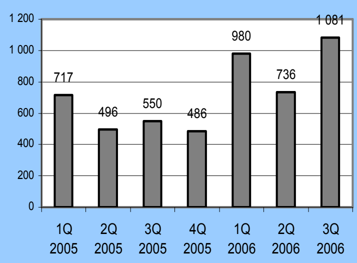
KBC Group 3Q 2006 Report

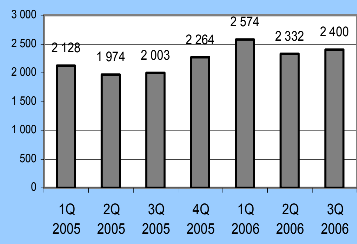
Snapshot overview 3Q 2006 and 9M 2006[1]

Profitability (in millions of EUR)	3Q 2005	2Q 2006	3Q 2006	9M 2005	9M 2006
Net profit, group share	550	736	1 081	1 763	2 797
Breakdown of net profit by business unit					
Belgium	272	304	228	727	904
Central Eastern Europe	76	129	110	380	384
Merchant Banking	216	205	168	566	654
European Private Banking	43	45	540	140	644
Group centre	-58	52	35	-50	211
Total	550	736	1 081	1 763	2 797
Earnings per share, basic (in EUR)	1.53	2.07	3.06	4.91	7.87
Earnings per share, diluted (in EUR)	1.50	2.05	3.03	4.81	7.79
Underlying net profit	566	634	574	1 731	1 984
Balance sheet , solvency, AUM (in billions of EUR)				**31-12-2005**	**30-09-2006**
Total assets				325.8	322.6
Loans and advances to customers				119.5	121.6
Deposits from customers and debt securities				171.6	178.8
Life insurance reserves				18.7	20.7
Parent shareholders' equity				15.8	16.6
Assets under management (AUM)				196.4	205.2
Equity market capitalisation				28.8	30.2
Ratios				**31-12-2005**	**30-09-2006**
Return on equity (group)				18%	26%
Cost/income ratio (banking activities)				60%	50%
Combined ratio (non-life insurance activities)				96%	93%
Parent shareholders' equity per share (in EUR)				43.8	47.2
Tier-1 ratio (KBC Bank and KBL EPB)				9.4%	9.8%
Solvency ratio (KBC Insurance)				385%	390%
Credit portfolio, banking (in billions of EUR or %)				**31-12-2005**	**30-09-2006**
Total loan portfolio (granted amount)				174.8	182.4
Breakdown of total loan portfolio by business unit					
Belgium				28.6%	29.0%
Central Eastern Europe				15.8%	17.6%
Merchant Banking				51.8%	51.5%
European Private Banking				3.9%	1.9%
Loan loss ratio, annualised (neg figures-> pos. impact on result)				0.01%	0.07%
Non-performing ratio				2.2%	1.8%
Other information					
Long-term rating KBC Bank (Fitch / Moody's / S&P's)					AA- / Aa3 / A+
Claims-paying ability rating KBC Insurance (Fitch / S&P's)					AA / A+
Bank branches, Belgium (KBC Bank, CBC Banque)					931
Bank branches, CEE (CSOB, K&H Bank, Kredyt Bank)					809
Clients					13 million
Staff (FTE)					50 thousand

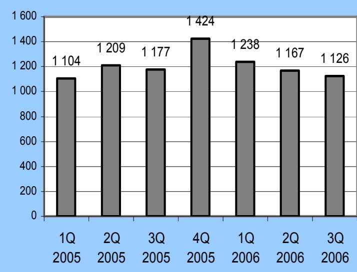
Net profit, group share (in millions of EUR)



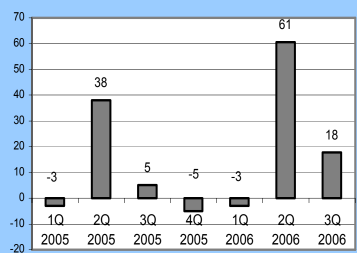
Gross income (including technical charges insurance and after deduction of ceded reinsurance result, in millions EUR)



Operating expenses (in millions of EUR)



Impairment on loans and receivables (in millions of EUR)*



* Negative figures indicate a net reversal of loan loss impairments (hence a positive impact on results)

1 For a definition of the ratios, see 'Annex 3'. Some figures for 2005 were restated: an overview and explanation follows in 'Annex 1'. Figures regarding branches relate to mid 2006.

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Restatement of 2005 figures

Following the application by KBC of fair value hedge accounting for a portfolio hedge of interest rate risk (on the basis of the carved-out version of IAS 39 as approved by the EU) in the fourth quarter of 2005, KBC decided to retroactively adapt its 2005 figures. An explanation and overview of the restatements is provided in Annex 1.

Shareholder information

Financial targets

In mid-2005, the group announced its financial targets for the period up to 2008. The group is updating these targets, given its new management structure, and will communicate the new targets on 7 December 2006 (Investor Day).

Shareholders

Shareholders, 30-09-2006[1]	number	in %
Ordinary shares		
Almancora	75 980 000	20.9%
CERA	23 345 499	6.4%
Maatschappij voor Roerend bezit van de Boerenbond	42 562 675	11.7%
Other core shareholders	42 715 838	11.8%
Subtotal	184 604 012	50.8%
KBC Group companies	14 167 474	3.9%
Related to the 1 billion share buy-back programme (to be cancelled)	*6 411 290*	*1.8%*
Other [2]	*7 756 184*	*2.1%*
Free float	164 326 364	45.3%
Total	363 097 850	100.0%
Mandatorily convertible bonds (MCBs)[3]	2 608 625	

1 Data based on value date.
2 Includes, inter alia, shares held for ESOP. Excludes shares held in the trading books of KBC Securities, Ligeva and KBC Financial Products (incl. in free float).
3 Number of shares on conversion. More information can be found on page 189 of KBC's 2005 Annual Report.

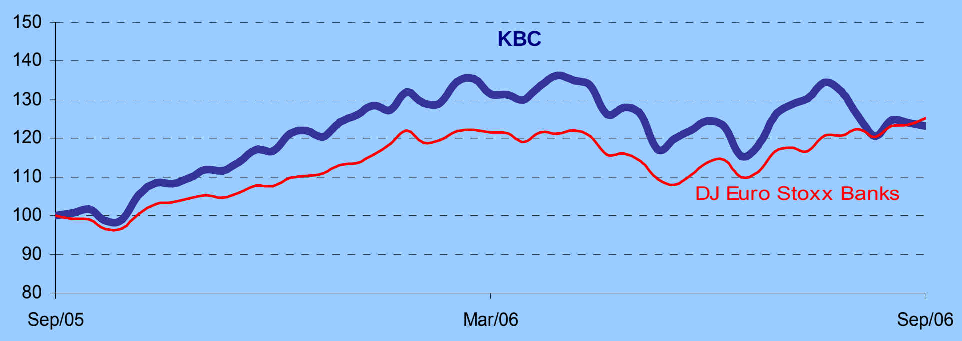
At the end of 2005, KBC announced a share buyback programme for 2006. Under this programme, KBC intended to buy back 1 billion euros' worth of own shares and cancel them.

On or before 30 September 2006, 9.9 million own shares were bought under this programme (for an amount of 0.84 billion euros), 3.5 million of which were cancelled at the Extraordinary General Meeting of 27 April 2006.

Open market purchases of own shares continued in October and November. The programme was finished in the course of November: in total 11.7 million shares were bought, at an average price of 85.07 euros per share. It is the intention to cancel the remaining treasury shares under the buyback programme in the first half of 2007 (at the Annual General Meeting of Shareholders).

KBC share performance

Relative performance of the KBC share (01-10-2005 = 100)[1]



Ticker codes:	Bloomberg:	KBC BB	Datastream:	B:KB	Reuters:	KBKBt.BR

Share price from 01-10-2005 to 30-09-2006 (EUR)

Highest price:	93.1	Lowest price:	66.5	Average price:	82.0	Closing price 30-09-2006:	83.1

1 Graphs are based on end-of-week prices.

Credit ratings

The long-term and short-term ratings for KBC Bank, KBC Insurance and KBC Group NV (the holding company) are mentioned in the table.

Since 31-12-2005, there was one change in these ratings: as at 19 May 2006, Fitch upgraded the ratings of KBC Group NV from A+ to AA- (long term) and from F1 to F1+ (short term), based on new criteria for assigning ratings to bank and insurance holdings.
The latest annual meetings with the rating agencies occurred in June 2006 (Fitch) and October 2006 (Moody's and S&P's). The most recent analyses of the rating agencies on KBC Bank are available on KBC's website www . kbc . com.

Ratings, 31-10-2006	Long-term rating (+ outlook)	Short-term rating
Fitch		
KBC Bank	AA- (stable)	F1+
KBC Insurance (claims-paying ability)	AA (stable)	F1+
KBC Group NV	AA- (stable)	F1+
Moody's		
KBC Bank	Aa3 (stable)	P-1
KBC Group NV	A1 (stable)	P-1
Standard and Poor's		
KBC Bank	A+ (positive)	A-1
KBC Insurance (claims-paying ability)	A+ (positive)	-
KBC Group NV	A (positive)	A-1

Financial calendar

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

Financial calendar	
Publication of 3Q 2006 results	23 November 2006
Prague Investor Day	7 December 2006
Publication of FY 2006 results	22 February 2007
Annual General Meeting	26 April 2007
Dividend payment	30 April 2007
Publication of 1Q 2007 results	16 May 2007
Publication of 2 Q 2007 results	9 August 2007
Publication of 3Q 2007 results	8 November 2007
Publication of FY 2007 results	14 February 2008

Contacts

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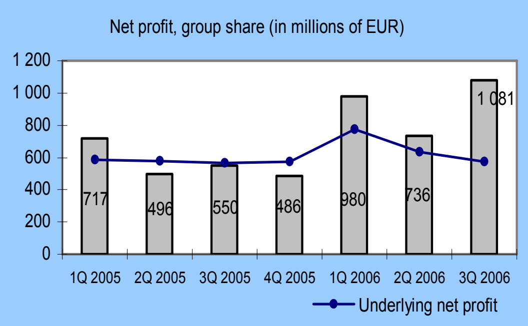
Group results

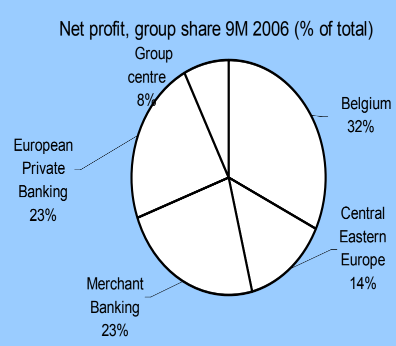
Overview, IFRS-figures

The consolidated income statement and balance sheet, a condensed consolidated statement of changes in equity and cash flow statement, and a number of notes to the accounts are provided in the ‘Consolidated financial statements’ section.

N.B.: Restatement of 2005 figures: see ‘Annex 1’.

Consolidated income statement, KBC Group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	1 025	3 158	3 111
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	2 516	2 374
Dividend income	34	135	25	41	27	104	34	194	165
Net gains from financial instruments at fair value	163	63	166	251	519	328	153	392	1 001
Net realised gains from available-for-sale assets	168	97	49	144	242	116	86	314	444
Net fee and commission income	429	410	452	528	488	479	390	1 290	1 357
Other income	215	118	112	130	132	138	631	444	901
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	8 309	9 352
Operating expenses	- 1 104	- 1 209	- 1 177	- 1 424	- 1 238	- 1 167	- 1 126	- 3 490	- 3 532
Impairment	- 15	- 42	3	- 49	3	- 67	- 19	- 54	- 83
Gross technical charges, insurance	- 612	- 852	- 696	- 899	- 631	- 620	- 754	- 2 161	- 2 005
Ceded reinsurance result	- 17	- 17	- 10	- 26	- 18	- 6	- 18	- 44	- 42
Share in results of associated companies	21	13	- 19	2	11	12	15	14	38
Profit before tax	1 030	735	810	793	1 349	1 110	1 269	2 575	3 728
Income tax expense	- 257	- 192	- 211	- 266	- 325	- 333	- 148	- 660	- 806
Profit after tax	774	544	598	528	1 024	777	1 121	1 916	2 922
Minority interests	- 57	- 48	- 48	- 41	- 44	- 41	- 40	- 153	- 126
Net profit, group share	**717**	**496**	**550**	**486**	**980**	**736**	**1 081**	**1 763**	**2 797**
Belgium	282	173	272	276	373	304	228	727	904
Central Eastern Europe	191	113	76	29	144	129	110	380	384
Merchant Banking	179	171	216	223	281	205	168	566	654
European Private Banking	54	42	43	52	59	45	540	140	644
Group centre	11	- 3	- 58	- 93	123	52	35	- 50	211
of which: Underlying net profit	587	578	566	575	776	634	574	1 731	1 984





Overview, adjusted figures

Adjustment of gross income figures

In order to provide more insight in a number of gross income items, we provide, in this chapter, a number of 'adjusted figures' (non-IFRS). The adjustments are related to the asymmetric treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives:

- In the IFRS P/L, the income related to trading activities is split over different components: while realized and unrealized capital gains are recognized under 'net gains from financial instruments at fair value', the funding costs and commissions paid in order to realize this trading income, are recognized under 'net interest income' and 'net fee and commission income' respectively. Moreover, part of the amounts mentioned under 'dividend income', 'net realized gains on available-for-sale assets' and 'other income' is also trading-related. In the 'adjusted figures', all trading components (realized and unrealized gains, funding costs and related commissions paid, as well as the trading-related dividends, net realized gains on available-for-sale assets and other income) were shifted to 'net gains from financial instruments at fair value'.
- In the IFRS P/L, a large part of KBC's ALM-derivatives (those not falling under 'fair value hedge accounting for a portfolio hedge of interest rate risk') are treated as 'trading instruments' and hence interest on such derivatives is recognized under 'net gains from financial instruments at fair value', while interest on the underlying assets is recognized under 'net interest income'. In the 'adjusted figures', the interest on these derivates is shifted to 'net interest income' too (where interest on the underlying assets is already presented).
  Moreover, fair value changes (i.e. due to marking-to-market) of these ALM-derivatives are recognized under 'net gains from financial instruments at fair value', while not all underlying assets are fair valued (i.e. are on a non marked-to-market basis). As an adjustment of this asymmetric treatment would have an impact on the gross income totals (and net result), KBC has chosen not to exclude it in its 'adjusted figures' (table below), but in the additional information regarding the 'underlying net result' (see next page).

The adjusted P/L is provided below. We repeat that this scheme only differs from the 'clean' IFRS-P/L as regards the various components of the gross income. All other lines are exactly the same.

Consolidated income statement, KBC Group (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	954	952	969	986	979	1 020	1 034	2 875	3 033
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	2 516	2 374
Dividend income	19	107	5	24	12	71	15	131	98
Net gains from fin.instr. at fair value	207	147	311	316	560	330	161	665	1 051
Net realised gains from AFS assets	154	107	49	142	240	112	86	310	438
Net fee and commission income	479	438	460	564	531	529	398	1 377	1 458
Other income	215	115	106	123	132	142	625	435	900
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	8 309	9 352
Operating expenses	- 1 104	- 1 209	- 1 177	- 1 424	- 1 238	- 1 167	- 1 126	- 3 490	- 3 532
Impairment	- 15	- 42	3	- 49	3	- 67	- 19	- 54	- 83
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Share in results of associated companies	21	13	- 19	2	11	12	15	14	38
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European Private Banking	54	42	43	52	59	45	540	140	644
Group centre	11	- 3	- 58	- 93	123	52	35	- 50	211
of which: Underlying net profit	587	578	566	575	776	634	574	1 731	1 984

Net underlying profit

In order to arrive at the figure for underlying group profit, factors that do not regularly occur during the normal course of business as well as (the afore-mentioned) fair value changes in ALM hedging derivatives are eliminated from the profit figure. In view of their nature and magnitude, it is important to separate out these factors to fully understand the profit trend.

Underlying profit analysis, KBC Group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006*	cumul. 9M 2005	cumul. 9M 2006
Net profit, group share	717	496	550	486	980	736	1 081	1 763	2 797
Non-recurring items (to be substracted):									
- Amounts before taxes and minority items									
MTM of derivatives for hedging purposes	-14	-159	-25	29	78	47	-37	-198	88
Sale of shares in FBD Holdings	68	0	0	0	0	0	0	68	0
Sale of assets by Gevaert	4	34	0	3	56	0	10	37	65
Sale of shares in Dictaphone	0	0	0	0	66	0	0	0	66
Impaiment on Agfa-Gevaert shares	0	0	0	-49	0	0	0	0	0
Sale of 5.5% in Kredyt Bank	0	0	0	0	0	35	0	0	35
Settlement re. unpaid credit to the Slovak government	101	0	0	0	0	0	0	101	0
Pension and disablement benefits	0	0	0	-100	0	0	0	0	0
Capital gains on sale of buildings of CSOB (Czech republic)	0	0	0	0	29	0	0	0	29
Merger Gevaert - KBC Group: overfunding pension fund	0	0	0	0	0	56	0	0	56
Sale of Banco Urquijo	0	0	0	0	0	0	501	0	501
Other	0	-18	0	4	11	15	28	-18	54
- Taxes and minority interests related to non-recurring items									
Income taxes and minority interests on the items above	-28	61	9	24	-36	-36	6	41	-65
Merger Gevaert - KBC Group: taxes on reserves	0	0	0	0	0	-16	0	0	-16
Underlying net profit, group share	587	578	566	575	776	634	574	1 731	1 984

* Additional information regarding main non-recurring items in this quarter:

MTM of derivatives for hedging purposes:	in 'net gains from financial instruments at fair value', in various business units
Sale of assets of (former) Gevaert	in 'other income', in business unit 'Group Centre'
Sale of Banco Urquijo	in 'other income', in business unit 'European Private Banking'

Financial highlights

Financial highlights – 3Q 2006

The third quarter result benefited from a one-off gain of 0.5 billion euros, net, on the divestment from Banco Urquijo (European Private Banking Business Unit).

On an underlying basis (i.e. group profit net of one-off factors and fair value changes in ALM hedging instruments), net profit ended 1% higher than the figure recorded for the strong third quarter of 2005, with a higher contribution from the Central Eastern Europe Business Unit (due to, among other things, lower credit risk charges), but a weaker performance from the capital market activities (Merchant Banking Business Unit).

Underlying profit was down 10% on the previous quarter, primarily reflecting seasonality in the earnings pattern of most business units. Over the past five years, third quarter net profit has been down 20% on average vis-à-vis the preceding quarter (financial year 2005 being the exception).

Aside from the normal seasonal trends, business volumes remained solid in many fields. Outstanding home loans, for instance, increased by 4% during the quarter (of which +11% in Central Eastern Europe), as did life insurance reserves. Following a 2% drop in the previous quarter (related to the volatile market conditions prevailing at that time), assets under management rose again by 5% during the quarter under review.

The net interest margin of the banking business moved up 3 basis points on account of, among other things, the 10-basis-point widening of the Central Eastern European interest margin.

The cost trend remained favourable (on an underlying basis, -8% vis-à-vis the previous quarter and -4% year-on-year), while loan losses were, once again, very limited (including in Central Eastern Europe).

Financial highlights – 9M 2006

Group profit came to 2 797 million euros, with a return on equity of 26% (19% on an underlying basis), representing an increase in underlying profit of +15% compared to the first nine months of 2005. One-off factors included the divestments out of Banco Urquijo (European Private Banking Business Unit) in the third quarter and out of Gevaert-related activities (Group Centre) earlier in the year.

The various business units' contribution to underlying profit was as follows: Belgium, 863 million euros (up 11% year-on-year); Central Eastern Europe, 370 million euros (+26%); Merchant Banking, 644 million euros (+8%); European Private Banking, 143 million euros (+2%); and the Group Centre, -36 million euros.

Gross income totalled 9.4 billion euros. The first nine months of the year were marked by strong sales, with customer deposits, assets under management and life insurance reserves (on a comparable basis) increasing year-on-year by 6%, 20% and 29%, respectively. The total loan portfolio grew 13% year-on-year (on a comparable basis), with the mortgage book increasing by 20%. Activities on the money and capital markets were also stepped up.

At 3.5 billion euros, expenses were up only 1% on the figure for the first nine months of 2005. In the banking business, the cost/income ratio – a barometer of efficiency – improved to 50% (57%, if non-recurring income is not taken into account).

Provisions for problem loans amounted to just 75 million euros, which meant that the loan-loss ratio remained at a historic low of 0.07%.

Non-life insurance continued to turn in a very good technical result (combined ratio: 93%).

Income taxes amounted to 806 million euros, compared with 660 million euros a year earlier.

Overview of ratios

Ratios[1]	30-09-2005	31-12-2005	30-09-2006
Return on equity	19%	18%	26%
Cost/income ratio	58%	60%	50%
Combined ratio	95%	96%	93%
Earnings per share, basic (in EUR)	4.91	6.26	7.87
Earnings per share, diluted (in EUR)	4.81	6.15	7.79
Parent shareholders' equity per share (in EUR)	42.3	43.8	47.2
Tier-1 ratio (KBC Bank and KBL EPB)	9.5%	9.4%	9.8%
Solvency ratio (KBC Insurance)	413%	385%	390%
Loan loss ratio (neg. figure-> pos. impact on results)	0.04%	0.01%	0.07%
Non-performing ratio	2.8%	2.2%	1.8%

1 Annualised where relevant; for a definition of the ratios, see 'annex 3'.

Operating highlights (2006 to date)

Non-core shareholdings, such as in the Belgian industrial concern Agfa-Gevaert and the Spanish Banco Urquijo, were sold. On the other hand, several minority interests in Central Eastern European subsidiaries were bought out. In line with strategy, new opportunities for geographical expansion in Central Eastern Europe were explored.

A new organisational management structure was introduced to enhance group steering capabilities and group performance.

The 2006 share buyback programme was completed, with 11.7 million shares being repurchased at an average price of 85.07 euros per share.

Scope of consolidation, valuation rules and currency translation

During the first nine months of 2006, a number of changes were made to the scope of consolidation, but the impact this had on net profit – apart from the one-off divestment gains mentioned - was negligible.

The value of the Czech koruna and the Polish zloty relative to the euro increased over the first nine months of the year by an average of 6% and 4%, respectively, compared to the average for the first nine months of 2005. The Hungarian forint depreciated in value against the euro by 7%.

Earnings and the net asset value per share as at 30 September 2006 were calculated on the basis of 355.5 (period average) and 351.2 (at the end of the 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 were calculated on the basis of 358.9 million shares (period average). Here, the number of outstanding share options was also included.

Balance sheet and solvency

Highlights, consolidated balance sheet (in millions of EUR)	31-12-2005	30-09-2006
Total assets	325 801	322 647
Loans and advances to customers	119 475	121 610
Securities	125 810	121 782
Deposits from customers and debt securities	171 572	178 798
Gross technical provisions, insurance	14 779	15 610
Liabilities under investment contracts, insurance	7 615	8 976
Parent shareholders' equity	15 751	16 594

On 30 September, parent shareholders’ equity came to 16.6 billion euros, or 0.8 billion euros more than at the start of the year. The increase was mainly due to net profit accumulated in the first nine months, reduced, however, by the amount of dividends paid and treasury shares repurchased (which are deducted from shareholders’ equity).

Gross income

Gross income (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	1 019	1 043	1 096	1 061	1 047	1 039	1 025	3 158	3 111
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	2 516	2 374
Non-Life	*415*	*400*	*417*	*418*	*441*	*425*	*441*	*1 231*	*1 307*
Life	*314*	*578*	*393*	*616*	*327*	*330*	*410*	*1 285*	*1 067*
Note: unit-linked	*464*	*648*	*954*	*2 487*	*963*	*971*	*369*	*2 065*	*2 303*
Net fee and commission income	429	410	452	528	488	479	390	1 290	1 357
Net gains from financial instruments at fair value	163	63	166	251	519	328	153	392	1 001
Net realised gains from available-for-sale assets	168	97	49	144	242	116	86	314	444
Dividend income	34	135	25	41	27	104	34	194	165
Other income	215	118	112	130	132	138	631	444	901
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	8 309	9 352
Belgium	1 220	1 327	1 298	1 627	1 373	1 345	1 247	3 845	3 965
Central Eastern Europe	705	632	618	635	686	646	675	1 955	2 007
Merchant Banking	570	597	602	716	787	676	534	1 770	1 997
European Private Banking	238	247	196	204	238	226	691	681	1 155
Group Centre	24	40	-5	7	140	64	25	59	229

Gross income (in millions of EUR) - **ADJUSTED FIGURES (NON-IFRS)**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	954	952	969	986	979	1 020	1 034	2 875	3 033
Gross earned premiums, insurance	729	978	810	1 034	768	754	852	2 516	2 374
Non-Life	*415*	*400*	*417*	*418*	*441*	*425*	*441*	*1 231*	*1 307*
Life	*314*	*578*	*393*	*616*	*327*	*330*	*410*	*1 285*	*1 067*
Net fee and commission income	479	438	460	564	531	529	398	1 377	1 458
Net gains from financial instruments at fair value	207	147	311	316	560	330	161	665	1 051
Net realised gains from available-for-sale assets	154	107	49	142	240	112	86	310	438
Dividend income	19	107	5	24	12	71	15	131	98
Other income	215	115	106	123	132	142	625	435	900
Gross income	2 757	2 843	2 709	3 189	3 223	2 958	3 171	8 309	9 352

3Q 2006

IFRS-based gross income for the third quarter (3 171 million euros) was positively impacted by the divestment gain from the sale of Banco Urquijo (+501 million euros, gross, in the 'Other income' heading - the net bottom-line impact was 495 million euros).

On an underlying basis (i.e. net of one-off income factors and fair value changes in ALM hedging instruments), gross income was 6% lower than for the preceding quarter, mainly as a result of the seasonal drop in the retail fee business (primarily related to investment products in Belgium), the decline in activity on capital markets (also partly seasonal), the traditional peak in dividend income in the second quarter and the deconsolidation of Banco Urquijo (which generated gross income of 31 million euros in the second quarter of 2006).

On an underlying basis, the quarter's gross income was slightly lower (-1%) than the year-earlier figure. Net interest income increased by 7% (see adjusted figures; although a decline shows up in the IFRS-reported heading, due to the higher interest charges incurred for capital-market activities). On the other hand, net fee and commission income dropped by 14% (chiefly due to unusually strong sales of mutual funds and unit-linked insurance products in Belgium during the summer of 2005). Lower income from capital market activities and the deconsolidation of Banco Urquijo (gross income of 33 million euros in the third quarter of 2005) also had a negative impact.

Notwithstanding the seasonal trend, the business dynamics remained sound in many areas: home loans, for instance, went up by 4% compared with the end of the previous quarter, as did the life insurance reserves. After falling by 2% in the second quarter (related to the prevailing volatility of the market), assets under management rose again in the third quarter by 5% (+10.6 billion euros, 4.4 billion euros of which represented net inflows).

9M 2006

IFRS-reported net interest income (3.1 billion euros) was lower than last year, due to the higher interest charges incurred to finance the increased activity on the capital markets, which generated high trading revenues. On an adjusted basis (i.e. disregarding interest income from trading activities and also adjusting for interest charges paid on ALM hedging instruments – see adjusted figures), net interest income went up by 6%. The increase came to 8% in Belgium and 5% in Central Eastern Europe.

Premium income in the non-life insurance business came to 1.3 billion euros, up 6% year-on-year. The increase came to 5% for Belgium, 7% for Central Eastern Europe and 8% for the Merchant Banking Business Unit (inbound reinsurance business).

Reported premium income in life insurance (1.1 billion euros) according to IFRS does not include sales of certain forms of life insurance, such as most unit-linked products. Otherwise, total sales of life insurance came to 3.3 billion euros, 2.3 billion euros of which were accounted for by unit-linked products. As a result, the outstanding life insurance reserves went up by 29% compared with a year earlier (+28% in Belgium, +35% in Central Eastern Europe and +39% in the European Private Banking Business Unit).

IFRS-reported net fee and commission income (1.4 billion euros) was 5% higher year-on-year. On an adjusted basis (i.e. disregarding commissions paid related to institutional trading activities – see adjusted figures), the increase came to 6%, thanks chiefly to strong growth in revenues from the sale of investment funds, life insurance, and wealth management products and services. Over the last year, total assets under management have gone up to 205 billion euros, which corresponds with an increase of 21% in Belgium, +37% in Central Eastern Europe and +18% in European Private Banking (excluding the deconsolidation effect of Banco Urquijo). The increase in (adjusted) net fee and commission income came to 11% in Belgium, 13% in Central Eastern Europe and 15% in European Private Banking. In the Merchant Banking Business Unit, (adjusted) net fee and commission income dropped by 26%.

Fair value gains (1.0 billion euros) were up markedly on the first nine months of 2005 (+156% on an IFRS basis, +58% on an adjusted basis), due chiefly to the significantly better performance of the Merchant Banking Business Unit on the money and capital markets and upward fair-value adjustments of ALM hedging instruments (positive impact of 88 million euros in 9M 2006 as a result of the higher market interest rates).

Realised gains on available-for-sale investments came to 444 million euros, although 192 million of this amount should be considered ‘extraordinary’ (it related to, among other things, the divestments out of Gevaert-related activities). In the first nine months of 2005, gains amounted to 314 million euros, 107 million of which were considered extraordinary.

‘Other income’ amounted to 901 million euros, 457 million euros more than in 2005 due to the divestment gain on Banco Urquijo for an amount of 501 million euros, gross. In 2005, 101 million euros, gross, had been recognised for the settlement of a major credit dispute in Central Eastern Europe (Slovakia).

Operating expenses

Operating expenses (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Staff expenses	-636	-714	-651	-848	-775	-693	-671	-2 001	-2 139
General administrative expenses	-380	-382	-388	-448	-396	-392	-392	-1 150	-1 180
Depreciation and amortisation of fixed assets	-94	-92	-97	-106	-88	-86	-89	-283	-263
Provisions for risks and charges	6	-20	-41	-22	21	3	26	-55	50
Operating expenses	-1 104	-1 209	-1 177	-1 424	-1 238	-1 167	-1 126	-3 490	-3 532
Belgium	-411	-448	-422	-552	-427	-444	-452	-1 282	-1 323
Central Eastern Europe	-295	-316	-333	-373	-302	-311	-328	-945	-941
Merchant Banking	-231	-252	-258	-335	-336	-299	-242	-741	-877
European Private Banking	-135	-155	-147	-131	-147	-144	-118	-437	-410
Group Centre	-32	-38	-17	-32	-26	31	14	-87	19

3Q 2006

Operating expenses fell by 41 million euros (-4%) in the third quarter compared to the second, mainly on account of the lower income-based wage costs stemming from the (seasonal) decline in profits on the capital markets (Merchant Banking Business Unit) and the deconsolidation of Banco Urquijo (representing a decrease in expenses of 26 million euros in the European Private Banking Business Unit).

This last and the reversal of a provision in the Group Centre are the main factors behind the 51-million-euro drop (-4%) in expenses compared to the third quarter of 2005.

9M 2006

Operating expenses for the first nine months of 2006 were up by 42 million euros (+1%) compared to the corresponding period of 2005. The increase in expenses was limited to 3% for the Belgium Business Unit and 0% for the Central Eastern Europe Business Unit (however, the latter came to +4% when discounting both the exchange rate effect and the impact of using or reversing expense provisions set aside in previous years). Expenses in the Merchant Banking Business Unit were up 18% because of the higher wage costs resulting from the increased profits generated on the capital markets. The European Private Banking Unit saw a decrease in expenses by 6% (3% on an organic basis).

For the first nine months of the year, the banking business recorded a cost/income ratio of 50% (57% if the non-recurring factors are not taken into account), compared to 60% for the 2005 financial year (58%, disregarding the non-recurring factors). In the Belgium Business Unit, this cost/income ratio stood at 55%, in the Central Eastern Europe Business Unit at 60%, in the Merchant Banking Business Unit at 49%, and in the European Private Banking Business Unit at 37% (63% excluding the impact from the gain on the sale of Banco Urquijo).

Impairment

Impairment (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Impairment on loans and advances	3	-38	-5	5	3	-61	-18	-39	-75
Impairment on available-for-sale assets	-16	0	13	9	0	-3	-1	-3	-3
Impairment on goodwill	-2	-5	-3	-10	0	0	0	-10	0
Impairment on other	0	0	-1	-53	0	-3	-1	-2	-4
Impairment	-15	-42	3	-49	3	-67	-19	-54	-83
Belgium	1	-6	7	-1	-10	-6	-12	3	-28
Central Eastern Europe	4	-12	-34	-45	-19	-44	-10	-42	-73
Merchant Banking	-19	-22	27	36	33	-17	-2	-14	14
European Private Banking	-1	-4	12	16	0	0	4	6	4
Group Centre	0	2	-8	-55	0	0	0	-7	0

3Q 2006

The quarter under review was again characterised by limited impairment charges. Impairment on loans amounted to just 18 million euros, well below the figure for the previous quarter (61 million euros). The third-quarter figure was higher than the extremely low amount recorded in the third quarter of 2005 (5 million euros), which had been bolstered by reversals of impairment (primarily in the merchant banking portfolio).

During the third quarter of 2006, no net impairment of any significance was recognised on investments or on goodwill on participating interests or on any other asset.

9M 2006

For the first nine months of the year, impairment on the loan portfolio amounted to 75 million euros, corresponding to a loan-loss ratio of 0.07% (0.06% in the Belgium Business Unit, 0.38% in the Central Eastern Europe Business Unit and 0% in both the Merchant Banking and European Private Banking Business Unit). The percentage of cover for non-performing loans afforded by loan-loss provisions came to 98%, almost unchanged since the start of the financial year (99%).

During the course of 2006, no net impairment of any significance was recognised on investments or on goodwill on participating interests or on any other asset.

Insurance results

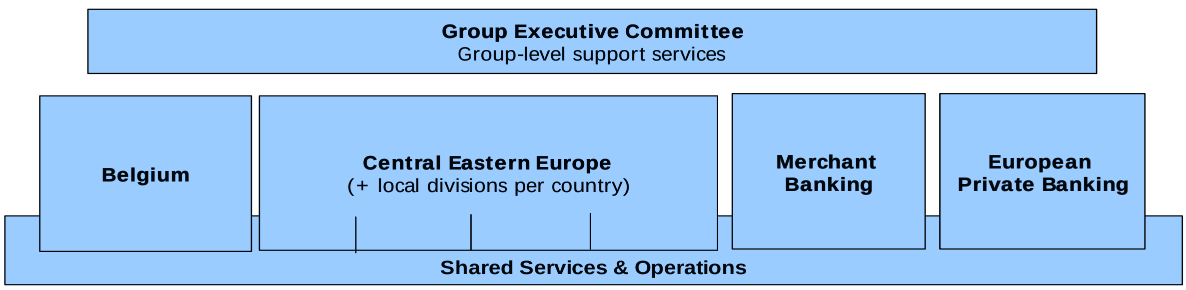
During the first nine months of the year, insurance earnings recorded in the various business units amounted to 396 million euros, 8% higher than in the same period of 2005. The net insurance result stood at 313 million euros in Belgium (+16%), 61 million euros in the Merchant Banking Business Unit (stable) and 17 million euros in Central Eastern Europe (-12 million euros due to lower realised gains on equity investments).

In all business units, a strong technical result was recorded in the non-life field, with a nine-month average claims ratio of 62%. The combined ratio stood at 93%, even lower than the 96% ratio for the 2005 financial year. The combined ratio for the first nine months of 2006 came to 91% for Belgium, 97% for Central Eastern Europe and 87% for the Merchant Banking Business Unit. The Group claims reserve ratio ended the period at 176%, on a par with the figure recorded at the start of the year (174%).

Results per business unit

As a reminder, as of May 2006, the new management structure (announced at the end of 2005), was rolled out throughout the group. This management structure is shown in the diagram and essentially breaks down the group into five business units: Belgium, Central Eastern Europe, Merchant Banking, European Private Banking, and Shared Services & Operations (such as ICT and logistics and 'product factories' such as payment systems, asset management, leasing and trade finance).
A definition of each business unit is provided further in this report.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO and group CFRO, constitute the group executive committee. Each business unit has direct responsibility for achieving the objectives set.



A detailed overview of results and commentary on every business unit is provided in the next few sections of this report.

Results according to the legal structure of the group

Under IFRS, the main segment reporting ('primary segmentation') format used by KBC is based on the group's legal structure (see table below). More information and detailed figures are provided in the 'Consolidated financial statements' section, note 2a.

Breakdown of net profit according to the legal structure of the group (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Banking	529	341	443	432	742	561	423	1 313	1 726
Insurance	122	124	120	95	130	137	129	366	396
European Private Banking	53	41	39	51	56	42	539	133	637
Holding-company Activities	13	-10	-53	-92	51	-5	-9	-49	37
KBC Group	717	496	550	486	980	736	1 081	1 763	2 797

Profit outlook for the full year 2006

KBC believes in the continued earnings potential of its business strategies. In keeping with policies adopted by several of its peers, it will no longer provide quantitative earnings guidance. KBC will update its mid-term financial targets by 7 December 2006. On that day, a news release will be issued at 8.30 a.m. CET.

Belgium Business Unit

Overview of results

Income statement, Belgium Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	501	511	538	532	529	534	512	1 550	1 575
Gross earned premiums, insurance	446	667	522	722	452	469	504	1 635	1 425
Dividend income	11	72	2	17	8	36	8	85	52
Net gains from financial instruments at fair value	- 82	- 193	- 32	- 14	40	10	- 81	- 307	- 31
Net realised gains from available-for-sale assets	110	37	27	83	87	27	83	173	197
Net fee and commission income	196	184	201	248	225	235	186	582	646
Other income	38	48	40	37	32	34	36	127	101
Gross income	1 220	1 327	1 298	1 627	1 373	1 345	1 247	3 845	3 965
Operating expenses	- 411	- 448	- 422	- 552	- 427	- 444	- 452	- 1 282	- 1 323
Impairment	1	- 6	7	- 1	- 10	- 6	- 12	3	- 28
Gross technical charges, insurance	- 407	- 636	- 495	- 672	- 410	- 449	- 482	- 1 538	- 1 342
Ceded reinsurance result	- 9	1	- 2	- 2	- 3	- 6	- 3	- 10	- 13
Share in results of associated companies	1	2	2	- 1	1	2	2	4	5
Profit before tax	395	239	388	399	524	441	299	1 021	1 265
Income tax expense	- 112	- 65	- 115	- 123	- 150	- 137	- 71	- 292	- 358
Profit after tax	283	174	273	276	374	304	228	729	906
Minority interests	- 1	- 1	- 1	0	- 1	- 1	- 1	- 2	- 2
Net profit, group share	**282**	**173**	**272**	**276**	**373**	**304**	**228**	**727**	**904**
Banking activities	*183*	*80*	*194*	*190*	*262*	*213*	*115*	*457*	*591*
Insurance activities	*99*	*93*	*78*	*86*	*111*	*91*	*112*	*270*	*313*
of which: Underlying net profit	229	270	279	319	323	275	266	778	863
Risk-weighted assets (end of period)	*34 153*	*34 839*	*35 807*	*36 123*	*38 217*	*38 540*	*38 582*	*35 807*	*38 582*
Allocated equity (end of period)	*3 439*	*3 531*	*3 618*	*3 681*	*3 795*	*3 840*	*3 903*	*3 618*	*3 903*
Return on allocated capital (ROAC)	*33%*	*19%*	*30%*	*30%*	*40%*	*32%*	*24%*	*27%*	*32%*
Cost/income ratio (banking activities)	*55%*	*77%*	*55%*	*63%*	*47%*	*54%*	*67%*	*61%*	*55%*
Combined ratio (non-life insurance activities)	*89%*	*98%*	*95%*	*98%*	*85%*	*96%*	*94%*	*94%*	*91%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Belgium Business Unit (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	437	434	471	443	479	489	481	1 342	1 450
Gross earned premiums, insurance	446	667	522	722	452	469	504	1 635	1 425
Dividend income	11	72	2	17	8	36	8	85	52
Net gains from financial instruments at fair value	- 18	- 116	35	75	90	55	- 51	- 99	94
Net realised gains from available-for-sale assets	110	37	27	83	87	27	83	173	197
Net fee and commission income	196	184	201	249	225	235	186	582	646
Other income	38	48	40	37	32	34	36	127	101
Gross income	1 220	1 327	1 298	1 627	1 373	1 345	1 247	3 845	3 965

Description

The ‘Belgium’ business unit includes all retail and private bancassurance activities in Belgium. More specifically, it includes KBC Bank (limited to the retail and private banking activities in Belgium), KBC Insurance (except for some specific items), as well as a number of Belgian subsidiaries (the main ones being CBC Banque, Centea, KBC Asset Management, Fidea and ADD).

Commentary

In the third quarter of 2006, profit of 228 million euros was recorded according to IFRS, although this was adversely affected by the fair valuing of interest-rate hedging derivatives accompanying the decrease in bond market yields. On an underlying basis, net profit amounted to 266 million euros, marked by some negative impact from deposit re-pricing and a seasonal slowdown in fee and commission income. Home loans went up by 2% during the quarter (representing 13% growth compared to 30 September 2005), while assets under management and the life insurance reserves were up 6% and 3%, respectively (bringing the year-on-year growth to 21% and 28%, respectively).

For the first nine months of 2006, underlying profit came to 863 million euros, 11% more than for the first nine months of 2005. The banking interest margin narrowed slightly to 1.90% (versus 1.96% for the first nine months of 2005), but net interest earnings (adjusted for interest charges on hedging instruments) went up on balance by 8% and fee and commission income by 11%. There was a favourable cost trend – the level of charges rose by a mere 3% and the cost/income ratio in banking improved to 55% – while loan losses remained negligible (a loan-loss ratio of 6 basis points). In non-life insurance, the technical result remained strong (combined ratio: 91%). The return on allocated capital went up to 32%.

Central Eastern Europe Business Unit

Overview of results

Income statement, Central Eastern Europe Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	220	233	232	242	244	232	245	684	721
Gross earned premiums, insurance	196	231	207	236	236	217	255	634	708
Dividend income	4	2	-3	1	0	2	2	3	5
Net gains from financial instruments at fair value	83	79	52	49	60	46	75	214	181
Net realised gains from available-for-sale assets	20	2	10	0	5	4	5	32	14
Net fee and commission income	66	62	72	76	74	77	76	200	227
Other income	117	22	48	31	66	68	17	187	151
Gross income	705	632	618	635	686	646	675	1 955	2 007
Operating expenses	-295	-316	-333	-373	-302	-311	-328	-945	-941
Impairment	4	-12	-34	-45	-19	-44	-10	-42	-73
Gross technical charges, insurance	-133	-149	-141	-172	-169	-112	-195	-423	-476
Ceded reinsurance result	-9	-18	-6	-8	-7	-10	-12	-34	-28
Share in results of associated companies	9	3	7	2	9	8	11	20	28
Profit before tax	281	140	110	39	198	177	142	531	517
Income tax expense	-59	-5	-10	5	-36	-31	-21	-75	-87
Profit after tax	221	135	100	44	162	146	120	456	429
Minority interests	-30	-22	-23	-15	-18	-17	-10	-76	-45
Net profit, group share	**191**	**113**	**76**	**29**	**144**	**129**	**110**	**380**	**384**
Banking activities	*183*	*96*	*72*	*53*	*146*	111	109	351	367
Insurance activities	*8*	*17*	*4*	*-24*	*-2*	18	1	29	17
of which: Underlying net profit	108	108	79	33	125	136	110	294	370
Risk-weighted assets (end of period)	*16 456*	*16 453*	*17 547*	*18 199*	*19 053*	*19 854*	*21 608*	*17 547*	*21 608*
Allocated equity (end of period)	*1 365*	*1 379*	*1 455*	*1 508*	*1 577*	*1 625*	*1 760*	*1 455*	*1 760*
Return on allocated capital (ROAC)	*62%*	*36%*	*23%*	*8%*	*38%*	*33%*	*26%*	*40%*	*32%*
Cost/income ratio (banking activities)	*50%*	*69%*	*69%*	*76%*	*55%*	*59%*	*67%*	*62%*	*60%*
Combined ratio (non-life insurance activities)	*98%*	*93%*	*104%*	*100%*	*99%*	*93%*	*101%*	*98%*	*97%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Central Eastern Europe Business Unit (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	221	235	236	246	247	236	247	693	730
Gross earned premiums, insurance	196	231	207	236	236	217	255	634	708
Dividend income	4	2	-3	1	0	2	2	3	5
Net gains from financial instruments at fair value	81	76	48	44	57	42	72	206	171
Net realised gains from available-for-sale assets	20	2	10	0	5	4	5	32	14
Net fee and commission income	66	62	72	76	74	77	76	200	227
Other income	117	22	48	31	66	68	17	187	151
Gross income	705	632	618	635	686	646	675	1 955	2 007

Description

The ‘Central Eastern Europe’ business unit encompasses all banking and insurance activities (retail and private bancassurance, as well as merchant banking) in Central Eastern Europe:

- in the Czech and Slovak Republics: ČSOB (bank), ČSOB Pojisťovna and ČSOB Poisťovna
- in Hungary: K&H Bank, K&H Life and K&H General Insurance (both insurance companies are merged, as of 1 July 2006, into a single company, named ‘K&H Insurance’)
- in Poland: Kredyt Bank, Warta and Warta Life
- in Slovenia: Nova Ljubljanska banka (NLB) and NLB Vita.

Commentary

The Central Eastern Europe Business Unit generated a third-quarter profit of 110 million euros. Underlying profit was 39% higher than the previous year’s figure, which had been impacted by much higher loan impairment charges (and litigation provisions), among other things. Underlying profit was down 19% on the figure for the previous quarter, which had been supported by a gain on the sale of a portion of the problem loan portfolio in Poland (net impact: 29 million euros). The net interest margin increased in the quarter under review by 10 basis points to 2.64%.

For the first nine months of the year, the profit of the Central Eastern European Business Unit came to 384 million euros. Underlying profit was up by 26% on the corresponding period of 2005. There was a 37% year-on-year increase in the portfolio of home loans, while assets under management and outstanding life insurance reserves went up by 37% and 35%, respectively. The interest margin narrowed by 0.24% to 2.64%, while fee and commission income climbed by 13%. The level of expenses was stable (however, there was an increase of 4% after elimination of the exchange rate effect and excluding the litigation charges that had adversely impacted the cost level in 2005) and the cost/income ratio improved to 60%. The loan-loss ratio was stable at 0.38% (compared to 0.37% for the 2005 financial year), while in non-life insurance, the combined ratio edged down slightly to 97% (99% for the 2005 financial year). The return on allocated capital amounted to 32%.

In Annex 2 of this report, detailed income statements for the Czech & Slovak Republics, Hungary, Poland and a category entitled ‘Other’ are provided. ‘Other’ includes the results of NLB and NLB Vita in Slovenia, the allocated funding cost of goodwill, minority interests at the level of KBC in the subsidiaries mentioned above, consolidation adjustments and some operating expenses at head office related to Central Eastern Europe.

Income statement, Central Eastern Europe Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Breakdown of net profit, group share[1]									
Czech and Slovak Republics	168	25	85	62	131	105	64	278	300
Hungary	24	12	16	27	19	14	27	52	60
Poland	30	40	45	24	26	62	30	115	119
Other	-31	36	-70	-83	-32	-51	-11	-64	-95
Total	191	113	76	29	144	129	110	380	384

1 For a breakdown of the underlying net profit, see annex 2.

Merchant Banking Business Unit

Overview of results

Income statement, Merchant Banking Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	266	264	264	213	190	180	194	794	564
Gross earned premiums, insurance	78	66	76	73	85	70	81	220	236
Dividend income	16	39	23	18	17	40	21	77	78
Net gains from financial instruments at fair value	99	147	157	263	430	308	186	403	924
Net realised gains from available-for-sale assets	33	2	3	50	7	20	- 1	39	26
Net fee and commission income	58	55	56	62	42	26	21	169	88
Other income	20	23	24	36	17	32	32	67	80
Gross income	570	597	602	716	787	676	534	1 770	1 997
Operating expenses	- 231	- 252	- 258	- 335	- 336	- 299	- 242	- 741	- 877
Impairment	- 19	- 22	27	36	33	- 17	- 2	- 14	14
Gross technical charges, insurance	- 48	- 42	- 48	- 43	- 54	- 45	- 54	- 138	- 153
Ceded reinsurance result	- 6	- 3	- 3	- 18	- 5	2	- 7	- 12	- 11
Share in results of associated companies	0	0	0	1	0	1	0	0	1
Profit before tax	267	277	321	356	425	317	229	865	971
Income tax expense	- 66	- 83	- 81	- 110	- 121	- 89	- 38	- 230	- 248
Profit after tax	201	194	240	246	304	228	191	635	723
Minority interests	- 22	- 23	- 24	- 24	- 24	- 23	- 22	- 69	- 69
Net profit, group share	**179**	**171**	**216**	**223**	**281**	**205**	**168**	**566**	**654**
Banking activities	*164*	*158*	*182*	*188*	*261*	179	154	504	593
Insurance activities	*15*	*13*	*34*	*35*	*20*	26	15	62	61
of which: Underlying net profit	188	181	226	227	282	200	162	594	644
Risk-weighted assets (end of period)	*47 248*	*50 277*	*51 015*	*54 347*	*53 891*	*55 935*	*57 837*	*51 015*	*57 837*
Allocated equity (end of period)	*3 298*	*3 503*	*3 548*	*3 775*	*3 752*	*3 885*	*4 017*	*3 548*	*4 017*
Return on allocated capital (ROAC)	*23%*	*22%*	*26%*	*26%*	*31%*	*23%*	*18%*	*24%*	*24%*
Cost/income ratio (banking activities)	*46%*	*47%*	*48%*	*55%*	*47%*	*50%*	*52%*	*47%*	*49%*
Combined ratio (reinsurance activities)	*90%*	*92%*	*88%*	*100%*	*81%*	*88%*	*96%*	*90%*	*87%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Merchant Banking Business Unit (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	264	242	222	241	208	245	284	728	738
Gross earned premiums, insurance	78	66	76	73	85	70	81	220	236
Dividend income	1	10	3	1	1	7	3	14	11
Net gains from financial instruments at fair value	81	162	217	227	385	225	112	460	722
Net realised gains from available-for-sale assets	19	13	3	48	5	17	- 1	34	21
Net fee and commission income	108	83	64	97	85	76	28	255	190
Other income	19	20	18	29	17	36	26	57	79
Gross income	570	597	602	716	787	676	534	1 770	1 997

Description

The ‘Merchant Banking’ business unit encompasses the services provided to corporate customers (including large SMEs) and all capital market activities, but not those of the Central Eastern European group companies.

More specifically, it includes the merchant banking activities of KBC Bank in Belgium, its foreign branches, as well the subsidiaries (only the main ones are mentioned) IIB Bank and KBC Finance Ireland in Ireland, KBC Deutschland in Germany, KBC Bank Nederland and KBC Clearing in the Netherlands, Antwerp Diamond Bank (various locations), KBC Lease (various locations), KBC Securities (various locations), KBC Financial Products (various locations), KBC Peel Hunt in the UK, KBC Private Equity and Secura in Belgium, Assurisk in Luxembourg, and various financing companies.

Commentary

The profit contribution for the quarter under review came to 168 million euros, of which – on an underlying basis – 141 million euros came from the commercial banking activities catering for the SME and corporate segment and 21 million euros from investment banking (including capital market activities). The underlying results of the commercial banking activities were down on the year-earlier figure, chiefly because the third quarter result for 2005 had been boosted by the reversal of loan-loss provisions. Compared to the previous quarter, the underlying profit contribution dropped due to lower non-interest income, among other things. The investment banking performance was lower than both the third quarter of 2005 and the second quarter of 2006.

The business unit’s profit for the first nine months of the year came to 654 million euros, generating a return on allocated capital of 24%. Underlying profit was up 8% on the year-earlier figure. The upward profit trend in commercial banking was characterised by a solid increase in non-interest income and a zero level of loan losses. In investment banking, the profit trend was marked by strong trading results (+35% on an adjusted basis, but concentrated in the first quarter of the year in the areas of derivatives and structured credit products), but this was offset to a considerable degree by higher result-based staff remuneration.

A breakdown of the Merchant Banking business unit figures into ‘Commercial Banking’ and ‘Investment Banking’ for 3Q 2006 is provided in annex 2.

European Private Banking Business Unit

Overview of results

Income statement, European Private Banking Business Unit (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	46	49	73	91	97	98	80	168	275
Gross earned premiums, insurance	18	19	15	11	3	7	17	52	27
Dividend income	2	6	3	2	2	9	2	11	13
Net gains from financial instruments at fair value	45	38	- 25	- 49	- 12	- 41	- 20	57	- 72
Net realised gains from available-for-sale assets	2	19	9	5	12	14	- 1	30	25
Net fee and commission income	100	107	114	129	135	132	104	322	370
Other income	24	9	7	16	2	7	509	40	518
Gross income	238	247	196	204	238	226	691	681	1 155
Operating expenses	- 135	- 155	- 147	- 131	- 147	- 144	- 118	- 437	- 410
Impairment	- 1	- 4	12	16	0	0	4	6	4
Gross technical charges, insurance	- 24	- 26	- 22	- 18	- 7	- 14	- 23	- 72	- 44
Ceded reinsurance result	0	0	0	0	0	0	0	0	0
Share in results of associated companies	1	1	1	1	1	1	1	3	2
Profit before tax	79	63	40	72	84	69	554	182	707
Income tax expense	- 22	- 19	4	- 18	- 24	- 23	- 9	- 37	- 55
Profit after tax	57	44	44	54	60	46	546	145	652
Minority interests	- 3	- 2	- 1	- 2	- 1	- 1	- 6	- 6	- 8
Net profit, group share	**54**	**42**	**43**	**52**	**59**	**45**	**540**	**140**	**644**
Banking activities	*53*	*41*	*39*	*51*	*56*	*42*	*539*	*133*	*637*
Insurance activities	*1*	*2*	*4*	*1*	*3*	*3*	*1*	*7*	*7*
of which: Underlying net profit	54	46	41	49	55	44	44	141	143
Risk-weighted assets (end of period)	*9 749*	*10 122*	*9 618*	*8 772*	*9 539*	*9 000*	*7 005*	*9 618*	*7 005*
Allocated equity (end of period)	*720*	*745*	*711*	*653*	*704*	*673*	*539*	*711*	*539*
Return on allocated capital (ROAC)	*31%*	*22%*	*22%*	*29%*	*33%*	*25%*	*351%*	*26%*	*141%*
Cost/income ratio (banking activities)	*63%*	*71%*	*86%*	*71%*	*65%*	*69%*	*18%*	*72%*	*37%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) ‘adjusted figures’. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, European Private Banking Business Unit (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	48	57	53	76	58	48	29	157	135
Gross earned premiums, insurance	18	19	15	11	3	7	17	52	27
Dividend income	2	6	3	2	2	9	2	11	13
Net gains from financial instruments at fair value	43	30	- 5	- 35	27	9	31	68	67
Net realised gains from available-for-sale assets	2	19	9	5	12	14	- 1	30	25
Net fee and commission income	100	107	114	129	135	132	104	322	370
Other income	24	9	7	16	2	7	509	40	518
Gross income	238	247	196	204	238	226	691	681	1 155

Description

The ‘European Private Banking’ business unit encompasses the activities of the KBL ‘European Private Bankers’ group (KBL EPB). More specifically, it includes Kredietbank SA Luxembourgeoise and its subsidiaries throughout Europe, as well as the insurance company VITIS Life in Luxembourg.

Commentary

The European Private Banking Business Unit contributed 540 million euros to third-quarter profit, although this figure was boosted by the divestment gain on Banco Urquijo (495 million euros, net). On an underlying basis, and despite the deconsolidation of Banco Urquijo, net profit amounted to 44 million euros, roughly on a par with both the previous quarter and the third quarter of 2005 (the latter had also benefited from a reversal of impairment on the bond portfolio and some deferred taxes). During the quarter under review, assets under management went up by 3% (disregarding the deconsolidation of Banco Urquijo) to a current total 54 billion euros.

For the first nine months of the year, an underlying profit contribution of 143 million euros was recorded, generating a return on allocated capital (adjusted for the gain on Banco Urquijo) of 29% (141% without adjustment). The profit trend was underpinned by steady growth in fee and commission income from wealth management and global custody, which was up 15% year-on-year (12% on an organic basis). Over the past twelve months, customer assets under management have grown by 18% (disregarding the deconsolidation of Banco Urquijo). In line with the business unit’s strategy, non-core businesses (such as commercial lending and capital market activities) were gradually scaled down, which had a temporary, adverse effect on the revenue trend. The business unit’s operating expenses declined by 3% on an organic basis. Adjusted for the gain on Banco Urquijo, the cost/income ratio improved to 63% from 72% for financial year 2005.

For information: besides the capital gain of 0.5 billion euros, the deconsolidation of Banco Urquijo also provoked a decrease in most other P/L items, the main ones being (figures relate to the average contribution of Banco Urquijo in 1Q 2006 and 2Q 2006) net interest income (10 million euros), net gains from financial instruments at fair value (4 million euros), net fee and commission income (18 million euros), operating expenses (-27 million euros) and impairments (-3 million euros).

Group centre

Overview of results

Income statement, Group Centre (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	-15	-15	-11	-17	-14	-4	-5	-41	-23
Gross earned premiums, insurance	-9	-6	-11	-8	-7	-9	-5	-25	-22
Dividend income	1	16	1	3	0	16	0	18	17
Net gains from financial instruments at fair value	18	-9	14	1	2	5	-6	23	0
Net realised gains from available-for-sale assets	4	36	0	6	132	50	0	39	182
Net fee and commission income	10	3	8	13	12	9	4	20	25
Other income	16	15	-7	9	15	-2	37	23	51
Gross income	24	40	-5	7	140	64	25	59	229
Operating expenses	-32	-38	-17	-32	-26	31	14	-87	19
Impairment	0	2	-8	-55	0	0	0	-7	0
Gross technical charges, insurance	0	1	8	5	9	1	0	10	10
Ceded reinsurance result	7	4	2	3	-3	8	5	13	10
Share in results of associated companies	10	7	-29	-1	0	1	0	-12	1
Profit before tax	9	16	-49	-73	119	105	44	-24	268
Income tax expense	2	-19	-9	-20	5	-53	-8	-26	-57
Profit after tax	11	-3	-58	-93	123	52	36	-50	212
Minority interests	0	0	1	0	0	0	-1	0	-1
Net profit, group share	**11**	**-3**	**-58**	**-93**	**123**	**52**	**35**	**-50**	**211**
Banking activities	-1	7	-5	0	73	58	45	1	176
Insurance activities	-1	0	-1	-2	-1	0	0	-2	-2
Holding activities	13	-10	-53	-92	51	-5	-9	-49	37
of which: Underlying net profit	8	-26	-58	-51	-9	-19	-8	-76	-36

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Group Centre (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	-17	-18	-13	-21	-14	1	-7	-48	-20
Gross earned premiums, insurance	-9	-6	-11	-8	-7	-9	-5	-25	-22
Dividend income	1	16	1	3	0	16	0	18	17
Net gains from financial instruments at fair value	20	-6	16	5	2	-1	-4	30	-4
Net realised gains from available-for-sale assets	4	36	0	6	132	50	0	39	182
Net fee and commission income	10	3	8	13	12	9	4	20	25
Other income	16	15	-7	9	15	-2	37	23	51
Gross income	24	40	-5	7	140	64	25	59	229

Description

The ‘Group Centre’ mainly comprises KBC Group NV (mainly the cost of leveraging at holding-company level, group strategy-related expenses and Gevaert (which was merged with KBC Group NV)), part of KBC Bank and KBC Insurance (inter alia the dividends and gains on a number of non-strategic equity holdings, and a limited number of non-allocated costs), Fin-Force, and the elimination of intrasegment transactions.

Commentary

Results not derived from the operating business units came to 211 million euros for the first nine months of 2006 (35 million euros of this was achieved in the third quarter) and mainly entailed:

- 37 million euros in profit from the holding company (of which -9 million euros in the third quarter). This amount includes the one-off positive impact of the divestment from Agfa-Gevaert and the merger of Gevaert and KBC Group NV in the first half of 2006;
- 172 million euros (net) in dividends and gains realised on the centrally managed portfolio of equity holdings held outside the holding company (31 millions euros in the third quarter).

Disregarding the one-off factors, however, the net contribution for the first nine months of 2006 came to a negative 36 million euros (of which -8 million euros in the third quarter).

Consolidated financial statements

Consolidated income statement

In millions of EUR	Note	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Net interest income	3	1 096	1 039	1 025	3 158	3 111
Gross earned premiums, insurance	9	810	754	852	2 516	2 374
Dividend income	4	25	104	34	194	165
Net gains from financial instruments at fair value	5	166	328	153	392	1 001
Net realised gains from available-for-sale assets	6	49	116	86	314	444
Net fee and commission income	7	452	479	390	1 290	1 357
Net post-tax income from discontinued operations		0	0	0	0	0
Other income	8	112	138	631	444	901
GROSS INCOME		2 709	2 958	3 171	8 309	9 352
Operating expenses	12	- 1 177	- 1 167	- 1 126	- 3 490	- 3 532
Impairment	14	3	- 67	- 19	- 54	- 83
on loans and receivables		- 5	- 61	- 18	- 39	- 75
on available-for-sale assets		13	- 3	- 1	- 3	- 3
on goodwill		- 3	0	0	- 10	0
on other		- 1	- 3	- 1	- 2	- 4
Gross technical charges, insurance	9	- 696	- 620	- 754	- 2 161	- 2 005
Ceded reinsurance result	9	- 10	- 6	- 18	- 44	- 42
Share in results of associated companies		- 19	12	15	14	38
PROFIT BEFORE TAX		810	1 110	1 269	2 575	3 728
Income tax expense		- 211	- 333	- 148	- 660	- 806
PROFIT AFTER TAX		598	777	1 121	1 916	2 922
Minority interests		- 48	- 41	- 40	- 153	- 126
NET PROFIT - GROUP SHARE		550	736	1 081	1 763	2 797
Earnings per share (in EUR)						
Basic		1.53	2.07	3.06	4.91	7.87
Diluted		1.50	2.05	3.03	4.81	7.79

Note: restatement of 2005-figures (‘net interest income’ and ‘net gains from financial instruments at fair value’ items): see annex 1.

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2005	30-09-2006
Cash and balances with central banks		2 061	1 789
Treasury bills and other bills eligible for rediscounting with central banks		2 649	2 212
Loans and advances to banks		45 312	49 196
Loans and advances to customers	20, 21	119 475	121 610
Securities	22	125 810	121 782
Derivative financial instruments		18 832	16 127
Portfolio hedge of interest rate risk		59	- 98
Investment property		313	341
Reinsurers' share in technical provisions, insurance	32	282	302
Accrued income		2 992	2 099
Other assets		2 825	2 278
Tax assets		545	611
Current tax assets		70	151
Deferred tax assets		475	459
Non-current assets held for sale and disposal groups		0	115
Investments in associated companies		989	530
Goodwill and other intangible fixed assets		1 537	1 852
Property and equipment		2 120	1 901
TOTAL ASSETS		325 801	322 647

LIABILITIES (in millions of EUR)	Note	31-12-2005	30-09-2006
Deposits from banks		60 821	60 369
Deposits from customers and debt securities	31	171 572	178 798
Derivative financial instruments		24 783	22 442
Portfolio hedge of interest rate risk		0	0
Gross technical provisions, insurance	32	14 779	15 610
Liabilities under investment contracts, insurance	33	7 615	8 976
Accrued expense		2 326	2 572
Other liabilities		18 674	8 443
Tax liabilities		928	817
Current tax liabilities		578	537
Deferred tax liabilities		350	281
Non-current liabilities held for sale and disposal groups		0	72
Provisions for risks and charges		522	450
Subordinated liabilities		6 314	6 255
TOTAL LIABILITIES		308 335	304 803
Total Equity		17 466	17 844
Parent shareholders' equity	38	15 751	16 594
Minority interests		1 715	1 250
TOTAL LIABILITIES AND EQUITY		325 801	322 647

The ‘non-current assets held for sale and disposal groups’ and ‘non-current liabilities held for sale and disposal groups’ on balance sheet date mainly consist of the disposal group containing all assets and liabilities of City Hotels (a former Gevaert group company, now part of the ‘Holding Company Activities’ segment).

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS investments)	Hedging reserve (cash flow hedges)	Reserves	Transla-tion differences	Parent share-holders' equity	Minority interests	Total Equity
30-09-2005										
Balance at the beginning of the year	1 234	4 130	0	0	0	7 002	- 38	12 328	1 771	14 099
First-time application of IAS32/39 and IFRS4 on 01-01-2005	0	185	- 291	1 415	9	- 330	4	992	0	992
Net income recognised directly in equity	0	1	0	493	20	11	134	659	0	659
Net profit for the period	0	0	0	0	0	1 763	0	1 763	0	1 763
Dividends	0	0	0	0	0	- 661	0	- 661	0	- 661
Capital increase	0	0	0	0	0	0	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	- 167	0	0	176	0	9	0	9
Change in minority interests	0	0	0	0	0	0	0	0	- 77	- 77
Total change	0	185	- 458	1 908	29	960	138	2 762	- 77	2 685
Balance at the end of the period	1 234	4 315	- 458	1 908	29	7 962	100	15 090	1 694	16 784
30-09-2006										
Balance at the beginning of the year	1 234	4 323	- 484	2 129	1	8 421	127	15 751	1 715	17 466
Net income recognised directly in equity	0	0	0	- 193	10	- 1	- 74	- 259	0	- 259
Net profit for the period	0	0	0	0	0	2 797	0	2 797	0	2 797
Dividends	0	0	0	0	0	- 895	0	- 895	0	- 895
Capital increase	0	0	0	0	0	0	0	0	0	0
Cancellation own shares	0	0	300	0	0	- 300	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	- 798	0	0	- 3	0	- 800	0	- 800
Change in minority interests	0	0	0	0	0	0	0	0	- 465	- 465
Total change	0	0	- 498	- 193	10	1 598	- 74	843	- 465	378
Balance at the end of the period	1 234	4 323	- 982	1 936	11	10 019	52	16 594	1 250	17 844
of which revaluation reserve for shares				1 588						
of which revaluation reserve for bonds				348						
of which revaluation reserve for other assets than bonds and shares				0						

Condensed consolidated cash flow statement

In millions of EUR	9M 2005	9M 2006
Net cash from (used in) operating activities	- 6 200	2 135
Net cash from (used in) investing activities	- 1 295	- 967
Net cash flows from (used in) financing activities	2 232	- 853
Net increase/(decrease) in cash and cash equivalents	- 5 263	315
Cash and cash equivalents at the beginning of the year	10 874	3 199
Effects of exchange rate changes on opening cash and cash equivalents	313	138
Cash and cash equivalents at the end of the period	5 924	3 651

Notes on the accounting policies

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that will only appear in the annual report, but not in the quarterly reports, are shown below solely to ensure there is a link with the annual report. The annual report is available on the web site www . kbc. com.

Note 1a: Statement of compliance

The financial statements were authorised for issue on 22 November 2006 by the Board of Directors of KBC Group NV.

The consolidated financial statements of the KBC group have been prepared in accordance with the International Financial Reporting Standards ('endorsed IFRS') as adopted for use in the European Union. They are presented in accordance with IAS 34 'Interim Financial reporting'.

The consolidated financial statements of KBC present one year of comparative information.

In 2005, the group qualified as a first-time adopter of IFRS. The adjustments stemming from the first-time adoption of IFRS were reflected in the opening balance sheet at 1 January 2004, except for items related to IAS 32, IAS 39 and IFRS 4 (in the opening balance sheet at 1 January 2005).

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the 2005 annual report, pages 121-127.

In the first nine months of 2006, no changes in content were made in the accounting policies that had a material impact on the results.

Restatement of the 2005 reference figures: see 'annex 1'.

Note 1c: Details on the most important acquisitions and disposals

On 4 July 2006, KBC sold its entire 99.74% stake in Banco Urquijo (the Spanish subsidiary of KBL EPB) to Banco Sabadell. The sale price was about 760 million euros and the capital gain that KBC realized on this sale amounted to 0.5 billion euros (included in the P/L-line 'other income', IFRS-segment 'European Private Banking'). KBC decided to sell Banco Urquijo because this company did not fit in the group's private banking strategy.
For information: as at 31 December 2005, the contribution of Banco Urquijo to the main assets and liability items consisted of loans and advances to banks (1.3 billion euros), loans and advances to customers (2.0 billion euros), deposits from customers and debt securities (1.7 billion euros) and deposits from banks (1.1 billion euros). Assets under management of Banco Urquijo amounted to roughly 13.7 billion euros as at 31 December 2005.

Notes on segment reporting

Note 2a: Reporting according to the legal structure of the group

Under IFRS, the 'primary segment' reporting format used by KBC is based on the group's legal structure.

As in 2006 Gevaert was merged with KBC Group NV (the holding company) and KBC Asset Management became a majority-owned subsidiary of KBC Bank, the former Asset Management and Gevaert 'primary IFRS segments' ceased to exist and, since then, KBC distinguishes only between the following primary segments:

- Banking: KBC Bank and its subsidiaries (also including KBC Asset Management);
- Insurance: KBC Insurance and its subsidiaries;
- European Private Banking: Kredietbank SA Luxembourgeoise and its subsidiaries;
- Holding Company Activities: mainly KBC Group NV on a non-consolidated basis, KBC Exploitatie, Kredietcorp and Almafin group (a former subsidiary of Gevaert);
- Intersegment transactions are transactions conducted between the different primary segments at arm's length. As a number of items are reported on a net basis (e.g., net interest income), the balance of the intragroup transactions for these items is immaterial. Intersegment transfers are measured on the basis actually used to price the transfers.

The figures for the holding-company activities also include the 'cost-sharing structure', which comprises a number of common support services such as marketing, logistics, IT and communication. Costs incurred by this cost-sharing structure are paid by the holding company and afterwards charged to the other segments. Hence, these amounts are shown both under expenses and under income (income from costs that have been passed on) in the 'holding-company activities' segment, and under expenses in the other segments.

In millions of EUR	Banking	Insurance	European Private Banking	Holding - Company Activities	Inter-segment elimi-nations	KBC Group
INCOME STATEMENT 9M 2005						
Net interest income	2 652	407	144	- 42	- 3	3 158
Gross earned premiums, insurance	0	2 516	0	0	0	2 516
Dividend income	86	96	10	3	0	194
Net gains from financial instruments at fair value	295	13	57	26	0	392
Net realised gains from available-for-sale assets	76	173	28	37	0	314
Net fee and commission income	1 188	- 213	320	- 2	- 3	1 290
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	306	47	40	390	- 339	444
GROSS INCOME	4 603	3 041	598	412	- 345	8 309
Operating expenses	- 2 608	- 379	- 433	- 415	345	- 3 490
Impairment	- 41	- 12	6	- 7	0	- 54
on loans and receivables	- 37	0	- 2	0	0	- 39
on available-for-sale assets	- 2	- 10	9	1	0	- 3
on goodwill	0	- 1	- 1	- 8	0	- 10
on other	- 2	0	0	0	0	- 2
Gross technical charges, insurance	0	- 2 161	0	0	0	- 2 161
Ceded reinsurance result	0	- 44	0	0	0	- 44
Share in results of associated companies	26	0	3	- 15	0	14
PROFIT BEFORE TAX	1 980	445	174	- 24	0	2 575
Income tax expense	- 505	- 94	- 35	- 25	0	- 660
PROFIT AFTER TAX	1 475	351	138	- 49	0	1 916
Minority interests	- 162	15	- 5	0	0	- 153
NET PROFIT - GROUP SHARE	1 313	366	133	- 49	0	1 763
INCOME STATEMENT 9M 2006						
Net interest income	2 445	442	252	- 23	- 5	3 111
Gross earned premiums, insurance	0	2 374	0	0	0	2 374
Dividend income	91	61	11	2	0	165
Net gains from financial instruments at fair value	1 073	- 4	- 72	4	0	1 001
Net realised gains from available-for-sale assets	172	192	25	55	0	444
Net fee and commission income	1 178	- 187	366	- 2	1	1 357
Net post-tax income from discontinued operations	0	0	0	0	0	0
Other income	293	50	518	463	- 423	901
GROSS INCOME	5 253	2 928	1 098	499	- 426	9 352
Operating expenses	- 2 758	- 392	- 407	- 402	426	- 3 532
Impairment	- 78	- 9	3	0	0	- 83
on loans and receivables	- 72	1	- 4	0	0	- 75
on available-for-sale assets	- 1	- 10	8	0	0	- 3
on goodwill	0	0	0	0	0	0
on other	- 4	0	0	0	0	- 4
Gross technical charges, insurance	0	- 2 005	0	0	0	- 2 005
Ceded reinsurance result	0	- 42	0	0	0	- 42
Share in results of associated companies	35	0	2	0	0	38
PROFIT BEFORE TAX	2 453	481	697	97	0	3 728
Income tax expense	- 595	- 100	- 52	- 59	0	- 806
PROFIT AFTER TAX	1 858	381	645	38	0	2 922
Minority interests	- 131	16	- 8	- 2	0	- 126
NET PROFIT - GROUP SHARE	1 726	396	637	37	0	2 797
BALANCE SHEET 31-12-2005						
Total assets	272 283	26 178	25 766	1 574		325 801
Total liabilities	256 762	23 781	26 400	1 392		308 335
BALANCE SHEET 30-09-2006						
Total assets	267 382	28 577	25 760	928		322 647
Total liabilities	254 049	25 502	24 365	886		304 803

N.B.: The 2005 reference figures were restated as a consequence of:

- the already mentioned changes relating to the application of the ‘fair value hedge accounting for a portfolio hedge of interest rate risk’, see Annex 1, and
- the retroactive use of the breakdown according to the simplified legal structure (see above).

Note 2b: Reporting by geographic segment

The IFRS 'secondary segment' reporting format is based on geographic areas, and reflects KBC's focus on its two home markets – Belgium and Central Eastern Europe (Poland, Czech and Slovak Republics, Hungary and Slovenia) – and its selective presence in other countries ('rest of the world', i.e. mainly Western Europe excluding Belgium, the US and Southeast Asia).
The geographic segmentation is based on the location where the services are rendered. Since at least 95% of the customers are local customers, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement.
More detailed geographic segmentation figures for balance sheet items are provided in the various notes to the balance sheet. The breakdown here is made based on the geographic location of the counterparty.

N.B.: 2005 restated gross income figures, see Annex 1.

In millions of EUR	Belgium	Central Eastern Europe	Rest of the world	Inter-segment elimi-nations	KBC Group
9M 2005					
Gross income	4 500	2 030	1 779	0	8 309
31-12-2005					
Total assets	192 213	35 067	98 521	0	325 801
Total liabilities	175 515	33 615	99 205	0	308 335
9M 2006					
Gross income	4 831	2 075	2 446	0	9 352
30-09-2006					
Total assets	188 637	38 886	95 124	0	322 647
Total liabilities	169 430	38 354	97 019	0	304 803

Notes to the income statement

General remark:

All data in this chapter are based on IFRS. However, from an analytical point of view (for instance, due to the asymmetric treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives), it may be useful to look at additional 'adjusted' data. These 'adjusted' data are provided in the chapter 'Group results'[1].

Note 3: Net interest income

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	1 096	1 039	1 025	3 158	3 111
Interest income	2 467	2 905	3 022	7 675	8 796
Loans and advances to banks	327	505	581	1 028	1 638
Loans and advances to customers	1 211	1 379	1 415	3 859	4 124
Deposits with ceding companies	2	1	1	3	3
Fixed-income securities not measured at fair value through profit and loss	551	533	511	1 630	1 679
Subtotal, interest income for financial assets not measured at fair value through profit and loss	*2 091*	*2 418*	*2 508*	*6 520*	*7 445*
Financial assets at fair value through profit and loss	376	487	514	1 155	1 351
Interest expense	- 1 372	- 1 865	- 1 997	- 4 517	- 5 685
Deposits from banks	- 275	- 616	- 669	- 1 237	- 1 931
Deposits from customers	- 741	- 805	- 896	- 2 237	- 2 472
Debt securities	- 243	- 348	- 341	- 703	- 999
Subordinated liabilities	- 80	- 76	- 82	- 246	- 232
Investment contracts at amortised cost	0	0	0	0	0
Hedging derivatives	- 33	- 21	- 9	- 94	- 52

N.B.:
- 2005 restated figures, see Annex 1.
- See general remark under 'notes to the income statement'

Note 4: Dividend income

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	25	104	34	194	165
Available-for-sale shares	11	64	21	128	97
Shares held for trading	14	32	14	61	60
Other shares measured at fair value through profit and loss	0	8	0	5	8

N.B.:
- See general remark under 'notes to the income statement'.
- As of 2Q 2006, 'dividend income' related to securities lending is reclassified to 'net fee and commission income'. For 9M 2006, it concerns 44 million euros (of which 38 million euros in 2Q 2006 and 6 million euros in 3Q 2006).

1 Information in the chapter 'Group results' is not part of the 'Consolidated Financial Statements'.

Note 5: Net gains from financial instruments at fair value

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	166	328	153	392	1 001
Trading instruments (including trading derivatives)	165	343	- 36	- 41	902
Other financial instruments at fair value	- 83	- 110	65	159	- 244
Portfolio hedge of interest rate risk	0	0	0	0	0
Foreign exchange trading	84	96	124	274	343

N.B.:
- 2005 restated figures, see Annex 1.
- See general remark under 'notes to the income statement'

Note 6: Net realized gains from available-for-sale assets

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	49	116	86	314	444
Fixed-income securities	12	8	2	61	35
Shares	37	108	84	253	409

N.B.: See general remark under 'notes to the income statement'

Note 7: Net fee and commission income

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	452	479	390	1 290	1 357
	0				
Fee and commission income	627	738	662	1 913	2 196
Securities and asset management (including from investment contracts)	416	511	465	1 270	1 538
Commitment credit	35	40	35	106	110
Payments	105	101	107	299	306
Other	72	86	55	238	241
Fee and commission expense	- 176	- 259	- 272	- 622	- 839
Acquisition costs	- 83	- 93	- 96	- 285	- 292
Other	- 93	- 167	- 177	- 337	- 547

N.B.:
- See general remark under 'notes to the income statement'
- As of 2Q 2006, 'dividend income' related to securities lending is reclassified to 'net fee and commission income'. For 9M 2006, it concerns 44 million euros (of which 38 million euros in 2Q 2006 and 6 million euros in 3Q 2006).
- 2Q 2006 figures were restated following a correction on intercompany eliminations. There is no impact on total net fee and commission income though.

Note 8: Other income

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	112	138	631	444	901
of which: Slovak Collection Unit award* - CSOB	0	0	0	101	0
of which: impact of sale bad loans - Kredyt Bank	0	37	0	0	37
of which: realised gain on sale buildings - CSOB	3	1	- 1	3	35
of which: realised gain on sale Banco Urquijo	0	0	501	0	501

*Related to the settlement of an unpaid loan to the Slovak government.

N.B.:
- See general remark under 'notes to the income statement'
- The amount reported under 'Other income' generally includes income from operating leases, amounts recovered under guarantees, rental income, realised gains on property and equipment and investment property, and amounts recovered on loans that have been written off in full.

Note 9: Technical accounts, insurance

The technical accounts in the table differ from the presentation in the consolidated income statement of KBC Group. The main differences are:

- a breakdown is provided of insurance contracts (life versus non-life), investment contracts (with and without Discretionary Participation Feature (DPF)) and the non-technical account;
- technical charges include the internal cost of handling non-life claims;
- the investment income and charges include the internal cost of investment management. In the group income statement, the investment income is broken down into the various items on the income statement (net interest income, dividend income, net gains from financial instruments at fair value, net realised gains from available-for-sale assets, net fee and commission income and other income).

N.B.: Figures for premium income **exclude** the investment contracts without DPF, which, roughly coincide with the **unit-linked products**.

In millions of EUR	Insurance contracts, Life	Insurance contracts, Non-Life	Insurance contracts, Total	Investment contracts with DPF (Life)	Investment contracts without DPF (Life)	Non-technical account	TOTAL
9M 2005							
Gross earned premiums	456	1 231	1 687	829	0	0	2 516
Gross technical charges	- 465	- 791	- 1 256	- 976	- 366	0	- 2 598
Gross claims paid	- 304	- 618	- 922	- 175	- 1	0	- 1 098
Gross provision for claims outstanding	7	- 146	- 139	15	0	0	- 125
Bonuses and rebates	0	0	0	- 3	0	0	- 3
Other technical provisions	- 168	- 8	- 176	- 814	- 423	0	- 1 413
Other technical income and charges	1	- 19	- 18	1	58	0	40
Investment income and charges	236	148	384	185	432	120	1 120
Investment income	0	0	0	0	0	813	813
Value adjustments	0	0	0	0	432	0	432
Investment charges	0	0	0	0	0	- 126	- 126
Other income and charges (non-technical)	0	0	0	0	0	1	1
Allocation to the technical accounts	236	148	384	185	0	- 568	0
General administrative expenses	- 94	- 382	- 476	- 34	- 39	0	- 549
Net acquisition costs	- 68	- 284	- 352	- 28	- 37	0	- 417
Administrative expenses	- 25	- 99	- 124	- 7	- 1	0	- 132
Impairment of goodwill	0	0	0	0	0	- 1	- 1
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	- 2	- 39	- 41	0	0	- 3	- 44
Technical charges	2	34	35	0	0	0	35
Fee and commission expense	1	12	12	0	0	0	12
Interest expense, deposits from reinsurers	0	0	0	0	0	- 3	- 3
Earned premiums	- 4	- 85	- 88	0	0	0	- 88
PROFIT BEFORE TAX	132	166	298	4	28	116	445
9M 2006							
Gross earned premiums	534	1 307	1 841	533	0	0	2 374
Gross technical charges	- 529	- 817	- 1 346	- 725	- 129	0	- 2 201
Gross claims paid	- 284	- 631	- 915	- 533	0	0	- 1 448
Gross provision for claims outstanding	4	- 161	- 157	0	0	0	- 157
Bonuses and rebates	- 1	0	- 1	- 6	0	0	- 7
Other technical provisions	- 249	- 4	- 253	- 188	- 186	0	- 626
Other technical income and charges	0	- 21	- 21	2	57	0	38
Investment income and charges	218	186	405	279	191	60	934
Investment income	0	0	0	0	0	937	937
Value adjustments	0	0	0	0	191	0	191
Investment charges	0	0	0	0	0	- 197	- 197
Other income and charges (non-technical)	0	0	0	0	0	3	3
Allocation to the technical accounts	218	186	405	279	0	- 683	0
General administrative expenses	- 108	- 400	- 508	- 33	- 43	0	- 584
Net acquisition costs	- 75	- 286	- 360	- 19	- 36	0	- 415
Administrative expenses	- 34	- 114	- 148	- 14	- 7	0	- 169
Impairment of goodwill	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0
Ceded reinsurance result	- 1	- 38	- 39	0	0	- 3	- 42
Technical charges	3	43	46	0	0	0	46
Fee and commission expense	1	12	13	0	0	0	13
Interest expense, deposits from reinsurers	0	0	0	0	0	- 3	- 3
Earned premiums	- 4	- 94	- 98	0	0	0	- 98
PROFIT BEFORE TAX	114	238	353	54	18	56	481

Note 10: Gross written premiums, life insurance

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Accepted reinsurance	8	6	7	20	22
Primary business	384	337	398	1 262	1 053
Individual versus group					
Individual premiums	339	287	347	1 129	896
Premiums under group contracts	45	50	51	133	158
Periodic versus single					
Periodic premiums	200	167	167	495	493
Single premiums	185	170	230	767	560
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	44	43	56	124	137
Premiums from bonus contracts	332	275	324	1 092	846
Unit linked	8	20	18	46	69
Ceded reinsurance	0	0	- 1	- 1	- 1
Commissions	- 33	- 32	- 33	- 91	- 102

N.B.:

- Under IFRS, figures for premium income **exclude** the investment contracts without DPF, which, roughly coincide with the **unit-linked products**.
- 2Q 2006 figures (breakdown ‘non-bonus versus bonus contracts’) were restated. There is no impact on total premium income though.

Note 11: Overview of non-life insurance per class of business

Note available in the annual report only.

Note 12: Operating expenses

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	- 1 177	- 1 167	- 1 126	- 3 490	- 3 532
Staff expenses	- 651	- 693	- 671	- 2 001	- 2 139
General administrative expenses	- 388	- 392	- 392	- 1 150	- 1 180
Depreciation and amortisation of fixed assets	- 97	- 86	- 89	- 283	- 263
Provisions for risks and charges	- 41	3	26	- 55	50

Note 13: Personnel

Note available in the annual report only.

For information: as at mid 2006, the group employed almost 50 thousand people (in FTE). Around 38% of the workforce was located in Belgium, 50% in Central Eastern Europe and 12% in the rest of the world. Only majority-owned subsidiaries are taken into account in these figures.

Note 14: Impairment (income statement)

In millions of EUR	3Q 2005	2Q 2006	3Q 2006	cumul 9M 2005	cumul 9M 2006
Total	3	- 67	- 19	- 54	- 83
Impairment on loans and receivables					
Total	- 5	- 61	- 18	- 39	- 75
Breakdown by type	- 5	- 61	- 18	- 39	- 75
Specific impairment for on-balance-sheet lending	- 28	- 52	- 36	- 100	- 95
Specific impairment for off-balance-sheet credit commitments	4	0	- 5	7	- 5
Portfolio-based impairment	19	- 9	24	54	25
Geographic breakdown	- 5	- 61	- 18	- 39	- 75
Belgium	13	- 2	- 17	6	- 25
Central Eastern Europe	- 33	- 41	- 9	- 40	- 68
Rest of the world	15	- 18	9	- 5	18
Impairment on available-for-sale assets					
Total	13	- 3	- 1	- 3	- 3
Impairment on goodwill					
Total	- 3	0	0	- 10	0
Impairment on other					
Total	- 1	- 3	- 1	- 2	- 4
Other intangible fixed assets	0	- 1	0	0	- 1
Tangible fixed assets	- 1	- 2	- 1	- 2	- 3
Held to maturity	0	0	0	0	0
Associated companies (goodwill)	0	0	0	0	0

Note 15: Share in results of associated companies
Note 16: Income tax expense
Note 17: Earnings per share

Notes available in the annual report only.

Notes to the balance sheet

Note: following the closing of the sale of Banco Urquijo, this subsidiary is, as at 30-09-2006, not reflected anymore in the balance sheet.

Note 18: Classification and fair value of financial instruments
Note 19: Loans and advances to banks

Notes available in the annual report only.

Note 20: Loans and advances to customers

In millions of EUR	31-12-2005	30-09-2006
Total	119 475	121 610
Geographic breakdown	119 475	121 610
Belgium	55 247	59 395
Central Eastern Europe	15 957	18 370
Rest of the World	48 271	43 845
Breakdown by type of credit	119 475	121 610
Discount and acceptance credit	545	193
Consumer credit	2 123	1 966
Mortgage loans	34 233	38 341
Term loans	65 859	63 717
Finance leasing	5 906	6 077
Current account advances	6 437	7 145
Advances on life insurance contracts	8	8
Other (including impairments)	4 363	4 162
of which: securitised	1 038	313
of which: reverse repos	14 973	9 128
Quality		
Gross amount outstanding	122 220	123 847
Impairment for losses on loans and advances	- 2 745	- 2 237
Net amount outstanding	119 475	121 610

Note: 30-09-2006 figures exclude Banco Urquijo.

Note 21: Impairment for loan losses (balance sheet)

In millions of EUR	31-12-2005	30-09-2006
Total	2 822	2 304
Breakdown by type	2 822	2 304
Specific impairment, on-balance-sheet lending	2 471	2 034
Specific impairment, off-balance-sheet credit commitments	61	63
Portfolio-based impairment	290	207
Breakdown by counterpart	2 822	2 304
Impairment for loans and advances to banks	1	0
Impairment for loans and advances to customers	2 745	2 237
Off-balance-sheet credit commitments	75	67
Geographic breakdown	2 822	2 304
Belgium	996	996
Central Eastern Europe	1 078	812
Rest of the world	747	497

Information on loan loss ratios, non-performing loans (impaired loans for which principal repayments or interest payments are more than 90 days in arrears) and coverage of non-performing loans by loan loss impairment is provided in note 45.
Note: 30-09-2006 figures exclude Banco Urquijo.

Note 22: Securities

In millions of EUR	31-12-2005	30-09-2006
Total	125 810	121 782
Geographic breakdown	125 810	121 782
Belgium	46 925	49 359
Central Eastern Europe	12 286	12 662
Rest of the World	66 600	59 760
Breakdown by type and counterparty	125 810	121 782
Fixed-income securities	89 028	89 307
Government bonds	54 637	53 657
Credit institutions	17 157	15 649
Other	17 233	20 001
Equity instruments	36 782	32 475
Shares	29 699	23 252
Investment contracts	7 083	9 224

Note: 30-09-2006 figures exclude Banco Urquijo.

Note 23: Derivative financial instruments
Note 24: Other assets
Note 25: Tax assets and tax liabilities
Note 26: Investments in associated companies
Note 27: Goodwill
Note 28: Other intangible assets
Note 29: Property and equipment (including investment property)
Note 30: Deposits from banks

Notes available in the annual report only.

Note 31: Deposits from customers and debt securities

In millions of EUR	31-12-2005	30-09-2006
Total	171 572	178 798
Geographic breakdown	171 572	178 798
Belgium	72 302	74 336
Central Eastern Europe	26 879	31 448
Rest of the World	72 391	73 014
Breakdown by type	171 572	178 798
Demand deposits	33 383	36 118
Time deposits	49 639	50 923
Savings deposits	30 872	29 747
Special deposits	4 215	4 363
Other deposits	17 869	18 558
Savings certificates	3 528	2 809
Bonds	10 760	14 416
Certificates of deposit	21 305	21 862
of which repos	13 221	13 205

Note: 30-09-2006 figures exclude Banco Urquijo.

Note 32: Technical provisions, insurance

In millions of EUR	31-12-2005	30-09-2006
Gross technical provisions	14 779	15 610
Insurance contracts	8 097	8 738
Provisions for unearned premiums and unexpired risk	454	508
Life insurance provision	4 234	4 576
Provision for claims outstanding	3 094	3 242
Provision for bonuses and rebates	20	21
Other technical provisions	294	390
Investment contracts with DPF	6 683	6 871
Life insurance provision	6 655	6 837
Provision for claims outstanding	0	0
Provision for bonuses and rebates	27	34
Reinsurers' share	282	302
Insurance contracts	282	302
Provisions for unearned premiums and unexpired risk	32	26
Life insurance provision	7	8
Provision for claims outstanding	243	267
Provision for bonuses and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for bonuses and rebates	0	0

Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF (see note 33) have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts.

Note 33: Liabilities under investment contracts, insurance

In millions of EUR	31-12-2005	30-09-2006
Total	7 615	8 976
Unit-linked	7 604	8 970
Insurance bond without death rider	0	0
Other	11	6

Note 34: Provisions for risk and charges
Note 35: Subordinated liabilities
Note 36: Other liabilities
Note 37: Retirement benefit obligations

Notes available in the annual report only.

Note 38: Parent shareholders' equity

in number of shares	31-12-2005	30-09-2006
Total number of shares issued and fully paid up	369 206 475	365 706 475
Ordinary shares	366 566 637	363 097 850
Other equity instruments	2 639 838	2 608 625
of which those that entitle the holder to a dividend payment	369 071 569	365 706 475
of which treasury shares	9 191 599	14 471 486

The share capital of KBC Group NV consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs – see 'Other equity instruments' in the table).

At 30 September 2006, there were 363 097 850 ordinary shares in circulation. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. The shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. The par value per ordinary share (issued and paid up share capital per ordinary share) amounted to approximately 3.40 euros at 30 September 2006. There are no shares issued that have not been fully paid. There are no other restrictions attaching to the shares. The authorisation to increase capital may be exercised until 17 June 2009 for an amount of 199 274 896 euros (which, based on the par value of the shares at the end of September 2006, may lead to the issue of maximum 58,6 million new shares).
At 30 September 2006, KBC group companies held 14 471 486 KBC shares (14 167 474 excluding the shares held in the trading book of KBC Securities, Ligeva and KBC Financial Products). This number includes, inter alia:

- the shares that are held to meet requirements under the various employee stock option plans (as at 30 September 2006: 2 578 412 shares).
- the shares that were bought in relation to the 1-billion-euro share buyback programme announced at the end of 2005. Up to and including 30 September 2006, roughly 9.9 million shares were bought under this programme, of which 3.5 million were cancelled at the Extraordinary General Meeting of 27 April 2006, leaving a remaining number as at 30 September 2006 of 6.4 million (exactly 6 411 290) shares. It is the intention to cancel these shares, including the ones that are bought after 30 September 2006, in the first half of 2007. The buyback programme was finished in November: in total, 11.7 million own shares were bought, at an average price of 85.07 euros per share.

At 30 September 2006, there were 2 608 625 1998-2008 MCBs in circulation, for a nominal amount of 182 681 799 euros, with a maturity date of 30 November 2008 and a base rate of 3.5% (as of 2000, related to changes in the dividend on the KBC share), which had not yet been converted into ordinary shares. Holders of these MCBs are entitled, until 30 November 2008, to request that their MCBs be converted according to a ratio of one KBC ordinary share for one MCB. MCBs which have not been converted by their holders will be converted automatically into ordinary shares at maturity. MCBs only carry voting rights when converted into ordinary shares.

N.B.: Preference shares are not included in parent shareholders' equity, but in minority interests. At 30 September 2006, there were no freely convertible bonds outstanding.

Other notes

Note 39: Commitments and contingent liabilities
Note 40: Operating lease receivables

Notes available in the annual report only.

Note 41: Assets under management

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-12-2005	30-09-2006
By business unit		
Belgium	122 423	141 405
Central Eastern Europe	7 200	9 153
Merchant Banking	2 056	600
European Private Banking	64 679	54 080
Total	196 358	205 237
By product or service[1]		
Investment funds for private individuals	76 663	83 962
Assets managed for private individuals	74 305	73 180
Assets managed for institutional investors	30 688	33 286
Group assets (managed by KBC Asset Management)	14 701	14 809
Total	196 358	205 237

1 The breakdown of the 31-12-2005 totals has been changed retroactively.

Note: 30-09-2006 figures exclude Banco Urquijo.

Note 42: Related party transactions

Note available in the annual report only.

Note 43: Solvency banking (KBC Bank and KBL EPB, combined)

In millions of EUR		31-12-2005	30-09-2006
Regulatory capital, KBC Bank + KBL (after profit appropriation)		14 669	16 673
Tier-1 capital		11 065	12 263
Parent shareholders' equity		11 462	12 555
Intangible fixed assets		- 114	- 141
Goodwill on consolidation		- 533	- 876
Preference shares / Hybrid tier-1		1 645	1 719
Minority interests		654	626
Elimination	Mandatorily convertible bonds / other tier 2-instruments	- 436	- 204
	Revaluation reserve AFS	- 830	- 688
	Hedging reserve (cash flow hedges)	- 3	- 6
	Minority interests on AFS reserve & hedging reserve (CF hedges)	- 8	- 8
Dividend payout assumed		- 772	- 714
Tier-2 capital		4 857	5 473
Mandatory convertible bonds		436	186
Perpetuals (incl. hybrid tier-1 not used in tier-1 capital)		840	898
Revaluation reserve AFS shares (at 90%)		331	445
Minority interests on revaluation reserve AFS shares (at 90%)		1	3
Subordinated liabilities		3 250	3 942
Tier-3 capital		11	14
Items to be deducted		- 1 263	- 1 077
Total weighted risk volume		117 730	125 055
Credit risk, investment		106 127	113 119
Market Risk		11 604	11 936
Solvency ratios			
Tier-1 ratio		9.40%	9.81%
CAD ratio		12.46%	13.33%

The table provides solvency figures for KBC Bank and KBL EPB combined, which have been calculated based on IFRS principles and regulators' guidelines. The tier-1 ratio calculated in this way at 30 September 2006 came to 9.8% (broken down as follows: 9.2% for KBC Bank and 19.6% for KBL EPB).

Note 44: Solvency insurance (KBC Insurance)

In millions of EUR	31-12-2005	30-09-2006
AVAILABLE CAPITAL		
Share capital	29	29
Share premium account	122	122
Reserves	2 293	2 163
Revaluation reserve, available-for-sale (AFS) investments	1 255	1 363
Translation differences	28	17
Total group equity	3 726	3 694
Dividend payout, KBC Insurance	- 510	- 159
Minority interests	74	13
Total capital and reserves	3 290	3 548
Subordinated liabilities	15	1
Total capital resources	3 305	3 549
Intangible fixed assets	- 164	- 207
Available capital	3 141	3 342
REQUIRED SOLVENCY MARGIN		
Non-life and industrial accidend-legal lines	256	262
Annuities	7	8
Required solvency margin for the Non Life business	263	270
Class 21	535	569
Class 23	17	20
Required solvency margin for the Life business	552	588
Total required solvency margin	815	858
SOLVENCY RATIO AND SURPLUS		
Solvency ratio (%)	385%	390%
Solvency surplus (in millions of EUR)	2 326	2 484

The table shows the solvency calculated for KBC Insurance, based on IFRS principles. The solvency ratio calculated in this way came to 390% at 30 September 2006.

Note 45: Risk Management

Extensive risk management data are provided in KBC's 2005 Annual Report, on pages 65 to 89. For a selection of these data, updates will be provided on a quarterly basis. For an explanation regarding the methodology used, please refer to the 2005 Annual Report.

Credit risk data

The main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC Bank and KBL EPB 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 (which are used more for treasury and liquidity management purposes) and trading book exposure are not included. Ratios are defined in 'Annex 3'.

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2005	30-09-2006
Total loan portfolio (in billions of EUR)		
Amount granted	174.8	182.4
Amount outstanding	126.9	134.6
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	28.6%	29.0%
Central Eastern Europe	15.8%	17.6%
Merchant Banking	51.8%	51.5%
European Private Banking	3.9%	1.9%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	5.5%	5.5%
Electricity	2.6%	3.0%
Aviation	0.6%	0.7%
Automobile industry	3.2%	3.0%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 977	3 427
Specific loan impairment	2 532	2 097
Portfolio-based loan impairment	290	207
Loan-loss ratio, per business unit (negative figures -> positive impact on results)		
Belgium	-0.05%	0.06%
Central Eastern Europe[1]	0.37%	0.38%
Merchant Banking	-0.04%	-0.04%
European Private Banking	-0.46%	-0.11%
Total	0.01%	0.07%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 848	2 358
Specific loan impairment for NP loans	2 056	1 671
Non-performing ratio, per business unit		
Belgium	1.7%	1.5%
Central Eastern Europe	4.5%	3.0%
Merchant Banking	1.8%	1.4%
European Private Banking	1.6%	2.2%
Total	2.2%	1.8%
Cover ratio		
Specific loan impairment for NP loans / outstanding NP loans	72%	71%
Specific & portfolio-based loan impairment for performing and NP loans / outstanding NP loans	99%	98%

Definition of ratios: see annex 3. Figures for 30-09-2006 exclude Banco Urquijo.

1 Broken down as follows for 30-09-2006: 0.26% for CSOB, 1.08% for K&H Bank and -0.42% for Kredyt Bank.

Asset/Liability management data

The first table shows - for the banking business - the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Deutschland, IIB Bank, KBC Bank Nederland, Antwerpse Diamantbank, ČSOB, K&H Bank, Kredyt Bank and KBL EPB.

The second table provides - for the insurance business - an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items (mainly securities and to a lesser extent investment property, loans and advances to customers, etc.).

ALM risk: BPV of the ALM book, banking (in millions of EUR)	
Average 1Q 2005	57
Average 2Q 2005	53
Average 3Q 2005	58
Average 4Q 2005	76
Average 1Q 2006	76
Average 2Q 2006	87
Average 3Q 2006	88
30-09-2006	80
Maximum in 9M 2006	92
Minimum in 9M 2006	66

ALM risk: investment portfolio, insurance (carrying value, in millions of EUR)	31-12-2005	30-09-2006
Bonds and other fixed-income securities	12 685	12 797
Shares and other variable-yield securities	4 197	4 286
Loans and advances to customers	131	127
Loans and advances to banks	557	667
Property and equipment and investment property	283	282
Liabilities under investment contracts, unit-linked	7 778	9 235
Other	128	128
Total investment portfolio KBC Insurance	25 759	27 522

Market risk data

The table shows the Value-at-Risk (99% confidence interval, ten-day holding period) for the bank's dealing rooms on the money and capital markets, for KBC Financial Products (KBC FP) and for KBL EPB, based on historical simulation.
For KBC Peel Hunt, the average VAR was 2 million euros n 1Q 2006, 2Q 2006 and 3Q 2006. The average VAR for KBC Securities was 1 million euros in 1Q 2006, 2Q 2006 and 3Q 1006.

Market risk: VAR (in millions of EUR)	KBC Bank	KBC FP	KBL EPB
Average 1Q 2005	14	[1]	[2]
Average 2Q 2005	13	[1]	[2]
Average 3Q 2005	11	[1]	[2]
Average 4Q 2005	13	25	[2]
Average 1Q 2006	12	30	13
Average 2Q 2006	12	38	4
Average 3Q 2006	10	26	2
30-09-2006	12	43	2
Maximum in 9M 2006	20	64	18
Minimum in 9M 2006	7	12	1

1 Up to and including 3Q 2005, KBC FP's risk exposure was measured using the scenario analysis technique.

2 Not available.

Note 46: List of significant subsidiaries and associated companies

Company	Location of registered seat	Ownership percentage at KBC Group level	Activity
BANKING			
Fully consolidated subsidiaries			
Antwerpse Diamantbank NV	Antwerp - BE	100.00	Credit institution
CBC Banque SA	Brussels - BE	100.00	Credit institution
CENTEA NV	Antwerp - BE	99.56	Credit institution
CSOB a.s.	Prague - CZ	97.44	Credit institution
Fin-Force NV	Brussels - BE	63.03	Processing financial transactions
IIB Bank Plc	Dublin - IE	100.00	Credit institution
KBC Asset Management NV	Brussels - BE	100.00	Asset Management
KBC Asset Management Ltd.	Dublin - IE	100.00	Asset Management
KBC Towarzystwo Funduszy Inwestycyjnych sa	Warsaw - PL	94.00	Asset Management
KBC Bank NV	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	Bremen - DE	99.76	Credit institution
KBC Bank Funding LLC & Trust (group)	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Nederland NV	Rotterdam - NL	100.00	Credit institution
KBC Clearing NV	Amsterdam - NL	100.00	Clearing
KBC Finance Ireland	Dublin - IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	London - GB	100.00	Stock exchange broker / corporate finance
KBC Private Equity NV (ex-KBC Investco NV)	Brussels - BE	100.00	Private equity
KBC Securities NV	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Rt.	Budapest - HU	99.92	Credit institution
Kredyt Bank SA	Warsaw - PL	80.00	Credit institution
Patria Finance a.s.	Prague - CZ	100.00	Stock exchange broker / corporate finance
Proportionally consolidated subsidiaries			
International Factors NV	Brussels - BE	50.00	Factoring
Associated companies			
Bank Card Company NV	Brussels - BE	21.55	Credit cards
Banksys NV	Brussels - BE	20.55	Credit cards
Nova Ljubljanska banka d.d. (group)	Ljubljana - SI	34.00	Credit institution
INSURANCE			
Fully consolidated subsidiaries			
ADD NV	Heverlee - BE	100.00	Insurance company
Assurisk SA	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	Pardubice - CZ	97.49	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	Bratislava - SK	98.10	Insurance company
Fidea NV	Antwerp - BE	100.00	Insurance company
K&H Insurance *	Budapest - HU	100.00	Insurance company
KBC Verzekeringen NV	Leuven - BE	100.00	Insurance company
Maatschappij voor Brandherverzekering CV	Leuven - BE	90.55	Insurance company
Secura NV	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	Luxembourg - LU	99.94	Insurance company
VTB-VAB NV	Zwijndrecht - BE	64.80	Car assistance
TUIR WARTA SA	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries			
NLB Vita d.d.	Ljubljana - SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING			
Fully consolidated subsidiaries			
Brown, Shipley & Co Ltd.	London - GB	98.96	Credit institution
KBL Finance Ireland	Dublin - IE	98.96	Credit institution
Kredietbank SA Luxembourgeoise	Luxembourg - LU	98.96	Credit institution
Kredietbank (Suisse) SA, Genève	Geneva - CH	98.96	Credit institution
Merck Finck & Co.	München - DE	98.96	Credit institution
Puilaetco Private Bankers SA	Brussels - BE	98.96	Credit institution
Theodoor Gilissen Bankiers NV	Amsterdam - NL	98.96	Credit institution
HOLDING COMPANY ACTIVITIES			
Fully consolidated subsidiaries			
Almafin NV (group)	Zaventem - BE	100.00	Financial services
KBC Exploitatie NV	Brussels - BE	100.00	Cost sharing structure
KBC Groep NV	Brussels - BE	100.00	Holding

* K&H Insurance: results from merger in 3Q 2006 between K&H Életbiztosító Rt. (K&H Life) and K&H General Insurance (ex-Argosz Insurance Corporation Ltd.).

A complete list of the companies included in or excluded from the scope of consolidation, as well as all associated companies, as at 31-12-2005, is provided in the 2005 annual report of KBC, on pages 173-182.

Note 47: Main changes in the scope of consolidation

	Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison			9M 2005	9M 2006	
ADDITIONS					
European Private Banking	HSBC Dewaay NV	Full	-	98.96%	acquisition in 4Q 2005; merger with Puilaetco Private Bankers SA
EXCLUSIONS					
Holding company activities	Gevaert NV	Full	100.00%	-	merger with KBC Group NV
Holding company activities	Agfa-Gevaert NV	Equity	27.13%	-	sold in 1Q 2006
Holding company activities	Bofort NV (group)	Full	100.00%	-	sold in 4Q 2005
Banking	Orbay NV	Proportional	49.00%	-	decrease of ownership percentage below 20%
European Private Banking	Banco Urquijo SA	Full	96.94%	-	sold in 3Q 2006
CHANGES IN OWNERSHIP PERCENTAGE					
European Private Banking	Kredietbank SA Luxembourgeoise	Full	97.27%	98.96%	increase of participation
Banking	K&H Bank Rt.	Full	59.47%	99.92%	shares bought from ABN-AMRO
Banking	Kredyt Bank SA	Full	85.53%	80.00%	sale of shares to increase free float to 20%
Banking	Fin-Force NV	Full	85.01%	63.03%	sale of shares to new participants in Fin-Force
Insurance	TUIR WARTA SA	Full	75.13%	100.00%	buyout of minorities; in profit as of 2Q06
Insurance	CSOB Poist'ovna a.s.(Slovak Republic)	Full	87.30%	98.10%	increase of participation
Insurance	K&H Life + K&H General Insurance	Full	79.73%/98.76%	100.00%	merger of K&H Life and K&H General Insurance to form K&H Insurance
For balance sheet comparison			31-12-2005	30-09-2006	
ADDITIONS					
none					
EXCLUSIONS					
Holding company activities	Gevaert NV	Full	100.00%	-	merger with KBC Group NV
Holding company activities	Agfa-Gevaert NV	Equity	27.35%	-	sold in 1Q 2006
Banking	Orbay NV	Proportional	49.00%	-	decrease of ownership percentage below 20%
European Private Banking	Banco Urquijo SA	Full	97.06%	-	sold in 3Q 2006
CHANGES IN OWNERSHIP PERCENTAGE					
European Private Banking	Kredietbank SA Luxembourgeoise	Full	97.32%	98.96%	increase of participation
Banking	K&H Bank Rt.	Full	59.47%	99.92%	shares bought from ABN-AMRO
Banking	Kredyt Bank SA	Full	85.53%	80.00%	sale of shares to increase free float to 20%
Banking	Fin-Force NV	Full	85.01%	63.03%	sale of shares to new participants in Fin-Force
Banking	CSOB a.s.	Full	89.97%	97.44%	increase in participation, in profit as of 4Q 2006
Insurance	TUIR WARTA SA	Full	75.13%	100.00%	buyout of minorities
Insurance	CSOB Poist'ovna a.s.(Slovak Republic)	Full	87.30%	98.10%	increase of participation
Insurance	K&H Life + K&H General Insurance	Full	79.74%/98.76%	100.00%	merger of K&H Life and K&H General Insurance to form K&H Insurance

Note 48: General information

Note available in the annual report only.

Note 49: Post-balance-sheet events

Events after balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue by the Board of Directors. They include both adjusting events after balance sheet date (events that provide evidence of conditions that existed at the balance sheet date) and non-adjusting events after balance sheet date (events that are indicative of conditions that arose after the balance sheet date). Adjusting events in principle lead to an adjustment of the financial statements for the financial period preceding the event, whereas non-adjusting events in principle only influence the financial statements for the following period(s).

Significant (non-adjusting) events between the balance sheet date (30 September 2006) and the publication of this report (23 November 2006):

- On 7 November 2006, KBL EPB signed an agreement to sell its Italian private banking subsidiary Banca KBL Fumagalli Soldan to the Spanish bank BANIF (part of the Santander group), pending approval of the relevant regulatory authorities. This sale is in line with KBL EPB's strategy which requires a sufficient scale in each of the markets where it is present in. The capital gain KBC will realize on this sale is expected to be around 12 million euros.

Auditor's report

REPORT OF THE STATUTORY AUDITOR TO THE SHAREHOLDERS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2006 AND FOR THE NINE MONTHS THEN ENDED

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group NV (the "Company") as at 30 September 2006 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Brussels, 23 November 2006

Ernst & Young Reviseurs d'Entreprises SCC
Statutory auditor
represented by

Jean-Pierre Romont Partner	Danielle Vermaelen Partner

Annexes

Annex 1: Restatement of 2005 figures

Originally, KBC opted to limit the volatility caused by the asymmetric valuation, under IAS 32/39, of the loan portfolio (at amortised cost) and of the ALM derivatives used to hedge the interest rate risk of the loan portfolio (at fair value), by using the so-called ‘fair value option’ instead of hedge accounting. In practice, a part of the bond portfolio was classified as ‘financial instruments at fair value through profit and loss’ (FIFV), so that the fair value changes of the hedging derivatives were (largely) offset by the opposite fair value changes of the FIFV portfolio. Under this approach, the interest component of the hedging derivatives was booked under ‘net gains from financial instruments at fair value’.

In 4Q 2005, KBC decided to apply ‘fair value hedge accounting for a portfolio hedge of interest rate risk’ on the basis of the carved-out version of IAS 39 as approved by the EU (in short ‘portfolio hedging’) for a substantial part of the activities of KBC Bank in Belgium. As a consequence, ‘hedging’ via the FIFV book was, to a considerable extent, replaced by the use of portfolio hedging, which implies the fair valuing of both the ALM derivatives and the underlying loan portfolio. This change resulted in a negative 40-million-euro pre-tax impact for the full year 2005, but the effect was fully taken in 4Q 2005. The interest component of the portfolio hedge derivatives remained provisionally in the ‘net gains from financial instruments at fair value’ item.

In 1Q 2006, finally, KBC restated its 2005 figures, providing the correct distribution of the above-mentioned effect over the four quarters of 2005 (instead of in one quarter) and shifting the interest on portfolio hedge derivatives from the ‘net gains from financial instruments at fair value’ to the ‘net interest income’ item. *Note that the full year 2005 net result was not affected.*

The table below provides an overview of the original (i.e. as published in the 2005 annual and quarterly reports) and restated figures per quarter. Restated figures are underlined.

Restatement of 2005 figures, KBC Group
(in millions of EUR)

	1Q 2005		2Q 2005		3Q 2005		4Q 2005		FY 2005	
	original	**restated**	original	**restated**	original	**restated**	original	**restated**	original	**restated**
Net interest income	1 048	<u>1 019</u>	1 074	<u>1 043</u>	1 129	<u>1 096</u>	1 097	<u>1 061</u>	4 348	<u>4 219</u>
Gross earned premiums	729	729	978	978	810	810	1 034	1 034	3 550	3 550
Dividend income	34	34	135	135	25	25	41	41	235	235
Net gains from financial instruments at fair value	133	<u>163</u>	92	<u>63</u>	123	<u>166</u>	165	<u>251</u>	513	<u>642</u>
Net realised gains from available-for-sale assets	168	168	97	97	49	49	144	144	458	458
Net fee and commission income	429	429	410	410	452	452	528	528	1 819	1 819
Other income	215	215	118	118	112	112	130	130	574	574
Gross income	2 756	<u>2 757</u>	2 904	<u>2 843</u>	2 699	<u>2 709</u>	3 138	<u>3 189</u>	11 498	11 498
Operating expenses	-1 104	-1 104	-1 209	-1 209	-1 177	-1 177	-1 424	-1 424	-4 914	-4 914
Impairment	-15	-15	-42	-42	3	3	-49	-49	-103	-103
Gross technical charges, insurance	-612	-612	-852	-852	-696	-696	-899	-899	-3 059	-3 059
Ceded reinsurance result	-17	-17	-17	-17	-10	-10	-26	-26	-69	-69
Share in results of associated companies	21	21	13	13	-19	-19	2	2	16	16
Profit before tax	1 030	<u>1 030</u>	797	<u>735</u>	800	<u>810</u>	743	<u>793</u>	3 369	3 369
Income tax expense	-256	<u>-257</u>	-212	<u>-192</u>	-208	<u>-211</u>	-249	<u>-266</u>	-925	-925
Profit after tax	774	<u>774</u>	585	<u>544</u>	592	<u>598</u>	494	<u>528</u>	2443	2443
Minority interests	-57	-57	-48	-48	-48	-48	-41	-41	-194	-194
Net profit - Group share	717	<u>717</u>	536	<u>496</u>	543	<u>550</u>	453	<u>486</u>	2 249	2 249

Annex 2: Detailed information regarding Central Eastern Europe and Merchant Banking

Annex 2.1: breakdown of the Central Eastern European business unit by country

The 'Central Eastern Europe' business unit is divided up into the various Central Eastern European countries. Below, separate income statements for the Czech & Slovak Republics, Hungary and Poland are provided. These include the company figures of the above-mentioned companies, on a 100%-ownership basis. Allocated funding costs on goodwill, allocated head office expenses, consolidation adjustments, minority interests at the level of KBC and the results for Slovenia are summarised in the table 'Central Eastern Europe - other'.

Income statement, Czech and Slovak Republics (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	130	134	135	144	150	158	166	399	474
Gross earned premiums, insurance	57	60	62	64	63	65	70	178	197
Dividend income	4	2	- 4	1	0	1	1	2	2
Net gains from financial instruments at fair value	46	11	24	20	30	24	30	81	84
Net realised gains from available-for-sale assets	4	2	7	6	3	0	2	13	5
Net fee and commission income	53	52	55	55	57	57	51	160	164
Other income	111	13	25	38	54	19	10	149	83
Gross income	404	274	305	328	356	323	329	982	1 008
Operating expenses	- 133	- 154	- 131	- 194	- 138	- 148	- 163	- 418	- 449
Impairment	8	- 2	- 23	- 27	- 3	- 18	- 7	- 17	- 28
Gross technical charges, insurance	- 55	- 81	- 34	- 31	- 41	- 23	- 77	- 170	- 141
Ceded reinsurance result	- 2	- 3	- 4	- 2	- 1	- 1	- 1	- 9	- 3
Share in results of associated companies	0	0	0	0	0	0	0	0	0
Profit before tax	222	34	112	73	173	133	81	368	387
Income tax expense	- 53	- 8	- 27	- 7	- 41	- 28	- 16	- 89	- 85
Profit after tax	169	25	85	66	132	105	65	280	302
Minority interests	0	- 1	- 1	- 4	- 1	0	0	- 2	- 2
Net profit	**168**	**25**	**85**	**62**	**131**	**105**	**64**	**278**	**300**
Banking activities	173	53	72	48	127	86	72	298	285
Insurance activities	- 4	- 29	13	13	4	18	- 7	- 20	15
of which : Underlying net profit	85	20	87	66	111	105	65	192	280
Risk-weighted assets (end of period)	*8 485*	*8 621*	*9 552*	*10 139*	*11 079*	*11 613*	*13 056*	*9 552*	*13 056*
Allocated equity (end of period)	*670*	*683*	*749*	*792*	*860*	*896*	*1 000*	*749*	*1 000*
Return on allocated capital (ROAC)	*97%*	*8%*	*39%*	*27%*	*55%*	*41%*	*23%*	*47%*	*39%*
Cost/income ratio (banking activities)	*36%*	*69%*	*49%*	*67%*	*43%*	*51%*	*61%*	*49%*	*51%*
Combined ratio (non-life insurance activities)	*98%*	*99%*	*98%*	*117%*	*111%*	*87%*	*106%*	*98%*	*101%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Czech and Slovak Republics (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	133	138	140	150	154	163	170	411	487
Gross earned premiums, insurance	57	60	62	64	63	65	70	178	197
Dividend income	4	2	- 4	1	0	1	1	2	2
Net gains from financial instruments at fair value	43	7	19	14	26	19	26	69	71
Net realised gains from available-for-sale assets	4	2	7	6	3	0	2	13	5
Net fee and commission income	53	52	55	55	57	57	51	160	164
Other income	111	13	25	38	54	19	10	149	83
Gross income	404	274	305	328	356	323	329	982	1 008

Income statement, Hungary (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	56	56	64	60	56	53	54	176	163
Gross earned premiums, insurance	19	22	21	19	18	20	27	62	66
Dividend income	0	0	0	0	0	1	0	0	1
Net gains from financial instruments at fair value	25	25	23	24	25	16	33	73	74
Net realised gains from available-for-sale assets	0	0	0	0	0	0	1	0	1
Net fee and commission income	23	17	21	27	24	25	30	60	79
Other income	2	4	3	5	4	9	0	9	13
Gross income	125	125	130	135	127	123	145	380	396
Operating expenses	- 72	- 78	- 88	- 78	- 77	- 68	- 80	- 238	- 225
Impairment	- 10	- 16	- 5	- 7	- 14	- 20	- 11	- 30	- 46
Gross technical charges, insurance	- 12	- 15	- 17	- 14	- 10	- 15	- 22	- 44	- 46
Ceded reinsurance result	- 1	- 1	0	- 1	0	0	- 1	- 2	0
Share in results of associated companies	1	1	1	0	1	0	1	3	1
Profit before tax	32	16	21	35	28	20	32	69	79
Income tax expense	- 8	- 4	- 5	- 8	- 8	- 6	- 5	- 17	- 19
Profit after tax	24	12	16	27	19	14	27	52	60
Minority interests	0	0	0	0	0	0	0	0	0
Net profit	**24**	**12**	**16**	**27**	**19**	**14**	**27**	**52**	**60**
Banking activities	21	10	16	26	16	12	25	47	52
Insurance activities	3	3	0	1	4	2	2	6	7
of which: Underlying net profit	24	12	16	27	19	19	26	52	65
Risk-weighted assets (end of period)	*4 207*	*4 425*	*4 641*	*4 803*	*4 745*	*4 971*	*4 866*	*4 641*	*4 866*
Allocated equity (end of period)	*311*	*328*	*343*	*354*	*351*	*366*	*365*	*343*	*365*
Return on allocated capital (ROAC)	*21%*	*7%*	*12%*	*24%*	*16%*	*7%*	*22%*	*13%*	*15%*
Cost/income ratio (banking activities)	*65%*	*73%*	*77%*	*64%*	*67%*	*63%*	*66%*	*71%*	*65%*
Combined ratio (non-life insurance activities)	*83%*	*88%*	*113%*	*102%*	*73%*	*98%*	*100%*	*95%*	*91%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Hungary (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	56	56	64	60	56	53	54	176	163
Gross earned premiums, insurance	19	22	21	19	18	20	27	62	66
Dividend income	0	0	0	0	0	1	0	0	1
Net gains from financial instruments at fair value	25	25	23	24	25	16	33	73	74
Net realised gains from available-for-sale assets	0	0	0	0	0	0	1	0	1
Net fee and commission income	23	17	21	27	24	25	30	60	79
Other income	2	4	3	5	4	9	0	9	13
Gross income	125	125	130	135	127	123	145	380	396

Income statement, Poland (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	52	69	44	60	61	48	51	166	160
Gross earned premiums, insurance	119	142	124	147	150	128	155	385	433
Dividend income	0	0	1	0	0	1	1	1	2
Net gains from financial instruments at fair value	16	12	11	11	8	7	12	38	26
Net realised gains from available-for-sale assets	16	1	4	- 5	2	3	2	20	8
Net fee and commission income	- 5	- 2	- 14	- 3	- 6	- 4	- 5	- 21	- 15
Other income	2	6	6	- 3	5	43	7	14	54
Gross income	200	228	174	206	219	226	223	602	668
Operating expenses	- 83	- 99	- 66	- 96	- 83	- 88	- 92	- 248	- 263
Impairment	- 2	9	0	2	- 2	- 1	10	8	7
Gross technical charges, insurance	- 76	- 82	- 78	- 86	- 103	- 63	- 94	- 237	- 259
Ceded reinsurance result	- 6	- 15	- 3	- 6	- 6	- 9	- 10	- 23	- 25
Share in results of associated companies	1	- 1	0	0	0	0	0	0	0
Profit before tax	34	42	28	20	25	66	37	103	128
Income tax expense	- 4	- 2	17	4	1	- 3	- 7	12	- 10
Profit after tax	30	40	45	24	26	62	30	115	119
Minority interests	0	0	0	0	0	0	0	0	0
Net profit	**30**	**40**	**45**	**24**	**26**	**62**	**30**	**115**	**119**
Banking activities	22	24	37	19	23	53	23	82	99
Insurance activities	8	16	8	4	3	9	8	33	20
of which: Underlying net profit	30	40	45	24	26	62	30	115	119
Risk-weighted assets (end of period)	*3 763*	*3 407*	*3 354*	*3 257*	*3 230*	*3 270*	*3 686*	*3 354*	*3 686*
Allocated equity (end of period)	*383*	*368*	*363*	*361*	*364*	*362*	*394*	*363*	*394*
Return on allocated capital (ROAC)	*25%*	*35%*	*40%*	*18%*	*18%*	*58%*	*28%*	*34%*	*34%*
Cost/income ratio (banking activities)	*72%*	*82%*	*72%*	*83%*	*72%*	*53%*	*79%*	*76%*	*66%*
Combined ratio (non-life insurance activities)	*101%*	*93%*	*104%*	*95%*	*99%*	*94%*	*100%*	*99%*	*97%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) 'adjusted figures'. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Poland (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	52	69	44	60	61	48	51	166	160
Gross earned premiums, insurance	119	142	124	147	150	128	155	385	433
Dividend income	0	0	1	0	0	1	1	1	2
Net gains from financial instruments at fair value	16	12	11	11	8	7	12	38	26
Net realised gains from available-for-sale assets	16	1	4	- 5	2	3	2	20	8
Net fee and commission income	- 5	- 2	- 14	- 3	- 6	- 4	- 5	- 21	- 15
Other income	2	6	6	- 3	5	43	7	14	54
Gross income	200	228	174	206	219	226	223	602	668

Income statement, Central Eastern Europe - other (in millions of EUR)	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	- 18	- 28	- 11	- 23	- 22	- 27	- 26	- 56	- 75
Gross earned premiums, insurance	0	7	1	5	6	4	3	8	12
Dividend income	0	0	- 1	0	0	0	0	- 1	0
Net gains from financial instruments at fair value	- 3	31	- 6	- 6	- 3	0	0	22	- 3
Net realised gains from available-for-sale assets	0	- 1	0	0	0	0	0	- 1	0
Net fee and commission income	- 4	- 4	10	- 2	0	0	0	1	- 1
Other income	2	0	14	- 9	3	- 3	0	16	1
Gross income	- 24	5	8	- 35	- 16	- 27	- 23	- 10	- 66
Operating expenses	- 8	14	- 48	- 4	- 4	- 7	8	- 41	- 3
Impairment	7	- 4	- 6	- 13	0	- 4	- 1	- 2	- 6
Gross technical charges, insurance	9	30	- 11	- 40	- 15	- 11	- 3	28	- 29
Ceded reinsurance result	0	0	0	0	0	0	0	0	0
Share in results of associated companies	8	3	5	3	8	8	11	17	27
Profit before tax	- 8	49	- 51	- 89	- 28	- 41	- 8	- 10	- 78
Income tax expense	6	9	4	17	13	7	7	20	27
Profit after tax	- 1	58	- 47	- 72	- 15	- 34	- 1	10	- 51
Minority interests	- 30	- 21	- 23	- 11	- 17	- 17	- 10	- 74	- 44
Net profit	**- 31**	**36**	**- 70**	**- 83**	**- 32**	**- 51**	**- 11**	**- 64**	**- 95**
Banking activities	- 32	10	- 52	- 41	- 19	- 40	- 10	- 75	- 69
Insurance activities	1	27	- 17	- 43	- 13	- 11	- 1	11	- 25
of which: Underlying net profit	- 31	36	- 70	- 83	- 32	- 50	- 11	- 64	- 94

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) ‘adjusted figures’. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Central Eastern Europe - other (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME**	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	2Q 2006	3Q 2006	cumul. 9M 2005	cumul. 9M 2006
Net interest income	- 19	- 29	- 12	- 24	- 23	- 29	- 27	- 60	- 79
Gross earned premiums, insurance	0	7	1	5	6	4	3	8	12
Dividend income	0	0	- 1	0	0	0	0	- 1	0
Net gains from financial instruments at fair value	- 2	32	- 4	- 4	- 2	1	1	26	1
Net realised gains from available-for-sale assets	0	- 1	0	0	0	0	0	- 1	0
Net fee and commission income	- 4	- 4	10	- 2	0	0	0	1	- 1
Other income	2	0	14	- 9	3	- 3	0	16	1
Gross income	- 24	5	8	- 35	- 16	- 27	- 23	- 10	- 66

Annex 2.2: breakdown of the 3Q 2006 results of the Merchant Banking business unit into ‘Commercial Banking’ and ‘Investment Banking’

The ‘Merchant Banking’ business unit consists of both Commercial Banking (mainly services to SMEs and corporate customers) as well as Investment Banking (inter alia dealing activities, securities brokerage, corporate finance,..). Below, the 3Q 2006 income statement of the Merchant Banking business unit is broken down into these two businesses.

Income statement, Merchant Banking business unit (in millions of EUR) Breakdown of 3Q 2006 figures	Commercial Banking	Investment Banking	Total Merchant Banking business unit
Net interest income	277	- 83	194
Gross earned premiums, insurance	81	0	81
Dividend income	3	19	21
Net gains from financial instruments at fair value	- 12	198	186
Net realised gains from available-for-sale assets	- 1	0	- 1
Net fee and commission income	5	16	21
Other income	26	5	32
Gross income	379	155	534
Operating expenses	- 123	- 119	- 242
Impairment	- 3	1	- 2
Gross technical charges, insurance	- 54	0	- 54
Ceded reinsurance result	- 7	0	- 7
Share in results of associated companies	0	0	0
Profit before tax	192	38	229
Income tax expense	- 27	- 12	- 38
Profit after tax	165	26	191
Minority interests	- 23	0	- 22
Net profit, group share	**142**	**26**	**168**
Banking activities	*133*	*21*	*154*
Insurance activities	*9*	*6*	*15*
of which: Underlying net profit	141	21	162
Risk-weighted assets (end of period)	*48 055*	*9 781*	*57 837*
Allocated equity (end of period)	*3 352*	*665*	*4 017*
Return on allocated capital (ROAC)	*19%*	*13%*	*18%*
Cost/income ratio (banking activities)	*40%*	*77%*	*52%*
Combined ratio (reinsurance activities)	*96%*	*-*	*96%*

For a definition of ratios, see 'annex 3'.

In order to provide more insight in a number of gross income items, we provide, in the table below, a number of (non-IFRS) ‘adjusted figures’. For an explanation of the difference between the IFRS-figures and the adjusted figures, please refer to the chapter 'Group Results'.

Income statement, Merchant Banking business unit (in millions of EUR) **ADJUSTED FIGURES (NON-IFRS) FOR GROSS INCOME 3Q 2006**	Commercial Banking	Investment Banking	Total Merchant Banking business unit
Net interest income	284	0	284
Gross earned premiums, insurance	81	0	81
Dividend income	3	0	3
Net gains from financial instruments at fair value	- 20	132	112
Net realised gains from available-for-sale assets	- 1	0	- 1
Net fee and commission income	5	24	28
Other income	26	0	26
Gross income	379	155	534

Annex 3: Glossary of ratios used

CAD ratio (banking)	[consolidated regulatory capital of KBC Bank and KBL EPB] / [total risk-weighted volume of KBC Bank and KBL EPB]. Detailed calculations in the 'Consolidated financial statements' section, note 43. This information is also available for KBC Bank and KBL EPB separately.
Combined ratio (non-life insurance)	[net claims incurred / net earned premiums] + [net expenses / net written premiums].
Cost/income ratio (banking)	[operating expenses of the banking businesses of the group (i.e. KBC Bank and KBL EPB)] / [gross income of the banking businesses of the group].
Cover ratio	[individual impairment on non-performing loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'.
Earnings per share, basic	[net profit, group share)] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares].
Earnings per share, diluted	[net profit, group share, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares, plus the potentially dilutive effect of share options and ordinary convertible bonds].
Equity market capitalisation	[closing price of KBC share] x [number of ordinary shares].
Gearing ratio	[sum of the consolidated equity of KBC Bank, KBC Insurance, KBL EPB, KBC Exploitatie and the participations of the former Gevaert group] / [consolidated equity of KBC group]
Loan loss ratio	[net changes in individual and portfolio-based impairment for credit risks]/ [average outstanding loan portfolio].
Non-performing ratio	[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears)] / [total outstanding loan portfolio].
Parent shareholders' equity per share	[parent shareholders' equity] / [number of ordinary shares and mandatorily convertible bonds, less treasury shares (at period-end)].

Return on allocated capital (ROAC - for a particular business unit)

[net profit, including minority interests, of a business unit, corrected for income on allocated instead of real equity] / [average allocated equity to business unit]

- net profit of a business unit is the sum of the profit of the companies belonging to the business unit, corrected for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses.
- The allocated equity to a business unit is based on a tier-1 ratio of 8% of risk-weighted assets for banking activities and a solvency ratio of 200% for the insurance activities. In the banking business, allocated tier-1 capital consists of core equity (85%) and preference shares (15%), while in the insurance business, allocated capital consists purely of core equity. To calculate ROAC, only core equity is taken into account in the denominator.

Return on equity	[net profit, group share] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments].
Solvency ratio (insurance)	[consolidated solvency capital available to KBC Insurance] / [minimum required solvency margin]. Detailed calculations in the 'Consolidated financial statements' section, note 44.
Tier-1 ratio (banking)	[consolidated tier-1 capital of KBC Bank and KBL EPB] / [total risk-weighted volume of KBC Bank and KBL EPB]. Detailed calculations in the 'Consolidated financial statements' section, note 43. This information is also available for KBC Bank and KBL EPB separately.