

# Earnings Release

## KBC Group, 3Q & 9M 2007

9 November 2007 (7 a.m. CET)

KBC closed the third quarter of 2007 with a net profit of 639 million euros, or 1.85 euros per share. As the comparable quarter of 2006 had included an 0.5-billion-euro divestment gain, the figure for the current quarter was clearly lower (41%) than the figure for the reference quarter. Underlying profit, i.e. net profit excluding 'exceptional items', came to 601 million euros. It was thus up 5% year-on-year and, in line with the normal seasonal pattern, down on the previous quarter, which had been exceptionally good.

For the first nine months of the year, the group realised a net profit of 2 572 million euros, or 7.39 euros per share. On an underlying basis, this amounted to 2 261 million euros, or an increase of 14% on the corresponding period of 2006, leading to an annualised return on equity of 19%.

According to André Bergen, Group CEO, "As anticipated, the impact of the adverse financial market climate in the third quarter was limited for our group. Moreover, our customer business continues to perform very well, giving us good reason to remain optimistic about the future."

In millions of EUR			3Q 2007 / 3Q 2007 /				9M 2007 /	
	3Q 2006	2Q 2007	3Q 2007	3Q 2006	2Q 2007	9M 2006	9M 2007	9M 2006
Net profit (IFRS)	1081	936	639	-41%	-32%	2 797	2 572	-8%
Earnings per share, basic (IFRS, in EUR)	3.06	2.69	1.85	-40%	-31%	7.87	7.39	-6%
Earnings per share, diluted (IFRS, in EUR)	3.03	2.68	1.84	-39%	-31%	7.79	7.36	-6%
Underlying net profit	574	880	601	5%	-32%	1 984	2 261	14%
Underlying earnings per share, basic (in EUR)	1.63	2.53	1.74	7%	-31%	5.58	6.50	16%
Underlying earnings per share, diluted (in EUR)	1.62	2.52	1.73	7%	-31%	5.53	6.47	17%
Breakdown of underlying profit by business unit								
Belgium Business Unit	266	417	303	14%	-27%	863	1047	21%
Central & Eastern Europe Business Unit	110	177	117	7%	-34%	370	444	20%
Merchant Banking Business Unit	162	241	153	-5%	-37%	644	663	3%
European Private Banking Business Unit	44	57	44	-1%	-23%	143	153	7%
Group Centre	-8	-13	-16	-	-	-36	-46	-
Shareholders' equity per share (EUR, at end of period)						47.2	50.2	6%

### Highlights for 3Q 2007:

- Underlying net result for the quarter up 5% year-on-year
- Continued sound top-line dynamics
- Limited impact of the adverse situation on the financial markets
- Environment for customer loan risk unchanged
- No liquidity or solvency issues

### Publication schedule for 9 November 2007:

- |  |                                    |
|--|------------------------------------|
| • Earnings release available on <a href="http://www.kbc.com">www.kbc.com</a> | 7.00 a.m. CET                      |
| • Telephone conference for the press   | 10.30 a.m. CET, +32 (0)2 290 14 07 |
| • Telephone conference / webcast for financial analysts                      | 1.30 p.m. CET, + 44 20 7162 0025   |

## ● Financial highlights - 3Q 2007 and 9M 2007

André Bergen, Group CEO, summarises the financial highlights for 3Q 2007 as follows:

*“The third quarter of 2007 turned out to be very good indeed. Excluding exceptional items, profit was up 5% on the year-earlier quarter, notwithstanding the difficult climate on the financial markets that was triggered by the sub-prime mortgage crisis in the U.S. For seasonal reasons, the third quarter is always weaker than the second.*

*Moreover, the quality of this quarter’s underlying profit was excellent. We noted sound year-on-year increases in our interest income, commission income and insurance sales, for instance.*

*As anticipated, the impact of the adverse credit market climate on our mortgage-backed investments was very limited. Our investment approach has always been very conservative. For the CDO tranches held, no impairment was required, and a negative 39 million euros after tax was posted due to their revaluation at current market value. Obviously, the result from our trading activities on the capital markets was down, yet the contribution of our merchant banking operations to group profit ended only 5% lower than the previous year’s figure.*

*Customer loan quality, meanwhile, has not shown any sign of change. We are also not materially involved in the higher risk area of large-scale leveraged finance.*

*We have a large deposit overhang, making us relatively independent from wholesale funding. The liquidity crunch on the financial markets has never been a real issue for us. Moreover, our solvency levels remain very sound and there is no reason to review our share-buyback programme.”*

Exceptional items during the quarter under review:

In the third quarter of 2007, 38 million euros were recorded for items not related to the normal course of business. Primarily, this concerned the sale of the share in the Hungarian bank-card clearing house GBC (with a positive after-tax impact of 28 million euros).

Highlights for the first nine months of 2007:

- Net result: 2 572 million euros, or, excluding exceptional items, 2 261 million euros, up 14% compared to the corresponding period of 2006.
- Increases in the net underlying result of all business units: Belgium +21%, CEE +20%, Merchant Banking +3% and European Private Banking +7%.
- Continuing business growth: year on year, lending and deposits increased by +18% and +9%, respectively (of which 1 to 2 percentage points due to new acquisitions). Assets under management grew by 13%, and life insurance reserves by 6%.
- A favourable trend in most of the underlying core income items: net interest income was up 7% year-on-year, earned insurance premiums +12%, fee and commission income +9%; however, trading income was down by 5%.
- Costs remained under control: the underlying cost/income ratio in the banking business came to 58% (the same as for the 2006 financial year); the combined ratio in the insurance business came to 97%, or, if the Kyrill storm is not taken into account, 93% (96% in the 2006 financial year).
- Limited loan losses: the annualised loan loss ratio came to 13 bps, the same as for the 2006 financial year.
- Underlying return on equity: 19.2%, exceeding the mid-term target of 18.5%.
- Shareholders’ equity: 17.3 billion euros as at 30-09-2007, up slightly (0.1 billion euros) on the start of the year, with the inclusion of the profit for the first nine months of the year being largely offset by dividends paid, a decrease in the revaluation reserve for available-for-sale assets, and the repurchase of treasury shares.
- Robust solvency: as at the end of September 2007, the Tier-1 ratio of KBC’s banking activities (KBC Bank and KBL together) came to 8.2% (more than twice the legal minimum), the solvency ratio for the insurance activities amounted to as much as three times the legal minimum, while leverage at the holding company level remained very limited (gearing ratio at 102%).

## ● Strategy highlights - 9M 2007

During the first nine months of 2007, KBC made a number of acquisitions in new CEE markets (including Serbia, Romania and Bulgaria) and in Russia. During the first nine months of the year, the group invested an additional 1.7 billion euros in the region.

Specifically in the third quarter of 2007, KBC acquired 95% of the Russian Absolut Bank (included in the group’s results as of this quarter) and 85% of the Bulgarian company, DZI Insurance (to be included in the results as of the next quarter). KBC also signed an agreement to acquire 75% of the Bulgarian Economic and Investment Bank (this deal is still subject to approval by the relevant regulatory authorities).

Share buybacks are proceeding according to plan. By the start of November 2007, 1.9 billion euros worth of shares had already been bought back as part of the 2006-2009 4-billion-euro share repurchase programmes.

André Bergen confirmed: *“It remains part of our capital management strategy to use excess capital for share buybacks and value-enhancing acquisitions, with a focus on the Central and Eastern European region. We are indeed very glad about the new footholds we have recently acquired in Bulgaria, Romania, Russia and Serbia, and will continue to look for additional take-over opportunities in these countries.”*

## ● Developments in 4Q 2007

André Bergen: *“For some time now, we have preferred not to issue specific earnings guidance for the current year. However, we can confirm that the fourth quarter has got off to a good start. Moreover, we have a set of financial targets for the medium term; temporary market turbulence is not a threat to our meeting these targets.”*

## ● Additional information on the financial statements – 9M 2007

Compared to 9M 2006, the changes in the scope of consolidation have led to a net underlying profit increase of roughly 2%. The total impact on net profit of changes in the value of non-euro currencies was negligible.

Earnings per share and shareholders' equity per share as at 30 September 2007 were calculated on the basis of 347.9 (period average) and 345.1 (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 349.6 million shares (period average, including the number of outstanding share options).

## ● Financial calendar

Financial calendar	
Publication of FY 2007 results	14 February 2008
Annual report 2007, available as of	9 April 2008
Annual general meeting	24 April 2008
Dividend payment	9 May 2008
Publication of 1Q 2008 results	15 May 2008
Publication of 1H 2008 results	7 August 2008
Publication of 3Q 2008 results	6 November 2008

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](http://www.kbc.com).

## Overview of the underlying results

In order to provide a good insight into the underlying business trends, KBC publishes its underlying results, which are shown in the table below. The differences between these results and the reported income statement based on the IFRS (next page) are related to the recognition of certain income components of the capital market activities, the treatment of certain ALM hedging derivatives and the exclusion of exceptional items.

Detailed information on the methodology used to calculate the underlying figures and a reconciliation of *IFRS-based reported profit after tax* and *underlying profit after tax* is provided in the 'glossary and other information' section of the quarterly report.

Consolidated income statement, KBC Group (in millions of EUR) - UNDERLYING FIGURES	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007	cumul. 9M2006	cumul. 9M2007
Net interest income	979	1 020	1 034	1 039	1 063	1 081	1 116	3 033	3 260
Gross earned premiums, insurance	768	754	852	946	869	824	969	2 374	2 661
Dividend income	12	71	15	18	12	112	23	98	147
Net (un)realised gains from financial instruments at fair value	482	284	201	384	359	404	154	966	917
Net realised gains from available-for-sale assets	108	62	86	70	96	107	115	256	318
Net fee and commission income	531	529	398	550	512	541	539	1 458	1 593
Other net income	103	142	84	123	151	87	88	329	324
<b>Total income</b>	<b>2 984</b>	<b>2 861</b>	<b>2 670</b>	<b>3 129</b>	<b>3 062</b>	<b>3 156</b>	<b>3 003</b>	<b>8 515</b>	<b>9 220</b>
Operating expenses	-1 238	-1 223	-1 126	-1 388	-1 208	-1 314	-1 266	-3 588	-3 788
Impairment	3	-67	-19	-92	-27	-56	-62	-83	-146
Gross technical charges, insurance	-631	-620	-754	-838	-753	-663	-841	-2 005	-2 258
Ceded reinsurance result	-18	-6	-18	-21	-15	-5	-17	-42	-37
Share in results of associated companies	11	12	15	7	16	22	14	38	52
<b>Profit before tax</b>	<b>1 110</b>	<b>957</b>	<b>767</b>	<b>797</b>	<b>1 074</b>	<b>1 140</b>	<b>831</b>	<b>2 835</b>	<b>3 045</b>
Income tax expense	-292	-281	-160	-197	-262	-230	-202	-734	-694
<b>Profit after tax</b>	<b>818</b>	<b>676</b>	<b>607</b>	<b>600</b>	<b>812</b>	<b>910</b>	<b>629</b>	<b>2 101</b>	<b>2 351</b>
attributable to minority interests	42	41	33	36	31	30	28	117	90
<b>attributable to the equity holders of the parent</b>	<b>776</b>	<b>634</b>	<b>574</b>	<b>564</b>	<b>781</b>	<b>880</b>	<b>601</b>	<b>1 984</b>	<b>2 261</b>
Belgium	323	275	266	241	327	417	303	863	1 047
Central & Eastern Europe	124	135	110	56	150	177	117	370	444
Merchant Banking	282	200	162	227	269	241	153	644	663
European Private Banking	55	44	44	38	52	57	44	143	153
Group centre	-9	-19	-8	3	-17	-13	-16	-36	-46

Highlights, consolidated balance sheet and ratios (in millions of EUR or %)	31-12-2006	30-09-2007
<b>Total assets</b>	<b>325 400</b>	<b>350 327</b>
of which loans and advances to customers	127 152	139 887
of which securities (equity and debt instruments)	111 959	110 166
<b>Total liabilities</b>	<b>306 947</b>	<b>331 859</b>
of which deposits from customers and debt certificates	179 488	191 928
of which gross technical provisions, insurance	15 965	17 193
of which liabilities under investment contracts, insurance	9 156	8 972
<b>Parent shareholders' equity</b>	<b>17 219</b>	<b>17 316</b>
Return on equity (based on underlying results, year-to-date)	18%	19%
Cost/income ratio (based on underlying results, year-to-date)	58%	58%
Combined ratio, non-life (based on underlying results, year-to-date)	96%	97%

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

## Overview of results according to IFRS

Provided below is a summary consolidated income statement of KBC Group, based on the 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 (all of which have been reviewed by our external auditor) are provided in the 'Consolidated financial statements' section of the quarterly report.

Consolidated income statement, KBC Group (in millions of EUR) - IFRS-FIGURES	1Q 2006	2Q 2006	3Q 2006	4Q 2006	1Q 2007	2Q 2007	3Q 2007	cumul. 9M2006	cumul. 9M2007
Net interest income	1 047	1 039	1 025	1 047	1 052	1 014	930	3 111	2 996
Gross earned premiums, insurance	768	754	852	946	869	824	969	2 374	2 661
Dividend income	27	104	34	45	28	138	52	165	218
Net (un)realised gains from financial instruments at fair value	519	328	153	370	400	548	379	1 001	1 327
Net realised gains from available-for-sale assets	242	116	86	69	317	108	115	444	539
Net fee and commission income	488	479	390	508	489	527	478	1 357	1 494
Other net income	132	138	631	218	155	105	128	901	388
<b>Total income</b>	<b>3 223</b>	<b>2 958</b>	<b>3 171</b>	<b>3 204</b>	<b>3 310</b>	<b>3 263</b>	<b>3 051</b>	<b>9 352</b>	<b>9 623</b>
Operating expenses	-1 238	-1 167	-1 126	-1 392	-1 208	-1 314	-1 266	-3 532	-3 788
Impairment	3	-67	-19	-92	-27	-56	-62	-83	-146
Gross technical charges, insurance	-631	-620	-754	-838	-753	-663	-841	-2 005	-2 258
Ceded reinsurance result	-18	-6	-18	-21	-15	-5	-17	-42	-37
Share in results of associated companies	11	12	15	7	16	22	14	38	52
<b>Profit before tax</b>	<b>1 349</b>	<b>1 110</b>	<b>1 269</b>	<b>867</b>	<b>1 322</b>	<b>1 248</b>	<b>878</b>	<b>3 728</b>	<b>3 447</b>
Income tax expense	-325	-333	-148	-196	-293	-281	-211	-806	-786
<b>Profit after tax</b>	<b>1 024</b>	<b>777</b>	<b>1 121</b>	<b>671</b>	<b>1 028</b>	<b>966</b>	<b>667</b>	<b>2 922</b>	<b>2 662</b>
attributable to minority interests	44	41	40	37	31	30	28	126	89
<b>attributable to the equity holders of the parent</b>	<b>980</b>	<b>736</b>	<b>1 081</b>	<b>634</b>	<b>997</b>	<b>936</b>	<b>639</b>	<b>2 797</b>	<b>2 572</b>
Belgium	373	304	228	298	353	470	302	904	1 124
Central & Eastern Europe	144	129	110	80	151	181	150	384	482
Merchant Banking	281	205	168	217	261	227	160	654	648
European Private Banking	59	45	540	34	53	73	43	644	169
Group centre	123	52	35	3	179	-14	-16	211	149

This earnings release is part of the quarterly report, which, in addition to the earnings release, contains an analysis of earnings components, the consolidated financial statements, a 'glossary and other information' section and a PowerPoint presentation. The quarterly report is available (in English) on [www.kbc.com](http://www.kbc.com).

(End of earnings release)