

Earnings Statement

KBC Group, 1Q 2008

Regulated information* - 15 May 2008 (7 a.m. CEST)

Summary

KBC closed the first quarter of 2008 with a net profit (IFRS) of 554 million euros, down 44% vis-à-vis the first quarter of 2007 which benefited from exceptional income from the disposal of shares of *Intesa San Paolo*. Underlying net profit for the first quarter of 2008 - i.e. net profit excluding exceptional items - came to 573 million euros. This was 15% below the level of previous quarter and 22% below that of the first quarter of 2007, mainly on the back of weak capital market conditions. The corresponding underlying return on equity was 14%.

According to André Bergen, Group CEO, *'It was not the ideal start to the year. As investment yields fell across asset classes and volatility remained high, merchant banking and asset management performances suffered. However, we were happy to see that the performances of the second half of the quarter showed clear signs of improvement. These have so far persisted into the first half of the second quarter. As a result, the second quarter up to now has shown a strong performance. We were also glad to see that the trends for lending, deposit-gathering and life insurance sales remained solid. Especially Central and Eastern Europe continued to do very well, with organic loan growth at 26% year-on-year and underlying net banking profit up 27%. This testifies to that region's role as a growth-driver for the group. As insurance earnings in the region were impacted by non-recurring items, the Business Unit's growth in total net profit was more limited.'*

In millions of EUR	1Q 2007	4Q 2007	1Q 2008	1Q 2008 / 1Q 2007	1Q 2008 / 4Q 2007
Net profit (IFRS)	997	708	554	-44%	-22%
Earnings per share, basic (IFRS, in EUR)	2.85	2.06	1.62	-43%	-21%
Earnings per share, diluted (IFRS, in EUR)	2.84	2.06	1.62	-43%	-21%
Underlying net profit	781	676	573	-27%	-15%
Underlying earnings per share, basic (in EUR)	2.23	1.97	1.68	-25%	-15%
Underlying earnings per share, diluted (in EUR)	2.22	1.96	1.68	-25%	-15%
Breakdown of underlying profit by business unit					
Belgium Business Unit	327	274	387	18%	41%
Central & Eastern Europe and Russia Business Unit	150	174	154	3%	-11%
Merchant Banking Business Unit	269	179	26	-90%	-85%
European Private Banking Business Unit	52	41	43	-17%	5%
Group Centre	-17	8	-36	-	-
Shareholders' equity per share (EUR, at end of period)	47.7	50.7	45.7	-4%	-10%

Highlights for 1Q 2008:

- Continued encouraging trends for lending, deposit-gathering and life insurance sales
- Difficult start to the year for capital market and asset management operations
- Limited markdown of structured credit portfolio (net profit impact at 93 million euros)
- Solvency remains robust, even after having achieved the targeted (excess) capital reduction

Publication schedule for 15 May 2008:

- Quarterly report available on www.kbc.com 7.00 a.m. CEST
- Telephone conference for the press 10.30 a.m. CEST, Tel. +32 2 290 1411
- E-conference for financial analysts 1.30 p.m. CEST, www.kbc.com – Tel. +44 20 7162 0125

* KBC Group is a listed company. This news release contains information that is subject to transparency regulations.

Financial highlights - 1Q 2008

André Bergen, Group CEO, summarises the financial highlights for 1Q 2008, as follows:

“Trends for lending, deposit-gathering and life insurance sales in our core markets remain highly encouraging. The size of the mortgage book in Belgium was 10% above the year-earlier level, while home loans in Central & Eastern Europe grew organically by 50% over the same period. In Belgium, bank deposits were especially attractive as an alternative to investment funds, while the decline of deposit product spreads came to an end, though this does not make up for the changed deposit structure. On an organic basis, the underlying net interest income grew by 10% in Belgium and 21% in Central & Eastern Europe compared with the first quarter of 2007. In Merchant Banking, loan growth was slowed down somewhat temporarily, not on account of strains in funding, but in order to ensure an adequate risk-return level in light of a global economic slowdown. The Group’s sales of life insurance were 54% more than the year-earlier figure.”

“On the other hand, the roughly 17% decline in broad equity indices during the quarter under review has weighed on trading and asset management operations. New retail customer money flowed mostly into secure products, such as time deposits and interest-guaranteed life insurance, while income from institutional sales and trading, local corporate finance and private banking was also impacted by the depressed market sentiment.”

“The markdown of our structured credit investments portfolio remained limited. An after-tax earnings impact of -93 million euros was posted, while the impact on shareholder’s equity was -61 million euros. In the quarter under review, no further accrual of provisions was deemed necessary to cover the exposure to monoline insurers.”

“Overall, customer loan quality remained solid. The loan loss ratio came to just 6 basis points: 3 basis points for the Belgian retail business, 38 basis points in the Central & Eastern Europe and Russia region and nil in Merchant Banking. We know that everyone is factoring in much higher losses as the cycle is turning, but even today, we see only a marginal decrease in asset quality.”

“Our solvency remains robust. At the end of March, the Tier-1 ratio for the banking activities came to 8.6% according to the Basel II capital adequacy regulations. According to the Basel I rules, the ratio came to 8.0%, while the solvency ratio for the insurance activities amounted to 191%.”

“We have prudent minimum solvency target levels of 8% for Tier-1 banking capital and 200% for insurance capital. Over the last few years, we invested progressively in both organic and external growth. Together with the share buyback programme, this almost fully used up the amount of capital in excess of these target levels. Today, we still see uncertainty as to when the adversity on the financial markets will come to a complete end and as to whether or not regulatory capital adequacy requirements will be tightened. Therefore, we believe it is better to err on the side of caution. The ongoing share buyback plan will be temporarily suspended in order to safeguard our organic and external growth potential.”

Main earnings trends – 1Q 2008

- The underlying net interest income for the Group amounted to 1 202 million euros, 13% higher than that of the year-earlier quarter, mainly thanks to the solid organic growth in both loans and deposits.
- Gross earned premium, insurance, stood at 1 236 million euros, up 42% compared to the first quarter of 2007. Net of technical charges, the income was 47 million euros higher (+47%). The combined ratio, non-life, amounted to 90%.
- On an underlying basis, net gains from financial instruments at fair value amounted to a negative 28 million. This included a markdown-to-market of 141 million euros on asset-backed securities and collateralised debt obligations (93 million euros, after tax). The trading income was negatively impacted by the adverse capital markets climate.
- A higher-than-average amount of gains from available-for-sales assets was realised (198 million euros, mostly on shares in the Belgium Business Unit). Part of this amount offsets the increased impairment charges on the same portfolio (see below). Net of impairments, realised gains in the Belgium Business Unit were some 65 million higher than the 2007 quarterly average.
- Underlying net fee and commission income amounted to 464 million. This is 9% below the year-earlier level, mainly due to lower customer investment activities as a result of the high volatility in equity markets during the quarter.
- Operating expenses came to 1 278 million euros. Compared to the year-earlier quarter, the 6% cost growth is largely explained by new acquisitions and currency appreciations. Excluding these factors, cost growth was less than 1%.
- Impairment charges stood at 98 million euros, of which a low 27 million euros was related to loan impairment. Due to the fall in equity markets, an impairment charge in the amount of 71 million euros was taken on (mainly shares in) the investment portfolio.
- Taxes amounted to 144 million euros. The tax rate was in line with the average for the 2007 financial year.
- In order to arrive at the figure for underlying profit, factors that do not occur during the normal course of business are eliminated. For the quarter under review, these amounted to -19 million euros and related to mark-to-market adjustments on derivatives used for Asset and Liability Management purposes.
- As at the end of March 2008, the parent shareholders’ equity came to 15.6 billion euros (45.7 euros per share). Shareholder’s equity was down on the start of the year (- 1.8 billion), as profit for the quarter (+0.6 billion) was more

than offset by dividends paid out (-1.3 billion euros), a decrease in the revaluation reserve for available-for-sale assets (-0.8 billion euros) and the repurchase of treasury shares (-0.2 billion euros).

Strategy highlights – 1Q 2008

During the first quarter, KBC significantly strengthened its retail market position in Slovakia via the acquisition of *Istrobanka* (subject to regulatory approval) and its private banking position in France via the acquisition of *Richelieu Finance* (to be consolidated as of the second quarter).

From the start of January 2006 up to 13 May 2008, 2.2 billion euros worth of shares were bought back (of which 245 million in 2008). As of today, 15 May 2008, however, the share buyback programme is suspended. The capital position and the potential reactivation of share repurchases will be periodically evaluated.

Future developments

André Bergen: *“The operating environment in the first quarter of the year was too uncertain to provide much detailed earnings visibility for the short term. Although it is early days, we recently saw various signs of improvement and I am happy to confirm that our second quarter has got off to a much better start. Given our business model and strategy, I remain confident on the earnings growth capacity of our franchise in the mid-term.”*

Given the importance of Central & Eastern Europe and Russia in the strategy of the Group, KBC is glad to host its annual Investor Day on 5-6 June in Moscow to explain its growth ambitions in the region in further detail to the investment community (more information via investor.relations@kbc.com).

Additional information on the financial statements

Compared to 1Q 2007, the changes in the scope of consolidation (mainly entailing the inclusion of newly acquired entities in Russia and Bulgaria and the share participation increase in the Czech Republic) had no material impact on net profit.

The total impact on net profit of changes in the value of non-euro currencies was negligible, as macro hedging instruments have been used to highly offset the result of such changes.

Earnings per share and shareholders' equity per share as at 31 March 2008 were calculated on the basis of 341.2 (period average) and 340.2 (end of period) million shares, respectively. For this purpose, the number of mandatorily convertible bonds was added to the number of ordinary shares, while the number of treasury shares held was deducted. On the other hand, diluted earnings per share were calculated on the basis of 342.3 million shares (period average), including the number of outstanding share options.

Financial calendar

Financial calendar

Publication of 1Q 2008 results	15 May 2008
KBC Investor Day (Moscow)	5-6 June 2008
Publication of 2Q 2008 results	7 August 2008
Publication of 3Q 2008 results	6 November 2008
Publication of 4Q 2008 results	12 February 2009

For the most up-to-date version of the financial calendar, including investor relations events such as analyst meetings and investor road shows, see www.kbc.com.

Overview of results according to IFRS – 1Q 2008

Below is a consolidated income statement summary of KBC Group, based on the *International Financial Reporting Standards* (IFRS). A full overview of the IFRS consolidated income statement and balance sheet, a condensed consolidated statement of changes in equity and a number of notes to the accounts are provided in the 'Consolidated financial statements' section of the quarterly report.

In order to provide a good insight into the underlying business trends, KBC also publishes its underlying results, which are given in the next section.

Consolidated income statement, KBC Group (in millions of EUR) - **IFRS-**

FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
Net interest income	1 052	1 014	930	1 093	1 163
Gross earned premiums, insurance	869	824	969	1 328	1 236
Gross technical charges, insurance	- 753	- 663	- 841	-1 147	-1 078
Ceded reinsurance result	- 15	- 5	- 17	- 28	- 10
Dividend income	28	138	52	38	36
Net (un)realised gains from financial instruments at fair value	400	548	379	315	- 26
Net realised gains from available-for-sale assets	317	108	115	143	198
Net fee and commission income	489	527	478	499	438
Other net income	155	105	128	231	129
Total income	2 541	2 595	2 193	2 473	2 084
Operating expenses	-1 208	-1 314	-1 266	-1 431	-1 278
Impairment	- 27	- 56	- 62	- 121	- 98
Share in results of associated companies	16	22	14	4	16
Profit before tax	1 322	1 248	878	925	723
Income tax expense	- 293	- 281	- 211	- 184	- 144
Profit after tax	1 028	966	667	741	579
attributable to minority interests	31	30	28	33	26
attributable to the equity holders of the parent	997	936	639	708	554
Belgium	353	470	302	278	357
Central & Eastern Europe and Russia	151	181	150	182	159
Merchant Banking	261	227	160	185	31
European Private Banking	53	73	43	41	43
Group centre	179	- 14	- 16	23	- 35

Highlights, consolidated balance sheet and ratios (in millions of EUR or %)	31-12-2007	31-03-2008
Total assets	355 597	358 170
of which loans and advances to customers	147 051	149 161
of which securities (equity and debt instruments)	105 023	103 401
Total liabilities	337 110	341 505
of which deposits from customers and debt certificates	192 135	197 261
of which gross technical provisions, insurance	17 905	18 629
of which liabilities under investment contracts, insurance	8 928	8 480
Parent shareholders' equity	17 348	15 554
Return on equity (based on underlying results, year-to-date)	18.5%	14.3%
Cost/income ratio (based on underlying results, year-to-date)	58%	66%
Combined ratio, non-life (based on underlying results, year-to-date)	96%	90%

For a definition of ratios, see "glossary and other information". More information on the balance sheet can be found in the Consolidated Financial Statements part of the quarterly report.

Overview of the underlying results – 1Q 2008

In order to provide more insight into the results, KBC provides a number of 'underlying figures', over and above the figures according to the *International Financial Reporting Standards* (IFRS).

The differences with the IFRS figures are related to a) the exclusion of non-recurring exceptional items, b) the recognition of certain hedging derivatives used for Asset and Liability Management purposes and c) the accounting treatment of certain income components related to capital market activities. A reconciliation of the net profit under IFRS and the underlying net profit is provided on the next page.

Consolidated income statement, KBC Group (in millions of EUR) -

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
Net interest income	1 063	1 081	1 116	1 199	1 202
Gross earned premiums, insurance	869	824	969	1 328	1 236
Gross technical charges, insurance	-753	-663	-841	-1 147	-1 078
Ceded reinsurance result	-15	-5	-17	-28	-10
Dividend income	12	112	23	29	19
Net (un)realised gains from financial instruments at fair value	359	404	154	154	-28
Net realised gains from available-for-sale assets	96	107	115	143	198
Net fee and commission income	512	541	539	546	464
Other net income	151	87	88	125	115
Total income	2 293	2 488	2 145	2 350	2 118
Operating expenses	-1 208	-1 314	-1 266	-1 367	-1 278
Impairment	-27	-56	-62	-121	-98
Share in results of associated companies	16	22	14	4	16
Profit before tax	1 074	1 140	831	866	756
Income tax expense	-262	-230	-202	-157	-157
Profit after tax	812	910	629	709	599
attributable to minority interests	31	30	28	33	25
attributable to the equity holders of the parent	781	880	601	676	573
Belgium	327	417	303	274	387
Central & Eastern Europe and Russia	150	177	117	174	154
Merchant Banking	269	241	153	179	26
European Private Banking	52	57	44	41	43
Group centre	-17	-13	-16	8	-36

The differences between the underlying results and the results reported according to International Financial Reporting Standards (IFRS) are as follows:

- In order to arrive at the figure for underlying group profit, factors that do not regularly occur during the normal course of business are eliminated from the profit figure. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully (impact on net profit: see table below).
- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for 'fair value hedge accounting for a portfolio hedge of interest rate risk'. Consequently, interest results on such hedges are recognised under 'net (un)realised gains from financial instruments at fair value', while the interest paid on the underlying assets is recognised under 'net interest income'. In the 'underlying accounts', the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit.
 Moreover, fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). Hence, the underlying figures exclude the fair value changes in these ALM derivatives (impact on net profit: see table below).
- Lastly, in the IFRS accounts, the income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains 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 gains on available-for-

sale assets' and 'other net income' are also related to trading income. In the 'underlying figures', all trading income components are recognised under 'net (un)realised gains from financial instruments at fair value', without any impact on net profit.

A detailed reconciliation of the net profit under IFRS and the underlying net profit is provided in the table below.

Underlying profit analysis, KBC Group (in millions of EUR)	BU*	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
Profit after tax, attributable to equity holders of the parent		997	936	639	708	554
Minus						
- Amounts before taxes and minority items						
MTM of derivatives for hedging purposes	various	34	94	13	36	-33
Sale of participation in BCC/Banksys (Belgium)	Belgium	0	-1	0	0	0
Sale of shares in Intesa Sanpaolo (Italy)	Group	207	0	0	0	0
Sale of Banca KBL Fumagalli (Italy)	EPB	0	14	0	0	0
Sale of GBC (Hungary)	CEER	0	0	35	0	0
Adjustment staff health insurance	Group	0	0	0	-64	0
Other	various	-23	-12	-3	80	0
- Taxes and minority interests on the items above						
	various	-2	-40	-6	-20	14
Underlying profit after tax, attributable to equity holders of the parent		781	880	601	676	573

*Belgium = Belgium business unit; CEER = Central & Eastern Europe and Russia business unit; Merchant = Merchant Banking business unit; EPB = European Private Banking business unit; Group = Group Centre.
