500	6 500	6 500	3 500	3 500	-	-	-

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

° Restated based on IAS19 revision as of 1 January 2013.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2012	1Q2013
Profitability and efficiency (based on adjusted net result)		
Return on equity ¹	9%	13%
Cost/income ratio, banking	57%	51%
Combined ratio, non-life insurance	95%	87%
Solvency		
Tier-1 ratio (Basel II)	13.8%	15.4%
Core tier-1 ratio (Basel II)	11.7%	13.2%
Common equity ratio (Basel III, fully loaded, including remaining state aid)	10.8%	12.0%
Credit risk		
Credit cost ratio	0.71%	0.80%
Non-performing ratio	5.3%	5.4%

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

Strategy highlights and main events

Strategy and business highlights

- KBC's core strategy remains focused on bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. In line with its strategic plan, the group has almost completed the sale or run-down of a number of (non-core) activities (see below).
- Last steps in the divestment programme:
 - On 11 March 2013, KBC Group finalised the transaction announced on 28 December 2012, whereby KBC sold its remaining 22% stake in NLB to the Republic of Slovenia for a total consideration of 3 million euros. KBC is now no longer a shareholder of NLB, complying with the request of the European Commission to divest from NLB.
 - On 22 March 2013, KBC Bank NV successfully placed its 16.2% participation in Bank Zachodni WBK through a secondary offering. The bookbuilding process started on 18 March and was reserved for eligible institutional investors. The sale of the 15 125 964 shares offered (constituting 16.17% of BZ WBK current shares outstanding) at the final offer price of 245 zlotys per one offer share generated 3.71 billion zlotys (0.9 billion euros) for KBC and strengthened its already solid solvency position by 0.6%.
 - On 26 April 2013, KBC reached an agreement with Soci t  G n rale Srbija and Telenor Serbia regarding the acquisition of KBC Banka, KBC's banking entity in Serbia. Under the agreement, Telenor will purchase 100% of KBC Banka's shares, while Soci t  G n rale Srbija will acquire KBC Banka's key assets and deposits. All the parties involved agreed not to disclose any financial details of the transaction. For KBC, however, the transaction will have an impact on earnings of an estimated -47 million euros (-17m euros of which recorded in 1Q2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. This deal is still subject to regulatory approval. When finalised, the agreement will mark KBC's exit from the Serbian banking market.
 - On 26 April 2013, KBC Securities Poland announced that it would be refocusing its local business lines and decided to concentrate on its Securities Services offering.
 - KBC signed an agreement at the end of 2012 to sell its Russian banking subsidiary, Absolut Bank, to a group of Russian companies that manage the assets of Blagosostoyanie. This transaction is still subject to regulatory approval, which is expected to be received in the second quarter of 2013.
 - KBC is still in discussions with a number of interested parties as regards two of its remaining divestment files, i.e. Antwerp Diamond Bank (Belgium) and KBC Bank Deutschland (Germany). It is also maintaining an open and constructive dialogue with the European Commission about these files.
- Other business developments:
 - At the beginning of October, KBC announced its updated strategy for the group for 2013 and beyond. With effect on 1 January 2013, it restructured its organisation to better reflect this updated strategy.
 - In the first quarter of 2013, KBC Group NV repaid its three-year Long Term Refinancing Operation to the European Central Bank for an amount totalling 8.3 billion euros. KBC boasts a strong retail and corporate deposit base in its core markets and its wholesale funding needs for 2013 are well advanced.
 - On 18 January 2013, KBC successfully placed 1 billion US dollars' worth of tier-2 contingent capital notes. The issue met with strong demand and was more than eight times oversubscribed.
 - On 7 February, Euromoney named KBC Private Banking as 'the best private banker in Belgium' in its 2013 awards. KBC Private Banking was also named 'a highly commended private banker' for 2012 by the Financial Times/The Banker.
- Developments on the Corporate Social Responsibility front:
 - On 2 April 2013, KBC published its ninth CSR Report.
 - On 16 April 2013, the second Report to Society was published. To mark its publication, KBC invited several Belgian stakeholders, including NGOs, politicians and academics, to a stakeholder meeting.
 - On 31 January 2013, KBC Belgium became the first financial institution in Belgium to gain EMAS certification for its support services. EMAS is the European Commission's voluntary eco-management and audit scheme to help companies continually improve their environmental performance.
 - For the second year running, KBC Bank Ireland was again recognised as having the best reputation of any bank in Ireland according to the annual RepTrak study.
 - For the tenth time, K&H has organised a new tender round from 27 March until 31 May 2013 for its MediMagic programme. The institutions involved may apply for a share of the competition fund for paediatric and rescue equipment.

- In March 2013, ČSOB Czech Republic launched an internal campaign supporting the employment of people with a physical handicap. The aim was to follow up its long-term co-operation with and support for non-profit organisations that work with people with different handicaps.
- For the sixth time, ČSOB Slovakia was the proud general partner of the Bratislava Marathon and made a donation to a number of children's hospitals via the ČSOB Foundation.
- CIBANK, together with DZI, traditionally support projects in the Sofia Municipality for the improvement of the urban environment and the renewal of green areas.
- 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.
 - The EMU economy remains in recession. After increasing for four consecutive months, German business confidence fell in March and April. In the meantime, confidence indicators in peripheral EMU countries have been bottoming out at a low level. Against this background, the ECB cut its key rate further to 0.5% and is exploring ways to facilitate the provision of credit to the real economy. The current economic weakness has also been felt in the US. The underlying positive dynamics of US job creation, however, is continuing. Moreover, real GDP growth in the first quarter of 2013 was driven by strong growth of final domestic demand, in particular private consumption. Meanwhile, the financial environment remains favourable. In the EMU, this has largely been due to the presence of the OMT programme of the ECB, which eliminated the risk of an EMU break-up. As a consequence, political events such as the Cyprus crisis had virtually no effect on intra-EMU sovereign spreads. On the contrary, recent data suggest that the fragmentation of EMU financial markets is being reversed. This has been reflected in more convergence of the credit rates charged in different EMU economies.

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

KBC Group Analysis of 1Q2013 results by business unit



Unless otherwise specified,
all amounts are given in euros

New breakdown by business unit as of 2013

New business unit structure since 1 January 2013

A new management structure was introduced at the start of 2013, reflecting the group's updated strategy. More information on this is available in the press release ('KBC 2013 and beyond') and presentation of 8 October 2012, and in the 2012 annual report, which are all available on www.kbc.com.

Based on this new management structure, the group also reworked its financial segment reporting presentation.

Up until the end of 2012, the segments consisted of the Belgium Business Unit (retail bancassurance), the Central & Eastern Europe Business Unit (Czech Republic, Hungary, Slovakia, Bulgaria), the Merchant Banking Business Unit (corporate banking and market activities in Belgium and abroad, plus KBC Bank Ireland) and the Group Centre (results of the holding company, certain items that were not allocated to the business units, and the results of companies to be divested).

In the new reporting presentation, the segments¹ are essentially:

- the Belgium Business Unit (all activities in Belgium)
- the Czech Republic Business Unit (all activities in the Czech Republic)
- the International Markets Business Unit (activities in Ireland, Hungary, Slovakia, Bulgaria)
- the Group Centre (results of the holding company, certain items that are not allocated to the business units, results of companies to be divested, and the *legacy and own credit risk* impact (see below)).

A more detailed definition is provided in the sections per business unit below.

The main differences between the former and new business units are:

- The former Belgium Business Unit has been extended to include the Belgian merchant banking activities (corporate banking and market activities), including KBC Bank's foreign branches (previously part of the Merchant Banking Business Unit).
- The former Central & Eastern Europe Business Unit has been split up into a separate Czech Republic Business Unit, reflecting the importance of that country within the group's operations, while the operations in the other core countries – Hungary, Slovakia and Bulgaria – have been grouped under the International Markets Business Unit.
- KBC Bank Ireland, which belonged to the former Merchant Banking Business Unit, has now been incorporated into the International Markets Business Unit.

Introduction of the 'adjusted' net result

(i.e. net result excluding the impact of legacy CDO and divestment activities and of own credit risk)

In the previous reporting framework, the IFRS profit and loss account was supplemented by a so-called underlying profit and loss account (excluding non-operational and exceptional items). This is not the case anymore. However, in addition to the figures according to IFRS, KBC will still provide figures aimed at giving more insight into the ongoing business performance.

This means that, over and above the IFRS profit and loss account, an *adjusted* profit and loss account will be provided in which a limited number of non-operational items is excluded from P/L and summarised in three lines at the bottom of the reporting presentation². Segment reporting is based on this reworked presentation.

The items in question are:

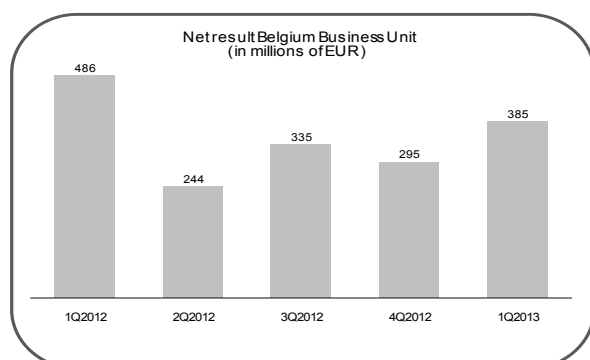
- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to own credit risk.

In the segment reporting presentation, these items are all assigned to the Group Centre (hence, for the other business units, there is no additional 'adjusted' net result total).

¹ The management structure of the group also includes an International Product Factories Business Unit. The results of the activities of this business unit are included in the results of the other business units based on geography. Consequently, this business unit is not presented separately when the results are reported by segment.

² The former 'underlying' figures also excluded changes in the fair value of certain ALM hedging instruments; these are now included in the business units' results. Moreover, trading results, which are included in various line items in the IFRS presentation, are still being moved to 'Net results from financial instruments at fair value'. Whereas this was performed for every business unit in the former reporting presentation, it is now limited to KBC Bank Belgium (Belgium Business Unit), due to materiality.

Analysis of the results – Belgium Business Unit



The Belgium Business unit includes the activities of KBC Bank NV and KBC Insurance NV, as well as their Belgian subsidiaries (CBC Banque, KBC Asset Management, KBC Lease Group, KBC Securities, KBC Group Re, etc.). Results related to legacy businesses and the valuation of own credit risk have been moved to the Group Centre.

Income statement, Belgium Business Unit, (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	724	671	639	688	658	-	-	-
Earned premiums, insurance (before reinsurance)	490	411	394	469	429	-	-	-
Technical charges, insurance (before reinsurance)	-468	-393	-356	-477	-381	-	-	-
Ceded reinsurance result	-8	-6	-12	15	-10	-	-	-
Dividend income	5	21	9	5	4	-	-	-
Net result from financial instruments at fair value through profit or loss	278	1	134	94	135	-	-	-
Net realised result from available-for-sale assets	40	-8	44	42	85	-	-	-
Net fee and commission income	222	238	234	253	291	-	-	-
Other net income	-14	42	39	39	66	-	-	-
Total income	1 269	976	1 126	1 128	1 278	-	-	-
Operating expenses	-568	-536	-535	-557	-575	-	-	-
Impairment	-6	-79	-84	-159	-140	-	-	-
on loans and receivables	-1	-41	-66	-139	-138	-	-	-
on available-for-sale assets	-4	-24	-4	-4	-2	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	-1	-14	-14	-16	1	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	695	361	508	413	562	-	-	-
Income tax expense	-209	-118	-174	-119	-176	-	-	-
Result after tax	486	243	334	294	386	-	-	-
attributable to minority interests	0	-1	-1	-1	1	-	-	-
attributable to equity holders of the parent	486	244	335	295	385	-	-	-
Banking	360	171	219	239	300	-	-	-
Insurance	126	73	116	57	85	-	-	-
Risk-weighted assets, group (end of period, Basel II)	60 087	56 501	53 757	52 884	51 486	-	-	-
of which banking	49 166	45 747	43 056	42 175	41 002	-	-	-
Allocated capital (end of period)	6 446	6 080	5 804	5 717	5 568	-	-	-
Return on allocated capital (ROAC)	31%	16%	23%	20%	28%	-	-	-
Cost/income ratio, banking	48%	59%	51%	50%	46%	-	-	-
Combined ratio, non-life insurance	81%	91%	88%	122%	85%	-	-	-
Net interest margin, banking	1.43%	1.28%	1.15%	1.16%	1.17%	-	-	-

Note that in the IFRS accounts, income related to trading activities is split across different components. In the figures for the Belgium Business Unit, all trading income components related to KBC Bank Belgium have been recognised under 'Net result from financial instruments at fair value'. Note that this shift does not apply to the other business units for reasons of materiality.

In 1Q2013, the Belgium Business Unit generated a net result of 385 million, above the average figure of 340 million for the four preceding quarters. The quarter under review was characterised by lower net interest income but a stable net interest margin, strong fee and commission income, an excellent non-life insurance combined ratio, lower sales of life insurance, a relatively high level of realised gains on available-for-sale securities, a favourable cost/income ratio and above-average loan loss provisioning. The banking activities accounted for 78% of the net result in the quarter under review, and insurance activities for 22%.

We are delighted to have received the 2013 award for 'the best private banker in Belgium' from Euromoney. KBC Private Banking was also named 'a highly commended private banker' for 2012 by the Financial Times/The Banker.

Net interest margin flat quarter-on-quarter, deposit volumes continue to increase

Net interest income stood at 658 million in the quarter under review, down 4% on the previous quarter and 9% year-on-year. Generally speaking, the decline in net interest income has been caused by lower reinvestment yields (reduced GIIPS exposure, declining interest rates in general, among other factors) and fewer days in the first quarter, though it has been offset to a certain extent by the rate cuts on savings accounts and sound commercial margins on the new production of loans. On the whole, the net interest margin of KBC Bank in Belgium remained more or less flat quarter-on-quarter (even a slight increase) but fell by some 25 basis points year-on-year to 117 basis points in 1Q2013. The loan book ('loans and advances to customers, excluding reverse repos') of the Belgium Business unit amounted to 84 billion at the end of March 2013, a slight increase of 0.3% quarter-on-quarter and 0.6% year-on-year. Deposits ('deposits from customers and debt certificates, excluding repos') stood at 100 billion at the end of March 2013, up a good 5% quarter-on-quarter and 10% year-on-year.

Excellent non-life combined ratio; decrease in life insurance sales compared to strong reference quarters

Earned insurance premiums in the quarter under review amounted to 429 million (195 million for life insurance and 234 million for non-life insurance).

Non-life premium income fell by 1% quarter-on-quarter and rose by 4% year-on-year, with increases in, *inter alia*, the Fire and Other Damage to Property classes. Technical charges were significantly lower than in the previous quarter, which had been negatively impacted by relatively high claims and some technical elements (new indicative tables for bodily injury claims, among other things). As a result, the non-life combined ratio in the quarter under review stood at an excellent 85%, a significant improvement on the 95% registered for FY2012.

Life sales (gross written premiums, including unit-linked products (which are not included in the premium figures under IFRS)), amounted to 485 million in 1Q2013, down on the strong 1 143 million and 915 million recorded in the previous and year-earlier quarters. Both reference quarters had benefited from successful saving campaigns, and 4Q2012 had additionally benefited from the anticipated increase in the insurance tax as of 1 January 2013 and the traditionally high contributions to pension savings in the last quarter of the year. Although the drop in life sales was primarily related to unit-linked products, these products still accounted for almost 60% of life insurance sales in 1Q2013, the remainder being accounted for by guaranteed-rate products. At the end of March 2013, the life reserves of this business unit (including the liabilities under unit-linked contracts) amounted to 25.2 billion.

Strong increase in fee and commission income in the quarter under review

Total net fee and commission income amounted to a very satisfactory 291 million in the quarter under review, significantly up on the previous quarter (+15%) and on the year-earlier quarter (+31%). The increase was due to higher fee income from mutual funds (entry and management fees), as well as to increased fees related to switches between unit-linked life insurance products (the margin on those products is included in net fee and commission income). Assets under management in this business unit stood at 148.5 billion at the end of March 2013, slightly up (1%) on the level recorded three months ago and up 3% on their year-earlier level (both on a comparable basis).

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 135 million in the quarter under review, somewhat above the 127 million average for the four preceding quarters. The figure for 1Q2013 includes a positive 55 million related to the MTM of ALM derivatives, and a lower dealing room result compared with the strong performance in 2012. Dividend income stood at 4 million (traditionally low in the first quarter, as the bulk of dividends is received in the second quarter of the year). The realised result from available-for-sale assets amounted to a relatively high 85 million, well above the average figure of 30 million for the last four quarters, thanks mainly to gains realised on the sale of Belgian government bonds and to a lesser extent to gains on the sale of shares. Other net income came to 66 million in 1Q2013, up on the 27 million average for the four preceding quarters. Whereas the current quarter included a gain on the sale

of a building, the reference quarters had been impacted by a number of negative items, such as charges for the 5-5-5 product and in relation to litigations.

Costs under control

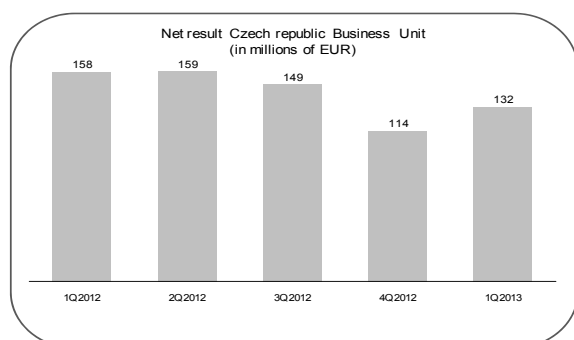
The operating expenses of the Belgium Business Unit totalled 575 million in the quarter under review, up 3% on the previous quarter and 1% on the year-earlier quarter, due to a number of factors including higher ICT expenses, higher post-employment benefits in 1Q2013, and – quarter-on-quarter – somewhat offset by lower marketing expenses. The cost/income ratio in the quarter under review amounted to 46%, an improvement of 5 percentage points on the 51% recorded for FY2012.

Impairment above average

Impairment on loans and receivables (loan loss provisions) amounted to 138 million in 1Q2013, well above the 62 million average for the four preceding quarters. The 138 million figure for 1Q2013 related mainly to a few corporate files. Consequently, the overall credit cost ratio for 1Q2013 stood at 62 basis points (note: only 14 basis points for the retail/SME segment), up on the favourable 28 basis points recorded in FY2012. At the end of 1Q2013, some 2.3% of the Belgian loan book was non-performing, in line with the figure recorded three months earlier.

Other impairment charges amounted to a mere 1 million in the quarter under review and related predominantly to shares.

Analysis of the results – Czech Republic Business Unit



The Czech Republic Business Unit includes all of KBC's activities in the Czech Republic. This encompasses the ČSOB group (operating mainly under the brands ČSOB, Era, Postal Savings Bank, Hypoteční banka and CMSS), the insurance company ČSOB Pojišťovna, ČSOB Asset Management and Patria Finance.

Income statement, Czech Republic Business Unit, (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	261	258	260	249	244	-	-	-
Earned premiums, insurance (before reinsurance)	111	201	129	97	89	-	-	-
Technical charges, insurance (before reinsurance)	-86	-173	-105	-70	-67	-	-	-
Ceded reinsurance result	-1	-2	0	-2	-1	-	-	-
Dividend income	0	0	1	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	33	24	22	17	16	-	-	-
Net realised result from available-for-sale assets	-11	7	5	4	7	-	-	-
Net fee and commission income	49	42	47	41	51	-	-	-
Other net income	10	6	0	13	3	-	-	-
Total income	365	364	359	349	343	-	-	-
Operating expenses	-164	-164	-165	-196	-164	-	-	-
Impairment	-13	-14	-19	-23	-22	-	-	-
on loans and receivables	-13	-12	-17	-21	-22	-	-	-
on available-for-sale assets	0	0	0	-1	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	0	-2	-2	-2	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	188	186	175	129	156	-	-	-
Income tax expense	-30	-27	-25	-15	-24	-	-	-
Result after tax	158	159	149	114	132	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	158	159	149	114	132	-	-	-
Banking	154	154	144	106	128	-	-	-
Insurance	5	6	6	9	5	-	-	-
Risk-weighted assets, group (end of period, Basel II)	15 676	16 020	15 218	14 283	13 077	-	-	-
of which banking	14 795	15 141	14 316	13 371	12 176	-	-	-
Allocated capital (end of period)	1 603	1 637	1 558	1 465	1 344	-	-	-
Return on allocated capital (ROAC)	37%	36%	34%	26%	33%	-	-	-
Cost/income ratio, banking	44%	44%	45%	57%	47%	-	-	-
Combined ratio, non-life insurance	91%	94%	99%	95%	99%	-	-	-
Net interest margin, banking	3.36%	3.26%	3.19%	3.03%	3.07%	-	-	-

In the quarter under review, the Czech Republic Business Unit generated a net result of 132 million, slightly down on the average figure of 145 million for the four preceding quarters. The quarter under review was characterised by stable net interest income, good net fee and commission income, higher non-life claims and lower life insurance sales, capital gains from the sale of mortgage bonds, lower costs and a roughly stable level of loan loss impairment.

Net interest income flat quarter-on-quarter

Net interest income generated in this business unit amounted to 244 million in the quarter under review. Excluding the exchange rate impact (the Czech koruna depreciated by 2% both quarter-on-quarter and year-on-year), it remained flat compared to 4Q2012 and was down 5% compared to 1Q2012, which was largely related to lower reinvestment yields in general. The overall net interest margin of the ČSOB group in the Czech Republic amounted to 3.07% in the quarter under review, down 29 basis points year-on-year, but slightly up (4 basis points) on the previous quarter. The latter reflects the cut in interest rates on savings deposits in January and a technical effect. Disregarding the FX effect, the group's Czech loan book ('loans and advances to customers, excluding reverse repos': 18 billion at 31 March 2013) increased by 0.3% quarter-on-quarter and by almost 9% year-on-year, while deposits ('deposits from customers and debt certificates, excluding repos': 25 billion) were down 1% quarter-on-quarter, and up 2% year-on-year.

Combined ratio increases in 1Q2013; life sales down on the level of the previous quarter

Earned insurance premiums in the quarter under review came to 89 million (48 million for life insurance and 41 million for non-life insurance).

Excluding the impact of exchange rates, non-life premium income was 6% lower than in the previous quarter, but up 7% on the year-earlier quarter. Technical charges were higher in the quarter under review (up 7% quarter-on-quarter and as much as 21% year-on-year), due mainly to one big industrial risk claim and higher claims in motor insurance. This caused the combined ratio for the quarter under review to increase to 99%, compared with 95% for FY2012.

Life sales amounted to 48 million in the quarter under review, 9% and 33% lower than the level for 4Q2012 and 1Q2012, as both reference quarters included higher sales of Maximal Invest life products. Nevertheless, as was the case in previous quarters, unit-linked products continued to account for the bulk (some two-thirds) of life insurance sales, with interest-guaranteed products accounting for the remainder. The life result benefited from a good investment performance in the quarter under review. At the end of March 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1.2 billion.

Other income components

Net fee and commission income amounted to a relatively strong 51 million in the quarter under review, up 8% on the previous quarter (excluding FX effects and a technical element), and up 5% (excluding FX effects) compared to a solid 1Q2012. The quarter-on-quarter increase was related to a number of factors, including higher fee income from investment funds. Total assets under management of this business unit came to roughly 4.3 billion at quarter-end.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 16 million, down on the average figure of 24 million for the four preceding quarters (which had benefited from the strong dealing room results in the first quarter of 2012). The net realised result from available-for-sale assets came to 7 million (up on the 1 million average for the last four quarters) and related mainly to sales of mortgage bonds. Other net income totalled 3 million in the quarter under review, down on the 7 million average for the last four quarters.

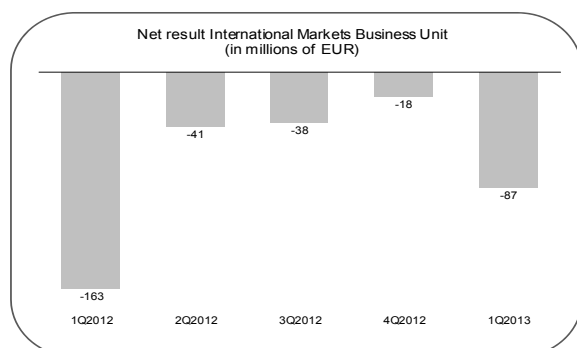
Costs significantly down quarter-on-quarter

The operating expenses of this business unit came to 164 million, which is more or less stable compared with 1Q2012, but 15% below the previous quarter (excluding FX effects). The quarter-on-quarter decline in costs was due to a number of factors, including lower marketing expenses and the absence of restructuring charges (which had been high in 4Q2012). Consequently, the cost/income ratio of the Czech Republic Business Unit came to 47% in the quarter under review.

Loan loss provisions in line with previous quarter

Impairment on loans and receivables (loan loss provisions) stood at 22 million in the quarter under review, comparable to the previous quarter, but up 9 million on the year-earlier quarter, which had been positively impacted by a number of releases of loan loss provisions. As a result, the credit cost ratio of this business unit amounted to 42 basis points for 1Q2013, up on the 31 basis points recorded for FY2012. At the end of the quarter under review, non-performing loans accounted for some 3.2% of the Czech loan book, in line with the level recorded three months earlier. There were no impairments on assets other than loans and receivables in the quarter under review.

Analysis of the results – International Markets Business Unit



The International Markets Business Unit mainly includes the activities in the other (i.e. non-Czech) Central and Eastern European core markets (ČSOB Bank and ČSOB Poist'ovňa in Slovakia, K&H Bank and K&H Insurance in Hungary, CIBank and DZI Insurance in Bulgaria) and KBC Bank Ireland.

Income statement, International Markets Business Unit, (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	164	161	162	157	155	-	-	-
Earned premiums, insurance (before reinsurance)	63	63	58	60	63	-	-	-
Technical charges, insurance (before reinsurance)	-42	-42	-37	-35	-41	-	-	-
Ceded reinsurance result	-1	-1	-2	-3	-2	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	24	26	35	23	21	-	-	-
Net realised result from available-for-sale assets	0	0	0	1	2	-	-	-
Net fee and commission income	35	34	36	38	41	-	-	-
Other net income	1	4	1	5	2	-	-	-
Total income	242	245	253	246	242	-	-	-
Operating expenses	-199	-143	-145	-164	-210	-	-	-
Impairment	-229	-144	-142	-108	-127	-	-	-
on loans and receivables	-228	-143	-141	-98	-117	-	-	-
on available-for-sale assets	0	0	0	0	-10	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	-1	-1	-1	-10	-1	-	-	-
Share in results of associated companies	0	0	0	1	0	-	-	-
Result before tax	-185	-41	-34	-26	-95	-	-	-
Income tax expense	22	0	-5	8	8	-	-	-
Result after tax	-163	-41	-38	-18	-87	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	-163	-41	-38	-18	-87	-	-	-
Banking	-166	-49	-43	-24	-82	-	-	-
Insurance	3	8	5	6	-6	-	-	-
Risk-weighted assets, group (end of period, Basel II)	17 438	17 280	17 509	18 224	17 699	-	-	-
of which banking	16 801	16 664	16 904	17 673	17 162	-	-	-
Allocated capital (end of period)	1 769	1 753	1 775	1 844	1 791	-	-	-
Return on allocated capital (ROAC)	-38%	-11%	-11%	-6%	-21%	-	-	-
Cost/income ratio, banking	82%	58%	57%	67%	88%	-	-	-
Combined ratio, non-life insurance	98%	99%	100%	94%	87%	-	-	-
Net interest margin, banking	2.05%	2.06%	2.08%	2.03%	2.04%	-	-	-

In the quarter under review, the International Markets Business Unit generated a net result of -87 million, down on the -65 million average for the four preceding quarters. The net result breaks down as follows: 17 million for Slovakia, -19 million for Hungary (the Hungarian bank tax was booked for full-year 2013 in this quarter), -9 million for Bulgaria (negatively impacted by a one-off impairment charge on a bond) and -77 million for Ireland (still impacted by high loan loss provisioning).

Total income

Net interest income stood at 155 million in 1Q2013, more or less in line with 4Q2012 (increase in Slovakia offset by relatively small decreases in the other countries). Net interest income was down 6% on the year-earlier figure (increase in Slovakia offset by significant decreases in Hungary and Ireland). On a weighted basis, the net interest margin of this business unit amounted to 2.04% in the quarter under review, which is in line with both reference quarters. The total credit portfolio of the International Markets Business Unit ('loans and advances to customers, excluding reverse repos': 22.7 billion) decreased by 1% in the quarter under review and by 6% year-on-year. The latter decrease was largely attributable to Ireland (matured loans surpassed new production) and Hungary (impacted by the FX relief programme and by a decrease in the corporate loan portfolio, in line with the market decline). Customer deposits for the entire business unit ('deposits from customer and debt certificates, excluding repos': 13.7 billion) went up by 4% in the quarter under review, and by 18% compared to a year ago. A large part of this increase was accounted for by Ireland (more specifically the successful retail deposit campaign in that country), though deposits rose in Slovakia and Hungary too.

Earned insurance premiums in the quarter under review, which relate solely to Hungary, Slovakia and Bulgaria (there are no insurance activities in Ireland), amounted to 63 million (25 million for life insurance and 39 million for non-life insurance).

Non-life insurance premium income was slightly down (-2%) on the figure for the previous quarter, and 10% down on the year-earlier quarter. The year-on-year decrease was situated in Hungary and Bulgaria. Technical insurance charges were slightly up (+3%) on the previous quarter, but down 22% year-on-year. Overall, this caused the combined ratio for the quarter under review to amount to a very good 87%, a significant improvement on the 98% recorded for FY2012. The combined ratio for 1Q2013 breaks down as follows: 82% in Hungary, 65% in Slovakia and 101% in Bulgaria.

Life sales, including insurance products not recognised under earned premiums under IFRS, amounted to 30 million in the quarter under review, up roughly 20% and 15% on the level recorded in 4Q2012 and 1Q2012, respectively. In Slovakia, life sales increased both quarter-on-quarter and year-on-year, thanks to a successful campaign for the new Maximal life product sold through the bank branches. In Hungary and Bulgaria, life sales were roughly flat year-on-year, but increased quarter-on-quarter. For the business unit as a whole, sales of unit-linked products accounted for close to 60% of total life insurance sales in the quarter under review, with interest-guaranteed products accounting for the remainder. At the end of March 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 0.5 billion.

The other income components totalled 66 million in the quarter under review. This included net fee and commission income of 41 million, an increase compared to both reference quarters that was mainly situated in Hungary. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 21 million, somewhat below the average figure of 27 million for the four preceding quarters. The net realised result from available-for-sale assets amounted to 2 million, as did other net income.

Costs increase quarter-on-quarter due to special bank tax and financial levy in Hungary

Operating expenses in the quarter under review amounted to 210 million, up 6% year-on-year, and – at first sight – up 28% quarter-on-quarter. However, the latter increase was caused entirely by the booking in 1Q2013 of the special bank tax for the full year (54 million) and the new financial levy tax (9 million), both in Hungary. As a consequence, the cost/income ratio for the business unit as a whole stood at 88% in 1Q2013, a deterioration compared with the 66% recorded for FY2012. Per country, the 1Q2013 cost/income ratio was 65% in Ireland, 64% in Slovakia, 112% in Hungary (impact of the bank tax) and 57% in Bulgaria.

Somewhat higher loan loss provisioning in the quarter under review

Impairment on loans and receivables (loan loss provisions) amounted to 117 million in the quarter under review, an increase on the 98 million recognised in the previous quarter, but still well down on the 228 million recorded in the year-earlier quarter. The bulk of the loan loss provisions (as well as the variation with the reference quarters) related to Ireland, where loan loss provisions of 99 million were booked in the quarter under review, compared with 87 million in 4Q2012 and 195 million in 1Q2012. The remaining 18 million in loan loss provisions in 1Q2013 break down into 4 million for Slovakia (somewhat up on both reference quarters), 10 million for Hungary (somewhat up on 4Q2012, but significantly down on 1Q2012) and 4 million for Bulgaria (up on both reference quarters). Consequently, the 1Q2013 credit cost ratio for the entire business unit came to a high 178 basis points, which is still an improvement on the 226 basis points recorded for FY2012. Per country, the 1Q2013 credit cost ratio is as follows: 247 basis points for Ireland (down on the 334 basis points in FY2012), 82 basis points for Hungary (roughly in line with FY2012), 33 basis points for Slovakia (slightly up on FY2012) and 217 basis points for Bulgaria (significantly up on 94 basis points for FY2012). At the end of March 2013, approximately 18% of the International Markets Business Unit's loan book was non-performing, in line with the level recorded three months earlier (the figure was clearly impacted by the high non-performing ratio of 24% for Ireland).

Other impairment charges for this business unit amounted to 11 million in the quarter under review, and related mainly to impairment on a bond at DZI in Bulgaria.

Highlights per country (compared to 4Q2012, unless otherwise indicated)

Ireland:

- The net result in 1Q2013 was -77 million euros, compared with the average figure of -101 million for the four preceding quarters.
- Total income (32 million) was largely characterised by roughly stable net interest income (as a result of various factors, including wider margins in the retail segment, decreasing credit volumes, and some one-off items).
- Costs (21 million) were slightly down on the previous quarter. The cost/income ratio stood at 65%, compared with 49% for FY2012.
- Loan loss impairment (99 million) was up on the 87 million recorded in 4Q2012, but significantly down on the 195 million recorded in 1Q2012. Compared with 4Q2012, there were lower specific loan loss provisions for mortgages and corporate lending, but increased portfolio-based loan loss provisioning for mortgages. The credit cost ratio amounted to 247 basis points.

Hungary:

- The net result in 1Q2013 was -19 million euros, down on the 17 million average for the four preceding quarters, due to the Hungarian bank tax (see below).
- Total income (121 million) included lower net interest income (due to decreasing demand for retail and SME loans, among other things), higher net fee and commission income and a lower result from financial instruments at fair value. The combined ratio for non-life insurance stood at a good 82% (96% for FY2012). Life sales were up slightly quarter-on-quarter.
- Costs (130 million) were significantly higher than in 4Q2012, since the first quarter traditionally includes the booking of the bank tax for the full year (54 million). Moreover, costs also included the impact of the new financial transaction levy (9 million). As a consequence, the cost/income ratio went up to 112%, compared with 70% for FY2012.
- Loan loss impairment (10 million) was higher than in the previous quarter and related almost entirely to the retail book. The credit cost ratio amounted to 82 basis points.

Slovakia:

- The net result in 1Q2013 totalled 17 million euros, slightly above the 15 million average for the four preceding quarters.
- Total income (72 million) included increased net interest income (increased mortgage portfolio, lower interest expense related to deposits, etc.), stable net fee and commission income, and a lower trading result (strong in 4Q2012). The combined ratio for non-life insurance stood at a very favourable 65%, compared with 80% for FY2012, thanks to the release of claims reserves. Life sales increased on the back of a successful campaign in the bank branches for the Maximal product.
- Costs (46 million) were down 14% due to lower marketing expenses and because 4Q2012 had included restructuring provisions and the extra bank levy, among other things. The cost/income ratio stood at 64% (69% for FY2012).
- Loan loss impairments (4 million) went up (4Q2012 had included significant releases). The credit cost ratio amounted to 33 basis points.

Bulgaria:

- The net result in 1Q2013 came to -9 million euros, down on the 4 million average for the four preceding quarters.
- Total income (16 million) included lower net interest income and other net income, and higher realised gains (on government bonds). The combined ratio for non-life insurance amounted to 101%, compared with 104% for FY2012.
- Costs (13 million) were down 14%, due to various cost reduction measures. The cost/income ratio stood at 57%, an improvement on the 68% for FY2012.
- Total impairment charges (13 million) rose significantly on account of a 10 million impairment charge on an available-for-sale bond and higher loan loss impairment. The credit cost ratio amounted to 217 basis points.

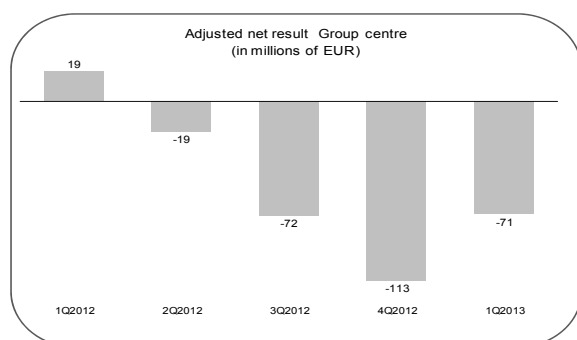
Income statement, Ireland (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	41	45	42	36	35	-	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	2	1	3	-4	-3	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	1	0	0	0	-1	-	-	-
Other net income	0	0	0	1	0	-	-	-
Total income	43	46	46	32	32	-	-	-
Operating expenses	-18	-19	-22	-23	-21	-	-	-
Impairment	-195	-137	-129	-87	-99	-	-	-
on loans and receivables	-195	-136	-129	-87	-99	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	-169	-110	-105	-78	-88	-	-	-
Income tax expense	21	14	12	10	11	-	-	-
Result after tax	-148	-96	-93	-67	-77	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	-148	-96	-93	-67	-77	-	-	-
Banking	-148	-96	-93	-67	-77	-	-	-
Insurance	0	0	0	0	0	-	-	-
Risk-weighted assets, group (end of period, Basel II)	6 739	6 862	7 049	7 945	7 707	-	-	-
of which banking	6 739	6 862	7 049	7 945	7 707	-	-	-
Allocated capital (end of period)	674	686	705	795	771	-	-	-
Return on allocated capital (ROAC)	-89%	-58%	-55%	-37%	-40%	-	-	-
Cost/income ratio, banking	40%	42%	48%	71%	65%	-	-	-
Combined ratio, non-life insurance	-	-	-	-	-	-	-	-

Income statement, Hungary (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	70	65	66	66	64	-	-	-
Earned premiums, insurance (before reinsurance)	19	17	19	19	18	-	-	-
Technical charges, insurance (before reinsurance)	-15	-13	-12	-11	-12	-	-	-
Ceded reinsurance result	-1	-1	-1	-1	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	13	22	26	20	18	-	-	-
Net realised result from available-for-sale assets	0	0	0	1	2	-	-	-
Net fee and commission income	22	22	23	26	30	-	-	-
Other net income	-2	1	-1	1	2	-	-	-
Total income	106	114	120	120	121	-	-	-
Operating expenses	-122	-64	-65	-73	-130	-	-	-
Impairment	-29	-4	-7	-10	-11	-	-	-
on loans and receivables	-28	-3	-6	-8	-10	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	-1	-1	-1	-3	-1	-	-	-
Share in results of associated companies	0	0	0	1	0	-	-	-
Result before tax	-44	46	49	38	-20	-	-	-
Income tax expense	6	-10	-13	-5	1	-	-	-
Result after tax	-38	36	36	33	-19	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	-38	36	36	33	-19	-	-	-
Banking	-37	34	34	30	-22	-	-	-
Insurance	-1	2	2	3	3	-	-	-
Risk-weighted assets, group (end of period, Basel II)	5 759	5 537	5 595	5 374	5 158	-	-	-
of which banking	5 513	5 302	5 362	5 192	4 991	-	-	-
Allocated capital (end of period)	586	563	569	545	522	-	-	-
Return on allocated capital (ROAC)	-28%	22%	22%	20%	-18%	-	-	-
Cost/income ratio, banking	115%	56%	54%	61%	112%	-	-	-
Combined ratio, non-life insurance	98%	103%	93%	89%	82%	-	-	-

Income statement, Slovakia (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	44	42	43	44	46	-	-	-
Earned premiums, insurance (before reinsurance)	18	21	17	21	23	-	-	-
Technical charges, insurance (before reinsurance)	-10	-14	-10	-14	-15	-	-	-
Ceded reinsurance result	-1	0	-1	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	8	3	7	7	6	-	-	-
Net realised result from available-for-sale assets	0	0	0	1	0	-	-	-
Net fee and commission income	9	9	10	11	11	-	-	-
Other net income	2	2	1	2	2	-	-	-
Total income	72	64	68	71	72	-	-	-
Operating expenses	-44	-44	-45	-53	-46	-	-	-
Impairment	-3	-2	-4	-9	-4	-	-	-
on loans and receivables	-3	-2	-4	-2	-4	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	0	0	0	-7	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	25	18	19	10	23	-	-	-
Income tax expense	-5	-4	-4	3	-5	-	-	-
Result after tax	20	13	15	12	17	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	20	13	15	12	17	-	-	-
Banking	16	11	13	11	15	-	-	-
Insurance	4	3	3	2	3	-	-	-
Risk-weighted assets, group (end of period, Basel II)	4 102	4 034	4 028	4 092	4 035	-	-	-
of which banking	3 926	3 855	3 849	3 913	3 853	-	-	-
Allocated capital (end of period)	417	411	410	416	411	-	-	-
Return on allocated capital (ROAC)	18%	12%	14%	11%	16%	-	-	-
Cost/income ratio, banking	63%	70%	67%	74%	64%	-	-	-
Combined ratio, non-life insurance	52%	85%	84%	103%	65%	-	-	-

Income statement, Bulgaria (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	10	9	10	10	10	-	-	-
Earned premiums, insurance (before reinsurance)	25	24	21	20	23	-	-	-
Technical charges, insurance (before reinsurance)	-18	-15	-15	-10	-14	-	-	-
Ceded reinsurance result	0	0	-1	-2	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	1	-	-	-
Net fee and commission income	0	1	1	0	0	-	-	-
Other net income	1	1	0	1	-2	-	-	-
Total income	19	20	17	20	16	-	-	-
Operating expenses	-14	-14	-12	-15	-13	-	-	-
Impairment	-2	-1	-2	-2	-13	-	-	-
on loans and receivables	-2	-1	-2	-1	-4	-	-	-
on available-for-sale assets	0	0	0	0	-10	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	0	0	0	-1	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	2	5	3	3	-10	-	-	-
Income tax expense	0	0	0	0	1	-	-	-
Result after tax	2	5	3	4	-9	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	2	5	3	4	-9	-	-	-
Banking	2	2	2	2	2	-	-	-
Insurance	1	3	0	1	-11	-	-	-
Risk-weighted assets, group (end of period, Basel II)	808	817	808	799	784	-	-	-
of which banking	593	614	614	610	595	-	-	-
Allocated capital (end of period)	89	90	89	88	86	-	-	-
Return on allocated capital (ROAC)	4%	18%	11%	12%	-42%	-	-	-
Cost/income ratio, banking	69%	72%	61%	68%	57%	-	-	-
Combined ratio, non-life insurance	110%	99%	111%	94%	101%	-	-	-

Analysis of the results – Group Centre



The Group Centre incorporates the results of the holding company KBC Group NV, some results that are not attributable to the other business units, the elimination of intersegment transactions and the results of the remaining companies that have still to be divested and activities in run-off. It also includes results related to the legacy businesses (CDOs, divestment results) and the valuation of own credit risk.

Income statement, Group Centre, (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Adjusted net result (i.e. excluding legacy and own credit risk impact)								
Net interest income	68	63	17	-9	-24	-	-	-
Earned premiums, insurance (before reinsurance)	221	215	-3	-3	-5	-	-	-
Technical charges, insurance (before reinsurance)	-157	-149	-1	-2	1	-	-	-
Ceded reinsurance result	-3	9	2	3	1	-	-	-
Dividend income	0	1	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	18	7	31	22	45	-	-	-
Net realised result from available-for-sale assets	3	9	5	37	2	-	-	-
Net fee and commission income	5	-6	28	26	2	-	-	-
Other net income	26	9	39	33	5	-	-	-
Total income	181	158	119	108	28	-	-	-
Operating expenses	-179	-174	-146	-151	-79	-	-	-
Impairment	-23	-4	-60	-88	-46	-	-	-
on loans and receivables	-19	-3	-59	-72	-18	-	-	-
on available-for-sale assets	0	0	0	1	-1	-	-	-
on goodwill	0	0	0	0	-7	-	-	-
Other	-3	-1	-1	-17	-20	-	-	-
Share in results of associated companies	-10	-10	-13	0	0	-	-	-
Result before tax	-31	-29	-100	-131	-97	-	-	-
Income tax expense	57	16	37	28	29	-	-	-
Result after tax	26	-13	-63	-104	-68	-	-	-
attributable to minority interests	7	6	10	9	3	-	-	-
attributable to equity holders of the parent	19	-19	-72	-113	-71	-	-	-
Banking	8	-25	-55	-89	17	-	-	-
Insurance	10	19	-10	-4	-11	-	-	-
Group	1	-13	-7	-20	-78	-	-	-
Legacy and own credit risk (after tax)								
Legacy – gains/losses on CDOs	138	-39	280	46	165	-	-	-
Legacy – divestments	81	-884	23	3	22	-	-	-
MTM of own credit risk	-340	41	-144	-87	-26	-	-	-
Net result	-102	-901	86	-152	90	-	-	-
Risk-weighted assets, group (end of period, Basel II)	29 907	27 928	24 630	16 758	16 295	-	-	-
of which banking	28 328	27 702	24 414	16 543	16 097	-	-	-
Allocated capital (end of period)	3 054	2 802	2 472	1 684	1 637	-	-	-

The Group Centre's net result amounted to 90 million in 1Q2013. As mentioned earlier, this includes not only a number of group items and results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk (a combined 161 million (after tax)).

Legacy and own credit risk:

- **Legacy CDOs:**
Accounted for a post-tax impact of 165 million in 1Q2013, comprising mainly the positive impact of the increase in the value of CDOs owing to tightening credit spreads, and the negative impact of the fee for the CDO guarantee scheme with the Belgian Federal Government.
- **Legacy divestments:**
Accounted for a positive post-tax impact of 22 million in 1Q2013, and included a positive 43 million after-tax gain on the sale of the Banco Zachodni shares (i.e. KBC's minority shareholding in the merged Bank Zachodni – Kredyt Bank entity) and a negative impact of 17 million for an additional impairment related to KBC Banka in Serbia, for which a sale agreement has been signed.
- **Own credit risk:**
Accounted for a negative post-tax impact of -26 million in 1Q2013, due to narrowing KBC credit spreads.

Other results

- Accounted for a total of -71 million in 1Q2013 and included the results for the holding company KBC Group NV (including the former KBC Global Services), the allocation of certain central costs and a limited amount (2 million in total) relating to the results for the remaining companies or activities earmarked for divestment or run-down.

KBC Group
Consolidated
financial
statements
according to IFRS
1Q 2013



Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	1Q 2012	4Q 2012	1Q 2013
Net interest income	3	1 261	1 121	1 068
Interest income		2 695	2 382	2 193
Interest expense		- 1 434	- 1 261	- 1 125
Earned premiums, insurance (before reinsurance)	9	884	623	577
Non-life		438	313	305
Life		446	310	271
Technical charges, insurance (before reinsurance)	9	- 752	- 584	- 487
Non-life		- 234	- 252	- 156
Life		- 518	- 332	- 331
Ceded reinsurance result	9	- 14	13	- 12
Dividend income		6	5	5
Net result from financial instruments at fair value through profit or loss		60	42	314
Net realised result from available-for-sale assets	6	32	85	142
Net fee and commission income	7	304	360	393
Fee and commission income		492	541	641
Fee and commission expense		- 188	- 181	- 248
Other net income	8	73	187	76
TOTAL INCOME		1 853	1 854	2 076
Operating expenses		- 1 132	- 1 081	- 1 039
Staff expenses		- 635	- 636	- 598
General administrative expenses		- 416	- 371	- 372
Depreciation and amortisation of fixed assets		- 81	- 74	- 69
Impairment	14	- 273	- 463	- 352
on loans and receivables		- 261	- 330	- 295
on available-for-sale assets		- 5	- 11	- 13
on goodwill		0	- 8	- 7
on other		- 7	- 114	- 37
Share in results of associated companies		- 9	1	0
RESULT BEFORE TAX		439	310	684
Income tax expense		- 93	- 56	- 160
Net post-tax result from discontinued operations	46	40	- 6	0
RESULT AFTER TAX		387	249	524
Attributable to minority interest		7	9	4
<i>of which relating to discontinued operations</i>		0	0	0
Attributable to equity holders of the parent		380	240	520
<i>of which relating to discontinued operations</i>		40	- 6	0
Earnings per share (in EUR)				
Basic		0.71	-0.97	1.25
Diluted		0.71	-0.97	1.25

Dividend for FY2012: the board of directors has proposed to the general meeting of shareholders, who approved this on 2 May 2013, that a gross dividend of 1.0 euros be paid out per share entitled to dividend. The total dividend to be paid amounts to 417 million euros. The payment of a coupon on the non-voting core capital securities sold to the Belgian and Flemish government is related to the payment of a dividend on the ordinary shares: if a dividend is paid on the ordinary shares, also a payment is due on the non-voting core capital securities. Related to 2012, consequently 543 million euros (8.5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012) will be paid to the concerned governments. The accounting treatment of these coupon payments in IFRS is identical to ordinary dividends (via deduction in shareholders' equity).

Consolidated statement of comprehensive income (condensed)

In millions of EUR	1Q 2012	1Q 2013
RESULT AFTER TAX	387	524
attributable to minority interest	7	4
attributable to equity holders of the parent	380	520
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	38	28
Net change in revaluation reserve (AFS assets) - Bonds	732	- 120
Net change in revaluation reserve (AFS assets) - Other	0	0
Net change in hedging reserve (cash flow hedge)	- 6	61
Net change in defined benefit plans	- 64	8
Net change in translation differences	107	- 10
Other movements	- 5	0
TOTAL COMPREHENSIVE INCOME	1 189	491
attributable to minority interest	19	5
attributable to equity holders of the parent	1 170	487

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2012	31-03-2013
Cash and cash balances with central banks		4 426	5 235
Financial assets	18 - 26	236 898	237 706
Held for trading		21 159	20 376
Designated at fair value through profit or loss		16 295	20 763
Available for sale		30 622	27 791
Loans and receivables		139 225	139 305
Held to maturity		28 510	28 870
Hedging derivatives		1 088	601
Reinsurers' share in technical provisions		137	135
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		204	182
Tax assets		2 188	2 144
Current tax assets		174	176
Deferred tax assets		2 014	1 968
Non-current assets held for sale and assets associated with disposal groups	46	7 138	7 115
Investments in associated companies		8	7
Investment property		638	615
Property and equipment		2 581	2 539
Goodwill and other intangible assets		1 328	1 289
Other assets		1 383	1 600
TOTAL ASSETS		256 928	258 567

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2012	31-03-2013
Financial liabilities	18 - 26	213 265	214 311
Held for trading		19 459	18 259
Designated at fair value through profit or loss		20 563	26 993
Measured at amortised cost		170 813	167 138
Hedging derivatives		2 430	1 920
Technical provisions, before reinsurance		19 205	18 836
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		69	71
Tax liabilities		647	598
Current tax liabilities		192	160
Deferred tax liabilities		455	438
Liabilities associated with disposal groups	46	3 739	4 401
Provisions for risks and charges		526	530
Other liabilities		3 598	3 448
TOTAL LIABILITIES		241 048	242 194
Total equity	39	15 879	16 373
Parent shareholders' equity	39	12 017	12 505
Non-voting core-capital securities	39	3 500	3 500
Minority interests		362	368
TOTAL LIABILITIES AND EQUITY		256 928	258 567

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments have been 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'. More information on divestments can be found in note 46.

For more information on retroactive adjustments with regard to IAS 19 see note 1b.

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)	Remeasure- ment of defined benefit obligations	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
31-03-2012												
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	0	6 831	- 422	9 756	6 500	516	16 772
First time application IAS19 Revised	0	0	0	0	0	63	0	0	63	0	0	63
Adjusted balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	63	6 831	- 422	9 819	6 500	516	16 835
Net result for the period	0	0	0	0	0	0	380	0	380	0	7	387
Other comprehensive income for the period	0	0	0	767	- 5	- 64	- 5	97	790	0	12	802
Total comprehensive income	0	0	0	767	- 5	- 64	375	97	1 170	0	19	1 189
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	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	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	- 3	0	0	0	0	0	- 3	0	0	- 3
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	0	- 13	- 13
Change in scope	0	0	0	- 41	0	0	0	0	- 41	0	0	- 41
Total change	0	0	- 3	726	- 5	- 64	375	97	1 126	0	7	1 132
Balance at the end of the period	1 245	4 341	- 1 532	609	- 599	- 1	7 206	- 325	10 945	6 500	522	17 967
of which revaluation reserve for shares				273								
of which revaluation reserve for bonds				336								
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				39				5	44			44
31-03-2013												
Balance at the beginning of the period	1 450	5 388	- 1	1 263	- 834	0	5 192	- 360	12 099	3 500	362	15 961
First time application IAS19 Revised	0	0	0	0	0	- 71	- 11	0	- 82	0	0	- 82
Adjusted balance at the beginning of the period	1 450	5 388	- 1	1 263	- 834	- 71	5 182	- 360	12 017	3 500	362	15 879
Net result for the period	0	0	0	0	0	0	520	0	520	0	4	524
Other comprehensive income for the period	0	0	0	- 92	61	8	0	- 10	- 33	0	1	- 33
Total comprehensive income	0	0	0	- 92	61	8	520	- 10	487	0	5	491
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	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	0
Sales of treasury shares	0	0	1	0	0	0	0	0	1	0	0	1
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	0	1	1
Change in scope	0	0	0	0	0	0	0	0	0	0	0	0
Total change	0	0	1	- 92	61	8	520	- 10	488	0	6	494
Balance at the end of the period	1 450	5 388	0	1 171	- 773	- 63	5 702	- 370	12 505	3 500	368	16 373
of which revaluation reserve for shares				233								
of which revaluation reserve for bonds				938								
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				6	1			- 134	- 128			- 128

The changes in equity during 1Q 2013 do not yet include the accounting of neither a gross dividend of 1 euros per share (417 million euros in total) nor the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (543 million euros or 8.5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012). In 2Q 2013 this will be accounted for.

For more information on retroactive adjustments with regard to IAS 19 see note 1b.



Condensed consolidated cash flow statement

In millions of EUR	1Q 2012	1Q 2013
Operating activities		
Net cash from (used in) operating activities	10 868	13 064
Investing activities		
Net cash from (used in) investing activities	- 7 376	- 449
Financing activities		
Net cash from (used in) financing activities	- 760	62
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	2 733	12 676
Cash and cash equivalents at the beginning of the period	13 997	982
Effects of exchange rate changes on opening cash and cash equivalents	90	- 84
Cash and cash equivalents at the end of the period	16 820	13 574

As mentioned in note 45, KBC sold its stake in the merged entity Bank Zachodni WBK. This had a positive impact of approximately +0.8 billion euros on cash flows of operating activities in 1Q 2013.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2012)

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 2012.

Summary of significant accounting policies (note 1b in the annual accounts 2012)

A summary of the main accounting policies is provided in the annual report. In 1Q 2013, following change in content was made in the accounting policies that had a material impact on the results:

Amendment to IAS 19 (Employee Benefits): the main change concerns the elimination of the corridor, which – under the previous standard – permitted actuarial gains and losses to be spread over several years. From the first of January 2013 on, such gains and losses are recognised in other comprehensive income (with no recycling in profit or loss). The required disclosures have been changed and expanded. On 1 January 2013, the one-off negative impact on IFRS equity amounted to 82 million euros (net of deferred taxes). Compliant with IFRS, 2012 figures have been restated.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2012)

A new management structure was introduced at the start of 2013, reflecting KBC's updated strategy. More information on this is available in the press release ('KBC 2013 and beyond') and presentation of 8 October 2012, and the 2012 annual report, available on www.kbc.com.

Based on this new management structure, KBC also reworked its financial segment reporting presentation and therefore also retroactively adjusted its FY 2012 segmented figures. For a description of the changes compared to the previous management structure, and the effect on the financial segment reporting and figures, reference is made to the press release of 25 April 2013 which is available on www.kbc.com.

KBC is structured and managed according to a number of segments (called 'business units'). For reporting purposes, the business units are:

- the Belgium Business Unit (all activities in Belgium)
- the Czech Republic Business Unit (all activities in the Czech Republic)
- the International Markets Business Unit (activities in Ireland, Hungary, Slovakia, Bulgaria)
- the Group Centre (results of the holding company, certain items that are not allocated to the business units, results of companies to be divested, and the legacy and own credit risk impact (see below)).

The management structure of the group also includes an International Product Factories Business Unit. The results of the activities of this business unit are included in the results of the other business units based on geography. Consequently, this business unit is not presented separately when the results are reported by segment.

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).

In the previous reporting framework, the IFRS profit and loss account was supplemented by a so-called 'underlying' profit and loss account (excluding non-operational and exceptional items), which was the basis of the segment reporting. This is not the case anymore. However, in addition to the figures according to IFRS, KBC will still provide figures aimed at giving more insight into the ongoing business performance. The resulting figures are called '*adjusted net result*' and are the current basis for the segment reporting.

This means that, over and above the IFRS profit and loss account, a reworked profit and loss account will be provided, in which a limited number of non-operational items is excluded from the P/L and summarised into three lines at the bottom of the reporting presentation. Segment reporting is based on this reworked presentation. One of the main changes compared to the previous reporting framework is that the fair value of certain ALM hedging instruments is now included in the business units' results, which previously was not the case.

These non-operational items are:

- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to Own Credit Risk (OCR).

In the segment reporting presentation, these items are all assigned to the Group Centre.

In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the net adjusted result, all trading income components within investment banking are recognised under 'net result from financial instruments at fair value', without any impact on net profit. Whereas this was performed for every business unit in the former reporting presentation, it is now limited to KBC Bank Belgium (Belgium Business Unit), due to materiality.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
1Q2012										
Net interest income	724	261	164	70	44	10	41	67	1	1 217
Earned premiums, insurance (before reinsurance)	490	111	63	19	18	25	0	227	- 6	884
Non-life	225	39	43	16	6	21	0	136	- 5	438
Life	264	72	20	3	12	4	0	91	- 1	446
Technical charges, insurance (before reinsurance)	- 468	- 86	- 42	- 15	- 10	- 18	0	- 157	0	- 752
Non-life	- 111	- 21	- 23	- 8	0	- 15	0	- 79	0	- 234
Life	- 357	- 64	- 20	- 7	- 10	- 3	0	- 77	0	- 518
Ceded reinsurance result	- 8	- 1	- 1	- 1	- 1	0	0	- 3	0	- 14
Dividend income	5	0	0	0	0	0	0	0	0	5
Net result from financial instruments at fair value through profit or loss	278	33	24	13	8	0	2	18	0	353
Net realised result from available-for-sale assets	40	- 11	0	0	0	0	0	3	0	31
Net fee and commission income	222	49	35	22	9	0	1	3	2	312
Other net income	- 14	10	1	- 2	2	1	0	27	- 1	22
TOTAL INCOME	1 269	365	242	106	72	19	43	184	- 3	2 057
Operating expenses	- 568	- 164	- 199	- 122	- 44	- 14	- 18	- 182	3	- 1 110
Impairment	- 6	- 13	- 229	- 29	- 3	- 2	- 195	- 23	0	- 271
on loans and receivables	- 1	- 13	- 228	- 28	- 3	- 2	- 195	- 19	0	- 261
on available-for-sale assets	- 4	0	0	0	0	0	0	0	0	- 5
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 1	0	- 1	- 1	0	0	0	- 3	0	- 5
Share in results of associated companies	0	0	0	0	0	0	0	- 10	0	- 9
RESULT BEFORE TAX	695	188	- 185	- 44	25	2	- 169	- 31	0	667
Income tax expense	- 209	- 30	22	6	- 5	0	21	57	0	- 159
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	486	158	- 163	- 38	20	2	- 148	26	0	508
Attributable to minority interests	0	0	0	0	0	0	0	7	0	7
ADJUSTED NET RESULT	486	158	- 163	- 38	20	2	- 148	19	0	501
Legacy CDOs	0	0	0	0	0	0	0	138	0	138
Own credit risk	0	0	0	0	0	0	0	- 340	0	- 340
Divestments	0	0	0	0	0	0	0	81	0	81
NET RESULT	486	158	- 163	- 38	20	2	- 148	- 102	0	380
1Q2013										
Net interest income	658	244	155	64	46	10	35	- 22	- 2	1 032
Earned premiums, insurance (before reinsurance)	429	89	63	18	23	23	0	1	- 6	577
Non-life	234	41	39	14	6	18	0	- 3	- 5	305
Life	195	48	25	3	16	5	0	4	- 1	271
Technical charges, insurance (before reinsurance)	- 381	- 67	- 41	- 12	- 15	- 14	0	1	0	- 487
Non-life	- 117	- 25	- 18	- 7	- 1	- 10	0	4	0	- 156
Life	- 263	- 41	- 23	- 5	- 14	- 4	0	- 3	0	- 331
Ceded reinsurance result	- 10	- 1	- 2	0	0	- 1	0	1	0	- 12
Dividend income	4	0	0	0	0	0	0	0	0	4
Net result from financial instruments at fair value through profit or loss	135	16	21	18	6	0	- 3	45	0	218
Net realised result from available-for-sale assets	85	7	2	2	0	1	0	2	0	96
Net fee and commission income	291	51	41	30	11	0	- 1	- 1	3	385
Other net income	66	3	2	2	2	- 2	0	3	2	76
TOTAL INCOME	1 278	343	242	121	72	16	32	31	- 3	1 890
Operating expenses	- 575	- 164	- 210	- 130	- 46	- 13	- 21	- 82	3	- 1 029
Impairment	- 140	- 22	- 127	- 11	- 4	- 13	- 99	- 46	0	- 335
on loans and receivables	- 138	- 22	- 117	- 10	- 4	- 4	- 99	- 18	0	- 295
on available-for-sale assets	- 2	0	- 10	0	0	- 10	0	- 1	0	- 13
on goodwill	0	0	0	0	0	0	0	- 7	0	- 7
on other	1	0	- 1	- 1	0	0	0	- 20	0	- 20
Share in results of associated companies	0	0	0	0	0	0	0	0	0	0
RESULT BEFORE TAX	562	156	- 95	- 20	23	- 10	- 88	- 97	0	526
Income tax expense	- 176	- 24	8	1	- 5	1	11	29	0	- 163
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	386	132	- 87	- 19	17	- 9	- 77	- 68	0	363
Attributable to minority interests	1	0	0	0	0	0	0	3	0	4
ADJUSTED NET RESULT	385	132	- 87	- 19	17	- 9	- 77	- 71	0	359
Legacy CDOs	0	0	0	0	0	0	0	165	0	165
Own credit risk	0	0	0	0	0	0	0	- 26	0	- 26
Divestments	0	0	0	0	0	0	0	22	0	22
NET RESULT	385	132	- 87	- 19	17	- 9	- 77	90	0	520

Gains and losses on CDO's: In the first quarter of 2013, the market price for corporate credit decreased, as reflected in tightened 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 2012, namely 80%).

Changes in own credit risk of own debt instruments: The negative impact on the results of the first quarter of 2013 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.

Results on divestments: In the first quarter of 2013, the positive result was mainly driven by positive results related to the sale of the stake in Bank Zachodni WBK offset by a negative result linked to divesting KBC Banka.

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland	Group Centre	KBC Group
31-12-2012									
Deposits from customers & debt certificates excl. repos	95 073	26 228	13 426	4 389	5 749	601	2 687	18 728	153 454
Loans & advances to customers excluding reverse repos	83 332	18 581	23 103	4 129	4 057	557	14 360	1 495	126 510
Term loans excl. reverse repos	42 151	7 590	6 217	1 615	1 719	175	2 708	1 468	57 426
Mortgage loans	30 847	7 919	15 069	1 519	1 701	255	11 594	27	53 862
Current accounts advances	2 623	15	653	349	291	0	12	0	3 291
Finance leases	3 224	373	512	363	104	0	46	0	4 110
Consumer credit	1 282	1 561	520	241	152	127	0	0	3 364
Other L&A	3 204	1 122	131	41	90	0	0	0	4 458
31-03-2013									
Deposits from customers & debt certificates excl. repos	99 635	25 309	13 725	4 457	5 663	593	3 012	17 847	156 516
Loans & advances to customers excluding reverse repos	83 562	18 213	22 723	4 144	3 964	544	14 071	1 471	125 970
Term loans excl. reverse repos	42 225	7 291	6 067	1 578	1 670	170	2 648	1 443	57 025
Mortgage loans	30 781	7 860	14 868	1 564	1 652	247	11 405	27	53 536
Current accounts advances	2 855	19	663	355	308	0	0	0	3 537
Finance leases	3 191	358	482	365	99	0	18	0	4 031
Consumer credit	1 201	1 496	504	238	139	127	0	0	3 200
Other L&A	3 309	1 190	140	44	96	0	0	0	4 639

Other notes

Net interest income (note 3 in the annual accounts 2012)

In millions of EUR	1Q 2012	4Q 2012	1Q 2013
Total	1 261	1 121	1 068
Interest income	2 695	2 382	2 193
Available-for-sale assets	350	265	226
Loans and receivables	1 580	1 458	1 328
Held-to-maturity investments	184	269	255
Other assets not at fair value	8	6	0
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>2 122</i>	<i>1 998</i>	<i>1 809</i>
Financial assets held for trading	344	228	254
Hedging derivatives	161	129	101
Other financial assets at fair value through profit or loss	67	27	29
Interest expense	- 1 434	- 1 261	- 1 125
Financial liabilities measured at amortised cost	- 761	- 751	- 630
Other	- 1	- 2	- 1
<i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i>	<i>- 762</i>	<i>- 753</i>	<i>- 632</i>
Financial liabilities held for trading	- 392	- 290	- 286
Hedging derivatives	- 220	- 190	- 170
Other financial liabilities at fair value through profit or loss	- 60	- 28	- 37

Net realised result from available-for-sale assets (note 6 in the annual accounts 2012)

In millions of EUR	1Q 2012	4Q 2012	1Q 2013
Total	32	85	142
Breakdown by portfolio			
Fixed-income securities	- 30	77	66
Shares	61	8	77

The net realised result from available-for-sale shares in 1Q 2013 includes +50 million euros (+43 million euros after tax) stemming from an extra gain on the sale of the stake in Bank Zachodni WBK. The net realised result from available-for-sale fixed-income securities is for the largest part related to Belgian government bonds.

Net fee and commission income (note 7 in the annual accounts 2012)

In millions of EUR	1Q 2012	4Q 2012	1Q 2013
Total	304	360	393
Fee and commission income	492	541	641
Securities and asset management	201	230	282
Margin on deposit accounting (life insurance investment contracts without DPF)	24	43	47
Commitment credit	77	74	66
Payments	137	149	131
Other	54	45	114
Fee and commission expense	- 188	- 181	- 248
Commission paid to intermediaries	- 101	- 85	- 74
Other	- 87	- 96	- 174

Other net income (note 8 in the annual accounts 2012)

In millions of EUR	1Q 2012	4Q 2012	1Q 2013
Total	73	187	76
Of which net realised result following			
The sale of loans and receivables	- 49	- 22	4
The sale of held-to-maturity investments	- 4	0	0
The repurchase of financial liabilities measured at amortised cost	0	0	- 1
Other: of which:	126	210	73
KBC Lease UK	41	41	0
Income concerning leasing at the KBC Lease-group	20	23	22
Income from consolidated private equity participations	4	0	0
Income from Group VAB	18	15	18
5/5/5 loans	- 56	0	0
Realised gains or losses on divestments	72	136	- 3

Breakdown of the insurance results (note 9 in the annual accounts 2012)

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
1Q 2012				
Technical result	- 97	113	16	33
Earned premiums, insurance (before reinsurance)	447	443	-	890
Technical charges, insurance (before reinsurance)	- 517	- 237	-	- 754
Net fee and commission income	- 26	- 79	16	- 89
Ceded reinsurance result	0	- 14	0	- 13
Financial result	211	51	238	501
Net interest income			229	229
Dividend income			5	5
Net result from financial instruments at fair value			215	215
Net realised result from AFS assets			52	52
Allocation to the technical accounts (*)	211	51	- 263	0
Operating expenses	- 35	- 89	0	- 124
Internal costs claim paid	- 2	- 20	-	- 22
Administration costs related to acquisitions	- 10	- 24	-	- 35
Administration costs	- 23	- 44	-	- 67
Management costs investments	0		0	0
Other net income			45	45
Impairments			- 10	- 10
Share in results of associated companies			0	0
RESULT BEFORE TAX	79	76	289	444
Income tax expense				- 103
Net post-tax result from discontinued operations				1
RESULT AFTER TAX				343
attributable to minority interest				1
attributable to equity holders of the parent				342
1Q 2013				
Technical result	- 65	85	15	35
Earned premiums, insurance (before reinsurance)	272	311	-	582
Technical charges, insurance (before reinsurance)	- 330	- 156	-	- 487
Net fee and commission income	- 6	- 58	15	- 49
Ceded reinsurance result	0	- 12	0	- 12
Financial result	163	29	84	276
Net interest income			179	179
Dividend income			3	3
Net result from financial instruments at fair value			80	80
Net realised result from AFS assets			14	14
Allocation to the technical accounts (*)	163	29	- 192	0
Operating expenses	- 31	- 64	- 1	- 96
Internal costs claim paid	- 2	- 15	-	- 17
Administration costs related to acquisitions	- 8	- 18	-	- 26
Administration costs	- 21	- 31	-	- 52
Management costs investments	0	0	- 1	- 1
Other net income			- 5	- 5
Impairments			- 37	- 37
Share in results of associated companies			0	0
RESULT BEFORE TAX	67	50	56	174
Income tax expense				- 63
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				111
attributable to minority interest				1
attributable to equity holders of the parent				110

* Also includes the allocation of impairment losses.

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 2012 annual report).

Impairment – income statement (note 14 in the annual accounts 2012)

In millions of EUR	1Q 2012	4Q 2012	1Q 2013
Total	- 273	- 463	- 352
Impairment on loans and receivables	- 261	- 330	- 295
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 300	- 328	- 259
Provisions for off-balance-sheet credit commitments	- 4	- 17	- 8
Portfolio-based impairments	44	15	- 29
Breakdown by business unit			
Business unit Belgium	- 1	- 139	- 138
Business unit Czech Republic	- 13	- 21	- 22
Business unit International Markets	- 228	- 98	- 117
<i>of which: Hungary</i>	- 28	- 8	- 10
<i>of which: Slovakia</i>	- 3	- 2	- 4
<i>of which: Bulgaria</i>	- 2	- 1	- 4
<i>of which: Ireland</i>	- 195	- 87	- 99
Business unit Group Centre	- 19	- 73	- 18
Impairment on available-for-sale assets	- 5	- 11	- 13
Breakdown by type			
Shares	- 5	- 12	- 3
Other	0	0	- 10
Impairment on goodwill	0	- 8	- 7
Impairment on other	- 7	- 114	- 37
Intangible assets, other than goodwill	0	0	0
Property and equipment and investment property	0	- 33	0
Held-to-maturity assets	0	- 2	0
Associated companies	0	- 99	0
Other	- 7	20	- 36

In 1Q 2013, the impairment on other (other) contains -17 million of euros booked on KBC Banka for which a sales agreement was recently signed (see further note 48).

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2012)

(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
FINANCIAL ASSETS, 31-12-2012								
Loans and advances to credit institutions and investment firms ^a	3 802	916	0	11 363	-	-	-	16 081
Loans and advances to customers ^b	600	2 197	0	125 695	-	-	-	128 492
<i>Excluding reverse repos</i>								126 510
Discount and acceptance credit	0	0	0	131	-	-	-	131
Consumer credit	0	0	0	3 364	-	-	-	3 364
Mortgage loans	0	184	0	53 678	-	-	-	53 862
Term loans	600	2 013	0	56 795	-	-	-	59 407
Finance leasing	0	0	0	4 110	-	-	-	4 110
Current account advances	0	0	0	3 291	-	-	-	3 291
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	4 327	-	-	-	4 327
Equity instruments	451	53	1 931	-	-	-	-	2 435
Investment contracts (insurance)		11 847	-	-	-	-	-	11 847
Debt instruments issued by	4 210	1 282	28 691	2 167	28 510	-	-	64 860
Public bodies	3 390	811	19 929	190	27 346	-	-	51 666
Credit institutions and investment firms	361	199	3 335	158	670	-	-	4 724
Corporates	459	272	5 427	1 819	494	-	-	8 471
Derivatives	12 095	-	-	-	-	1 088	-	13 183
Total carrying value including accrued interest income	21 159	16 295	30 622	139 225	28 510	1 088	0	236 898
^a Of which reverse repos								5 160
^b Of which reverse repos								1 981
FINANCIAL ASSETS, 31-03-2013								
Loans and advances to credit institutions and investment firms ^a	3 903	3 089	0	11 480	-	-	-	18 471
Loans and advances to customers ^b	325	3 793	0	125 635	-	-	-	129 753
<i>Excluding reverse repos</i>	266	273	0	125 431	-	-	-	125 970
Discount and acceptance credit	0	0	0	595	-	-	-	595
Consumer credit	0	0	0	3 200	-	-	-	3 200
Mortgage loans	0	69	0	53 467	-	-	-	53 536
Term loans	319	3 711	0	56 779	-	-	-	60 809
Finance leasing	0	0	0	4 031	-	-	-	4 031
Current account advances	0	0	0	3 537	-	-	-	3 537
Securitised loans	0	0	0	0	-	-	-	0
Other	6	12	0	4 026	-	-	-	4 044
Equity instruments	434	47	1 299	-	-	-	-	1 781
Investment contracts (insurance)	-	12 639	-	-	-	-	-	12 639
Debt instruments issued by	4 543	1 194	26 491	2 190	28 870	-	-	63 289
Public bodies	3 747	739	18 270	286	27 753	-	-	50 794
Credit institutions and investment firms	341	196	3 399	156	654	-	-	4 745
Corporates	455	259	4 823	1 748	464	-	-	7 750
Derivatives	11 171	-	-	-	-	601	-	11 772
Total carrying value including accrued interest income	20 376	20 763	27 791	139 305	28 870	601	0	237 706
^a Of which reverse repos								8 253
^b Of which reverse repos								3 783

In 1Q 2013, an amount of 0.2 billion euros of government securities was 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
FINANCIAL LIABILITIES, 31-12-2012								
Deposits from credit institutions and investment firms ^a	375	884	-	-	-	-	21 660	22 919
Deposits from customers and debt certificates ^b	4 161	8 782	-	-	-	-	146 689	159 632
<i>Excluding repos</i>								153 454
Deposits from customers	3 776	3 420	-	-	-	-	121 062	128 258
Demand deposits	0	0	-	-	-	-	37 477	37 477
Time deposits	3 776	3 336	-	-	-	-	43 491	50 602
Savings deposits	0	0	-	-	-	-	34 904	34 904
Special deposits	0	0	-	-	-	-	3 941	3 941
Other deposits	0	84	-	-	-	-	1 250	1 334
Debt certificates	385	5 362	-	-	-	-	25 627	31 373
Certificates of deposit	0	27	-	-	-	-	6 209	6 236
Customer savings certificates	0	0	-	-	-	-	522	522
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	385	4 705	-	-	-	-	12 914	18 003
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	630	-	-	-	-	5 982	6 612
Liabilities under investment contracts	-	10 853	-	-	-	-	0	10 853
Derivatives	14 432	0	-	-	-	2 430	-	16 861
Short positions	491	0	-	-	-	-	-	491
in equity instruments	17	0	-	-	-	-	-	17
in debt instruments	475	0	-	-	-	-	-	475
Other	0	44	-	-	-	-	2 465	2 509
Total carrying value including accrued interest expense	19 459	20 563	-	-	-	2 430	170 813	213 265
^a Of which repos								1 589
^b Of which repos								6 178
FINANCIAL LIABILITIES, 31-03-2013								
Deposits from credit institutions and investment firms ^a	657	1 314	-	-	-	-	13 886	15 857
Deposits from customers and debt certificates ^b	4 293	13 988	-	-	-	-	149 713	167 994
<i>Excluding repos</i>	473	6 352	-	-	-	-	149 691	156 516
Deposits from customers	3 882	8 710	-	-	-	-	122 961	135 553
Demand deposits	0	0	-	-	-	-	37 299	37 299
Time deposits	3 882	8 651	-	-	-	-	43 918	56 451
Savings deposits	0	0	-	-	-	-	35 453	35 453
Special deposits	0	0	-	-	-	-	4 621	4 621
Other deposits	0	59	-	-	-	-	1 670	1 729
Debt certificates	411	5 278	-	-	-	-	26 752	32 442
Certificates of deposit	0	9	-	-	-	-	7 059	7 068
Customer savings certificates	0	0	-	-	-	-	509	509
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	411	4 621	-	-	-	-	12 554	17 586
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	648	-	-	-	-	6 631	7 279
Liabilities under investment contracts	-	11 664	-	-	-	-	0	11 664
Derivatives	12 790	0	-	-	-	1 920	-	14 710
Short positions	518	0	-	-	-	-	-	518
in equity instruments	33	0	-	-	-	-	-	33
in debt instruments	485	0	-	-	-	-	-	485
Other	0	27	-	-	-	-	3 540	3 567
Total carrying value including accrued interest expense	18 259	26 993	-	-	-	1 920	167 138	214 311
^a Of which repos								2 047
^b Of which repos								11 479

The decrease in deposits from credit institutions and investment firms includes the repayment of the LTRO to the tune of 8.3 billion euros.

The increase in non-convertible subordinated liabilities includes the issuance of a contingent capital note to the tune of 1 billion USD.

Additional information on quarterly time series

Loans and deposits

In millions of eur	31-03-2012	30-06-2012	30-09-2012	31-12-2012	31-03-2013
Total customer loans excluding reverse repo					
Business unit Belgium	83 056	84 295	82 933	83 332	83 562
Business unit Czech Republic	17 446	17 365	18 095	18 581	18 213
Business unit International Markets	24 099	23 881	23 547	23 103	22 723
<i>of which: Hungary</i>	4 296	4 297	4 188	4 057	3 964
<i>of which: Slovakia</i>	3 974	3 994	4 043	4 129	4 144
<i>of which: Bulgaria</i>	525	528	544	557	544
<i>of which: Ireland</i>	15 304	15 062	14 773	14 360	14 071
Group Centre	7 339	1 780	1 700	1 495	1 471
KBC Group	131 940	127 321	126 276	126 510	125 970
Mortgage loans					
Business unit Belgium	29 703	30 131	30 646	30 847	30 781
Business unit Czech Republic	7 437	7 367	7 742	7 919	7 860
Business unit International Markets	15 527	15 357	15 201	15 069	14 868
<i>of which: Hungary</i>	1 752	1 749	1 726	1 701	1 652
<i>of which: Slovakia</i>	1 377	1 425	1 464	1 519	1 564
<i>of which: Bulgaria</i>	305	251	251	255	247
<i>of which: Ireland</i>	12 093	11 933	11 760	11 594	11 405
Group Centre	1 284	29	28	27	27
KBC Group	53 951	52 884	53 617	53 862	53 536
Customer deposits excl repos					
Business unit Belgium	90 578	94 289	92 673	95 073	99 635
Business unit Czech Republic	25 857	25 059	25 572	26 228	25 309
Business unit International Markets	11 787	12 059	12 812	13 426	13 725
<i>of which: Hungary</i>	5 588	5 530	5 642	5 749	5 663
<i>of which: Slovakia</i>	4 006	4 075	4 319	4 389	4 457
<i>of which: Bulgaria</i>	602	614	613	601	593
<i>of which: Ireland</i>	1 592	1 840	2 238	2 687	3 012
Group Centre	21 463	18 921	19 341	18 728	17 847
KBC Group	149 685	150 328	150 397	153 454	156 516

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

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-03-2012		30-06-2012		30-09-2012		31-12-2012		31-03-2013	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	15 240	7 713	14 784	8 687	14 604	9 741	14 195	10 917	13 514	11 730
Business unit Czech Republic	623	581	599	624	609	646	608	631	589	601
Business unit International Markets	236	214	236	228	235	241	228	241	226	248
<i>of which: Hungary</i>	59	165	60	172	60	181	55	179	52	180
<i>of which: Slovakia</i>	138	48	137	54	137	58	137	59	138	66
<i>of which: Bulgaria</i>	39	2	39	2	38	2	35	2	36	2
Group Centre	197	311	32	56	33	56	34	59	35	60
KBC Group	16 296	8 820	15 651	9 595	15 481	10 684	15 065	11 848	14 365	12 640

Financial assets and liabilities measured at fair value – fair value hierarchy (note 24 in the annual accounts 2012)

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 23 up to and including 26 of the annual accounts 2012.

Fair value hierarchy In millions of EUR	31-12-2012				31-03-2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 285	15 112	3 762	21 159	3 229	14 009	3 138	20 376
Designated at fair value	12 661	3 287	347	16 295	13 264	7 164	335	20 763
Available for sale	24 414	3 431	2 777	30 622	23 230	3 342	1 219	27 791
Equity instruments	705	109	1 117	1 931	873	83	343	1 300
Debt instruments	23 709	3 322	1 660	28 691	22 357	3 259	875	26 491
Hedging derivatives	0	1 088	0	1 088	0	601	0	601
Total, incl. accrued interest	39 360	22 919	6 885	69 163	39 723	25 115	4 692	69 531
Financial liabilities measured at fair value								
Held for trading	498	13 801	5 160	19 459	514	13 550	4 195	18 259
Designated at fair value	10 853	8 300	1 410	20 563	11 664	13 764	1 565	26 993
Hedging derivatives	0	2 430	0	2 430	0	1 920	0	1 920
Total, incl. accrued interest	11 351	24 531	6 570	42 451	12 178	29 234	5 761	47 172

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 25 in the annual accounts 2012)

In the first quarter of 2013, only a limited amount in debt instruments was transferred between level 1 and level 2.

Financial assets and liabilities measured at fair value – focus on level 3 (note 26 in the annual accounts 2012)

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 31-03-2013, in millions of EUR

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Equity instruments	Debt instruments	Derivatives
Opening balance	0	197	0	523	3 041	27	50	0	269	1 117	1 660	0
Total gains/losses	0	- 3	0	10	298	1	- 3	0	95	- 1	14	0
in profit and loss*	0	- 3	0	10	298	1	- 3	0	95	- 1	2	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	12	0
Acquisitions	0	0	0	28	31	0	0	0	5	68	43	0
Sales	0	0	0	- 45	- 155	0	- 5	0	- 23	- 840	- 53	0
Settlements	0	- 2	0	- 22	- 212	- 1	0	0	- 23	0	- 573	0
Transfers into level 3	0	0	0	8	147	0	0	0	0	0	42	0
Transfers out of level 3	0	0	0	- 130	0	0	0	0	0	0	- 272	0
Transfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	5	0	3	6	1	1	0	5	0	- 2	0
Changes in scope	0	- 19	0	0	0	0	0	0	0	0	0	0
Other	0	3	0	- 1	- 574	0	0	0	- 65	0	17	0
Closing balance	0	183	0	373	2 582	27	43	0	265	343	875	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	- 3	0	5	76	1	- 4	0	96	0	0	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading					Designated at fair value				Hedging derivatives	
	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Other	Derivatives
Opening balance	0	181	0	4 979	0	0	0	1 366	0	44	0
Total gains/losses	0	19	0	0	0	0	0	- 28	0	- 17	0
in profit and loss*	0	19	0	0	0	0	0	- 28	0	- 17	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	24	0	0	0	196	0	0	0
Repurchases	0	0	0	- 3	0	0	0	0	0	0	0
Settlements	0	- 7	0	- 477	0	0	0	0	0	0	0
Transfers into level 3	0	0	0	49	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	6	0	0	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	- 600	0	0	0	0	0	0	0
Closing balance	0	199	0	3 972	0	0	0	1 534	0	27	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	20	0	- 21	0	0	0	- 27	0	0	0

* Recognised primarily in 'Net result from financial instruments at fair value through profit or loss', 'Net realised result from available-for-sale assets' and 'Impairment on available-for-sale assets'.

Parent shareholders' equity and non-voting core-capital securities (note 39 in the annual accounts 2012)

in number of shares	31-12-2012	31-03-2013
Ordinary shares	416 967 355	416 967 355
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	416 967 355	416 967 355
<i>of which treasury shares</i>	302	302
Non-voting core-capital securities	118 644 067	118 644 067
Other information		
Par value per ordinary share (in euros)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (*pari passu*) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual report 2012.

In 2012, KBC repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros including a 15% penalty (525 million euros in total).

Related-party transactions (note 42 in the annual accounts 2012)

During 1Q 2013, there was no significant change in related parties compared to the end of 2012. Over 2013 results, KBC does not intend to pay a coupon on the remaining non-voting core capital securities.

Main changes in the scope of consolidation (note 45 in the annual accounts 2012)

Company	Consolidation method	Ownership percentage at group level		Comments
For income statement comparison		1Q 2012	1Q 2013	
Additions				
None				
Exclusions				
KBC Clearing NV	Full	100.00%	-----	Deconsolidated in 2Q 2012 due to immateriality
TUIR WARTA SA	Full	100.00%	-----	Deconsolidated on 30 June 2012 following sale
KBL EPB (Group)	Full	100.00%	-----	Sold in 3Q 2012
Kredyt Bank SA	Full	80.00%	-----	Deconsolidated on 31 December 2012 following merger with Bank Zachodni WBK
KBC Private Equity NV	Full	100.00%	-----	Deconsolidated in 1Q 2013 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	25.00%	-----	Sold in 1Q 2013
Name Changes				
None				
Changes in ownership percentage and internal mergers				
VAB Group	Full	74.81%	79.81%	Stake increased in 2Q2012
KBC Real Estate NV	Full	100.00%	-----	Merged with KBC Bank on 1 July 2012
Absolut Bank	Full	99.00%	100.00%	Increase with 1% (1Q 2013)
For balance sheet comparison				
		31/12/2012	31/03/2013	
Additions				
None				
Exclusions				
KBC Private Equity NV	Full	100.00%	-----	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	22.04%	-----	Sold in 1Q 2013
Name Changes				
None				
Changes in ownership percentage and internal mergers				
Absolut Bank	Full	99.00%	100.00%	Increase with 1% (1Q 2013)

Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2012)

Situation as at 31 March 2013

On 31 March 2013, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka. 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.

Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 31 March 2013

Absolut Bank:

Activity: Banking

Segment: Group Centre

Other information: On 24 December 2012, KBC has reached an agreement with the second largest Non-State Pension Fund in Russia, Blagosostoyanie for the sale of KBC's Russian subsidiary Absolut Bank. This deal - for a total consideration of 0.3 billion euros and repayment of all KBC funding that is placed within Absolut Bank for the amount of 0.7 billion euros at the time of signing - will free up around 0.3 billion euros of capital for KBC, primarily by reducing risk-weighted assets by 2 billion euros, which will ultimately improve KBC's tier-1 ratio by around 0.4% (pro forma impact calculated on 30 September 2012).

At closing, an impact of about -0.1 billion euros on the consolidated result is expected, with no material impact on parent shareholders' equity (mainly recycling of negative translation differences from equity to P/L).

Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second quarter of 2013.

KBC Banka:

Activity: Banking

Segment: Group Centre

Other information: On 26 April 2013, KBC has reached an agreement with Société Générale Srbija and Telenor Serbia on the sale of KBC Banka, KBC's banking entity in Serbia. Under the agreement, Telenor will purchase 100% of KBC Banka's shares, while Société Générale Srbija will acquire KBC Banka's key assets and deposits. All the parties involved agreed not to disclose any financial details of the transaction. For KBC, however, the transaction will have an impact on earnings of at the time of signing an estimated -47 million euros (-17m euros of which recorded in 1Q 2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the fourth quarter of 2013. (also see note 48)

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

NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS In millions of EUR

	31-12-2012	of which: Discontinued operations	31-03-2013	of which: Discontinued operations
Assets				
Cash and cash balances with central banks	484	0	325	0
Financial assets	6 407	0	6 543	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Tax assets	83	0	85	0
Investments in associated companies	3	0	0	0
Investment property and property and equipment	113	0	117	0
Goodwill and other intangible assets	14	0	13	0
Other assets	35	0	33	0
Total assets	7 138	0	7 115	0
Liabilities				
Financial liabilities	3 657	0	4 317	0
Technical provisions insurance, before reinsurance	0	0	0	0
Tax liabilities	12	0	16	0
Provisions for risks and charges	9	0	10	0
Other liabilities	61	0	57	0
Total liabilities	3 739	0	4 401	0
Other comprehensive income				
Available-for-sale reserve	101	78	- 1	0
Deferred tax on available-for-sale reserve	- 27	- 22	0	0
Cash flow hedge reserve	7	0	0	0
Translation differences	55	- 4	- 10	0
Total other comprehensive income	136	52	- 10	0

Post-balance sheet events (note 48 in the annual accounts 2012)

Significant event between the balance sheet date (31 March 2013) and the publication of this report (16 May 2013):

On 26 April 2013 KBC reached an agreement with Soci  t   G  n  rale Srbija and Telenor Serbia on the sale of KBC Banka, KBC's banking entity in Serbia. For KBC, the transaction will have an impact on earnings of an estimated -47 million euros (-17m euros recorded in 1Q 2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. (also see note 46)



Ernst & Young
Réviseurs d'Entreprises
Bedrijfsrevisoren
De Kleetlaan 2
B - 8331 Diegem
Tel: +32 (0)2 774 91 11
Fax: +32 (0)2 774 90 90
www.ey.com/be

Report of the statutory auditor to the shareholders of KBC Groep nv on the review of the interim condensed consolidated financial statements as of 31 March 2013 and for the three-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet KBC Groep nv (the "Company") as at 31 March 2013 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the three-month period then ended, and explanatory notes which show a consolidated balance sheet total of € 258.567 million and a consolidated profit (share of the group) for the three-month period of € 520 million. 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/bepoekt nazicht") in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" 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 International Standards on Auditing (ISA) 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 emporté la forme d'une société coopérative
à responsabilité limitée
Burgerlijke vennootschap die de rechtsvorm van een coöperatieve
vennootschap met beperkte aansprakelijkheid heeft aangenomen
RPM Bruxelles - RPM Brussel - TVA - BTW BE 0446.334.711
Banque - Fortis - Bank 210-0905900-69



Report dated 16 May 2013 on the interim condensed consolidated financial statements of KBC Groep nv as of 31 March 2013 and for the three-month period then ended

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects the financial position of the entity as at 31 March 2013, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussels, 16 May 2013

Ernst & Young Réviseurs d'Entreprises scrl
Statutory auditor
represented by

Pierre Vanderbeek
Partner

13PVDB0216

Peter Telders
Partner

KBC Group Risk and capital management 1Q 2013



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

Credit risk: loan portfolio overview	31-12-2012	31-03-2013
Total loan portfolio (in billions of EUR)		
Amount granted	167	166
Amount outstanding ¹	141	140
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	65%	66%
Czech Republic	15%	15%
International Markets	17%	17%
Group Centre	3%	3%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 757	10 905
Specific loan impairments	4 614	4 681
Portfolio-based loan impairments	244	273
Credit cost ratio, per business unit³		
Belgium	0.28%	0.62%
Czech Republic	0.31%	0.42%
International Markets	2.26%	1.78%
Slovakia	0.25%	0.33%
Hungary	0.78%	0.82%
Bulgaria	0.94%	2.17%
Ireland	3.34%	2.47%
Group Centre ²	1.06%	0.69%
Total²	0.69%	0.81%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 397	7 432
Specific loan impairments for NP loans	3 626	3 593
Non-performing ratio, per business unit		
Belgium	2.3%	2.3%
Czech Republic	3.2%	3.2%
International Markets	17.6%	18.0%
Group Centre	1.3%	0.9%
Total	5.3%	5.3%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	49%	48%
Idem, excluding mortgage loans	63%	62%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	66%	67%
Idem, excluding mortgage loans	91%	94%

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

2. Including IFRS 5 entities the CCR per 31/03/2013 would be 0.67% for Group Centre and 0.80% for the Total.

3. Annualised credit cost.

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

Legend:

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

Loan portfolio Business Unit Belgium 31-03-2013, in millions of EUR				Belgium		Foreign branches		Total Belgium	
Total outstanding amount				81,742		7,190		88,932	
Counterparty break down				<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
SME / corporate				22,042	27.0%	7,190	100.0%	29,232	32.9%
retail				59,700	73.0%	0	0.0%	59,700	67.1%
o/w private				31,937	39.1%	0	0.0%	31,937	35.9%
o/w companies				27,763	34.0%	0	0.0%	27,763	31.2%
Mortgage loans (1)				<u>% outst.</u> <u>ind. LTV</u>		<u>% outst.</u> <u>ind. LTV</u>		<u>% outst.</u>	
total				30,699	37.6% 62%	0	0.0% 0%	30,699	34.5%
o/w FX mortgages				0	0.0% -	0	0.0% -	0	0.0%
o/w vintage 2007 and 2008				3,737	4.6% -	0	0.0% -	3,737	4.2%
o/w LTV > 100%				2,382	2.9% -	0	0.0% -	2,382	2.7%
Probability of default (PD)				<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)				60,994	74.6%	4,224	58.7%	65,218	73.3%
medium risk (pd 5-7; 0.80%-6.40%)				14,555	17.8%	1,660	23.1%	16,215	18.2%
high risk (pd 8-10; 6.40%-100.00%)				4,508	5.5%	956	13.3%	5,464	6.1%
non-performing loans (pd 11 - 12)				1,660	2.0%	348	4.8%	2,008	2.3%
unrated				25	0.0%	2	0.0%	28	0.0%
Other risk measures				<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
outstanding non-performing loans (NPL)				1,660	2.0%	348	4.8%	2,008	2.3%
provisions for NPL				1,027		219		1,246	
all provisions (specific + portfolio based)				n.a.		n.a.		1,887	
cover NPL by all provisions (specific + portfolio)				n.a.		n.a.		94%	
2012 Credit cost ratio (CCR)				n.a.		n.a.		0.28%	
YTD 2013 CCR				n.a.		n.a.		0.62%	

Remarks

Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, KBC Commercial Finance, KBC Consumer Finance Belgium, KBC Credit Investments (non-legacy portfolio)

(1) 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: Absolut Bank, Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012.

Loan portfolio Business Unit Czech Republic 31-03-2013, in millions of EUR	Czech republic
--	-----------------------

Total outstanding amount	20,771		
Counterparty break down		<u>% outst.</u>	
SME / corporate	6,761	32.6%	
retail	14,010	67.4%	
o/w private	10,537	50.7%	
o/w companies	3,472	16.7%	
Mortgage loans (1)		<u>% outst.</u>	<u>ind. LTV</u>
total	9,168	44.1%	66%
o/w FX mortgages	0	0.0%	-
o/w vintage 2007 and 2008	2,161	10.4%	-
o/w LTV > 100%	579	2.8%	-
Probability of default (PD)		<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)	12,193	58.7%	
medium risk (pd 5-7; 0.80%-6.40%)	6,849	33.0%	
high risk (pd 8-10; 6.40%-100.00%)	994	4.8%	
non-performing loans (pd 11 - 12)	670	3.2%	
unrated	64	0.3%	
Other risk measures		<u>% outst.</u>	
outstanding non-performing loans (NPL)	670	3.2%	
provisions for NPL	408		
all provisions (specific + portfolio based)	503		
cover NPL by all provisions (specific + portfolio)	75%		
2012 Credit cost ratio (CCR)	0.31%		
YTD 2013 CCR (local currency)	0.42%		

Remarks

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

Loan portfolio Business Unit International Markets 31-03-2013, in millions of EUR												
	Ireland			Slovakia			Hungary			Bulgaria		
	Total Int Markets											
Total outstanding amount	15,787			4,521			5,043			687		26,037
Counterparty break down		<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>	
SME / corporate	3,444	21.8%		2,088	46.2%		2,624	52.0%		289	42.1%	8,445
retail	12,343	78.2%		2,432	53.8%		2,418	48.0%		398	57.9%	17,591
o/w private	12,343	78.2%		1,891	41.8%		2,046	40.6%		250	36.5%	16,530
o/w companies	0	0.0%		541	12.0%		373	7.4%		147	21.4%	1,061
Mortgage loans (1)		<u>% outst.</u>	<u>ind. LTV</u>		<u>% outst.</u>	<u>ind. LTV</u>		<u>% outst.</u>	<u>ind. LTV</u>		<u>% outst.</u>	<u>ind. LTV</u>
total	12,343	78.2%	124%	1,579	34.9%	58%	1,832	36.3%	85%	120	17.5%	62%
o/w FX mortgages	0	0.0%	-	0	0.0%	-	1,481	29.4%	94%	77	11.2%	58%
o/w vintage 2007 and 2008	4,561	28.9%	-	260	5.8%	-	954	18.9%	-	49	7.1%	-
o/w LTV > 100%	8,443	53.5%	-	0	0.0%	-	609	12.1%	-	14	2.1%	-
Probability of default (PD)		<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)	5,742	36.4%		2,782	61.5%		2,077	41.2%		50	7.3%	10,630
medium risk (pd 5-7; 0.80%-6.40%)	2,323	14.7%		1,170	25.9%		1,739	34.5%		178	25.9%	5,455
high risk (pd 8-10; 6.40%-100.00%)	3,933	24.9%		363	8.0%		656	13.0%		97	14.1%	5,020
non-performing loans (pd 11 - 12)	3,789	24.0%		140	3.1%		569	11.3%		216	31.5%	4,714
unrated	0	0.0%		65	1.4%		2	0.0%		146	21.2%	218
Other risk measures		<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>	
outstanding non-performing loans (NPL)	3,789	24.0%		140	3.1%		569	11.3%		216	31.5%	4,714
provisions for NPL	1,440			77			300			104		1,921
all provisions (specific + portfolio based)	1,806			108			367			118		2,399
cover NPL by all provisions (specific + portfolio)	48%			77%			65%			54%		51%
2012 Credit cost ratio (CCR)	3.34%			0.25%			0.78%			0.94%		2.26%
YTD 2013 CCR (2)	2.47%			0.33%			0.82%			2.17%		1.78%

Remarks

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

Total Int Markets: outstanding additionally includes small amount of KBC internal risk sharings which were eliminated at country level

(1) mortgage loans: only to private persons (as opposed to the accounting figures); For Ireland: only KBC Homeloans exposure

(2) individual CCR in local currency



Loan portfolio Business Unit Group Centre 31-03-2013, in millions of EUR	Total Group Centre (mainly KBC Finance Ireland and KBC Credit Investments)		For Information: entities marked as 'disposal groups' under IFRS 5					
			Russia (Absolut Bank)		Belgium (Antwerp Diamond Bank)		Western Europe (KBC Deutschland)	
Total outstanding amount	4 361		2 109		1 578		2 497	
Counterparty break down		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>
SME / corporate	4 361	100.0%	1 006	47.7%	1 578	100.0%	2 497	100.0%
retail	0	0.0%	1 104	52.3%	0	0.0%	0	0.0%
o/w private	0	0.0%	1 025	48.6%	0	0.0%	0	0.0%
o/w companies	0	0.0%	79	3.7%	0	0.0%	0	0.0%
Mortgage loans (*)		<u>% outst.</u> <u>ind. LTV</u>		<u>% outst.</u> <u>ind. LTV</u>		<u>% outst.</u> <u>ind. LTV</u>		<u>% outst.</u> <u>ind. LTV</u>
total	0	0.0%	874	41.5%	0	0.0%	0	0.0%
o/w FX mortgages	0	0.0%	144	6.8%	0	0.0%	0	0.0%
o/w vintage 2007 and 2008	0	0.0%	317	15.0%	0	0.0%	0	0.0%
o/w LTV > 100%	0	0.0%	4	0.2%	0	0.0%	0	0.0%
Probability of default (PD)		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>
low risk (pd 1-4; 0.00%-0.80%)	1 618	37.1%	1 103	52.3%	209	13.3%	1 416	56.7%
medium risk (pd 5-7; 0.80%-6.40%)	1 870	42.9%	807	38.3%	599	38.0%	714	28.6%
high risk (pd 8-10; 6.40%-100.00%)	816	18.7%	54	2.6%	543	34.4%	258	10.3%
non-performing loans (pd 11 - 12)	40	0.9%	87	4.1%	219	13.9%	99	4.0%
unrated	17	0.4%	58	2.7%	8	0.5%	10	0.4%
Other risk measures		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>
outstanding non-performing loans (NPL)	40	0.9%	87	4.1%	219	13.9%	99	4.0%
provisions for NPL	17		73		181		80	
all provisions (specific + portfolio based)	166		98		184		135	
cover NPL by all provisions (specific + portfolio)	418%		113%		84%		136%	
2012 Credit cost ratio (CCR)	1.06%		-0.85%		1.51%		1.89%	
YTD 2013 CCR (local currency)	0.69%		0.07%		0.21%		1.29%	

Remarks

Total Group Centre = KBC Finance Ireland, KBC Credit Investments (legacy portfolio), KBC FP (ex-Atomium assets), KBC Lease UK

Outstanding structured credit exposure (banking and insurance activities)

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

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

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

KBC investments in structured credit products (CDOs and other ABS), in billions of EUR	31-03-2013
Total nominal amount	15.4
o/w CDO exposure protected with MBIA	8.6
o/w other CDO exposure	5.3
o/w other ABS exposure	1.5
Cumulative value markdowns (mid 2007 to date)*	-3.8
Value markdowns	-3.5
for other CDO exposure	-3.4
for other ABS exposure	-0.2
Credit value adjustment (CVA) on MBIA cover	-0.3

* 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 first quarter of 2013, there was a total notional reduction in our CDO and ABS exposure of 1.7 billion euros bringing the total CDO and ABS notional to 15.4 billion euros.

This reduction was mainly due to:

- the de-risking of two CDOs, which reduced the outstanding notional amount by 1.6 billion euros.
- some minor redemptions in the other ABS portfolio.

Since the inception, the outstanding other CDO positions held by KBC experienced net effective losses caused by claimed and settled credit events until 8 April 2013 in the lower tranches of the CDO structure for a total amount of -2.2 billion euros. 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 10.5 billion euros of which 8.6 billion euros relates to the exposure insured by MBIA. The remaining 2.0 billion euros of exposure covered by the contract with the Belgian State relates to part of the 'other CDO exposure'. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR	31-03-2013
Total insured amount (notional amount of super senior swaps) ¹	8.6
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	0.4
- CVA for counterparty risk, MBIA	-0.3
(as a % of fair value of insurance coverage received)	80%

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

Solvency

Solvency KBC Group

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

In millions of EUR	31-12-2012	31-03-2013
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	16 113	18 480
Tier-1 capital	14 062	15 166
<i>Core Tier-1 capital</i>	<i>11 951</i>	<i>13 052</i>
Parent shareholders' equity	12 099	12 505
Non-voting core-capital securities	3 500	3 500
Intangible fixed assets (-)	- 356	- 339
Goodwill on consolidation (-)	- 987	- 964
Innovative hybrid tier-1 instruments	419	421
Non-innovative hybrid tier-1 instruments	1 692	1 692
Direct & indirect funding of investments in own shares	- 250	- 250
Minority interests	- 5	- 3
Equity guarantee (Belgian State)	276	152
Revaluation reserve available-for-sale assets (-)	- 1 263	- 1 171
Hedging reserve, cashflow hedges (-)	834	773
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 22	8
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	0	0
Equalization reserve (-)	- 111	- 117
Dividend payout (-)	- 960	- 960
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 227	- 82
Items to be deducted ¹ (-)	- 577	0
Tier-2 & 3 capital	2 051	3 314
Perpetuals (incl. hybrid tier-1 not used in tier-1)	0	0
Revaluation reserve, available-for-sale shares (at 90%)	185	210
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	130	167
Subordinated liabilities	2 268	2 895
Tier-3 capital	44	43
IRB provision shortfall (50%) (-)	0	0
Items to be deducted ¹ (-)	- 577	0
Capital requirement		
Total weighted risks	102 148	98 569
Banking ²	89 532	86 242
Insurance	12 386	12 132
Holding activities	304	252
Elimination of intercompany transactions between banking and holding activities	- 74	- 57
Solvency ratios		
Tier-1 ratio	13.77%	15.39%
Core Tier-1 ratio	11.70%	13.24%
CAD ratio	15.77%	18.75%

1 Items to be deducted fell to zero after KBC closed the sale of NLB and sold its stake in Bank Zachodni WBK.

2 Until the end of 2015, KBC Group's RWA include a yearly decreasing amount of RWA for residual operational risks related to KBL EPB (sold in 2012).

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

The pro forma tier-1 ratio at 31 March 2013 including the impact of the sale of Absolut Bank and KBC Banka amounts to approximately 15.7%.

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. KBC Group's approximated Basel III fully loaded Common Equity ratio amounts to 12.0%.

Basel II IRB, since its implementation in 2008, is the primary approach (used for somewhat more than 86% of the weighted credit risks, of which approx. 62% according to Advanced and approx. 24% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 14%) 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 as at 31/12/2012 can be found in their consolidated financial statements and in the KBC Risk Report on www.kbc.com.

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2012	31-03-2013
Total regulatory capital, after profit appropriation	14 390	16 212
Tier-1 capital	12 235	12 816
Tier-2 and tier-3 capital	2 154	3 396
Total weighted risks	88 927	85 638
Credit risk	69 149	65 639
Market risk	8 733	8 954
Operational risk	11 045	11 045
Solvency ratios		
Tier-1 ratio	13.8%	15.0%
of which core tier-1 ratio	11.4%	12.5%
CAD ratio	16.2%	18.9%
Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2012	31-03-2013
Available capital	3 190	3 167
Required solvency margin	991	971
Solvency ratio and surplus		
Solvency ratio (%)	322%	326%
Solvency surplus (in millions of EUR)	2 199	2 197

The increase of Tier-2 capital at KBC Bank is largely a combination of the issuance of a Contingent Capital note on 18 January 2013 to the tune of 1 billion USD, and the closure of the sale of NLB and the stake in Bank Zachodni WBK.