3Q2013

KBC Group

Extended Quarterly Report

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KBC

Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

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

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

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

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

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

Diluted earnings per share: [result after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, less treasury shares, plus non-mandatorily convertible bonds]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.

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

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

Net stable funding ratio (NSFR): [available amount of stable funding] / [required amount of stable funding].

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

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

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

Return on equity: [result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata).

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

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KBC Group Report on 3Q2013 and 9M2013

This press release contains information that is subject to transparency regulations for listed companies.
Date of release: 14 November 2013

Summary: Strong commercial result and one-off impact from divestments

KBC ended the third quarter of 2013 with a net profit of 272 million euros, compared with a net profit of 517 million euros in the previous quarter and 531 million euros a year earlier. For the first nine months of the year, therefore, net profit has come in at 1 309 million euros as opposed to 372 million euros in the first nine months of 2012.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 457 million euros, compared with 485 million euros in the previous quarter and 373 million euros in the corresponding quarter of 2012. For the first nine months of the year, the adjusted net profit stood at 1 300 million euros compared with 1 217 million euros in the first nine months of 2012.

Johan Thijs, Group CEO:

'The latest confidence indicators have confirmed the ongoing global recovery and gradually improving economic conditions. Against this background, KBC posted a net result of 272 million euros in the third quarter and a high adjusted net result of 457 million euros. At group level, and excluding deconsolidated entities, we managed to increase levels of net interest income and net interest margin, while posting growth in deposits and mortgages, retain a good combined ratio, keep an excellent cost/income ratio and reduce impairments. However, fee and commission income was weaker, mainly due to the seasonal dip, and the net result from financial instruments at fair value was lower.

In the quarter under review, the Belgium Business Unit generated a net result of 391 million euros, above the average figure of 358 million euros for the four preceding quarters. Compared with the previous quarter, this one was characterised by higher net interest income, lower net fee and commission income, weak unit-linked life insurance sales but an excellent non-life combined ratio, a very good cost/income ratio and a lower level of loan loss impairment charges. The banking activities accounted for 79% of the net result in the quarter under review, and insurance activities for 21%.

The Czech Republic Business Unit posted a net result of 157 million euros, above the average figure of 135 million euros for the four preceding quarters. Compared with the previous quarter, this quarter included a small decline in net interest income, an improved combined ratio in non-life insurance, increased unit-linked life insurance sales, higher net fee and commission income, an excellent cost/income ratio and lower loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review and insurance activities for 4%.

The International Markets Business Unit recorded a net result of -12 million euros, an improvement on the average of -42 million euros for the four preceding quarters. Compared with the previous quarter, the third quarter was characterised by slightly higher net interest income and net fee and commission income, lower costs (these were higher in the previous quarter on account chiefly of the one-off financial levy in Hungary), and slightly higher loan loss impairment charges, with Ireland still accounting for the bulk of the impairments. Overall, the banking activities accounted for a negative net result of -17 million euros (the positive results in Slovakia, Hungary and Bulgaria were wiped out by the negative result in Ireland), while the insurance activities accounted for a positive net result of 6 million euros.

In light of the paper published by the European Banking Association on forbearance and non-performing loans as well as the upcoming asset quality review in 2014, we are reassessing our loan book with specific focus on the Irish loan portfolio. We expect to add additional provisions due to the reclassification of 2 billion euros' worth of restructured mortgage loans. As regards our corporate loan book, given the slower than expected recovery of the SME sector in Ireland, we expect to add provisions due to a more prudent outlook on future cashflows and collateral values. In total, this will lead to an expected impairment charge in Ireland of up to 775 million euros in the fourth quarter of this year. Our guidance for loan loss provisions in Ireland for the coming years is 150 to 200 million euros for 2014 and 50 to 100 million euros for each of 2015 and 2016. This is based on current economic projections. As regards all the other countries, the currently estimated impact is considered to be immaterial.

We also continued to finalise our divestment plan. In September, we announced the agreement to sell KBC Bank Deutschland, a deal which will improve our solvency position by roughly 15 basis points. On the remaining divestment files , we have taken additional impairments of 30 million euros for NLB, 55 million euros for KBC Banka and 73 million euros for Antwerp Diamond Bank. This, together with the discount for the transferred shareholder loan and some smaller items, resulted in a net result that is substantially below the adjusted net result.

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

Our capital position has remained strong, with a tier-1 ratio of 15.8%, even after the large repayment of 1.17 billion euros of Flemish state aid (plus a penalty of 0.58 billion euros) at the beginning of July. Our common equity ratio under Basel III at the end of the quarter stood at 12.5% (fully loaded), well above our goal to maintain a target common equity ratio under Basel III (fully loaded) of 10% as of 1 January 2013.

These results confirm our belief in our core business, which is bank-insurance in Belgium, Czech Republic and a selection of countries in Central and Eastern Europe. Our 37 000 employees act to serve and benefit our clients, shareholders and other stakeholders. We are truly appreciative of the continued trust placed in us.'

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

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

- CDOs: During the third quarter, corporate and ABS credit spreads tightened further, as had been the case during previous quarters. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government as well as the termination costs, there was a positive post-tax impact of some 34 million euros.
- Remaining divestments: A total post-tax negative impact of 231 million euros was recorded for this quarter. This was attributable primarily to the following four items:
  - Impairment of 30 million euros (post tax) on the 75-million-euro subordinated loan to NLB was recognised under this item. Taking into account the impairment on this loan taken in the second quarter, provisioning for this loan is now a full 100%.
  - The profit and loss impact of the transfer of 0.3 billion euros' worth of loans to KBC Ancora to another financial institution, amounted to 43 million euros (post tax) as a result of discount and transaction costs.
  - The signed but not yet closed KBC Banka divestment file triggered an additional loss of 55 million euros (post tax), over and above the initially communicated estimate of 47 million euros (17 million euros of which was taken in the first quarter of this year).
  - The current status of the divestment process of Antwerp Diamond Bank triggered a one-off impairment charge of 73 million euros in this quarter.
- Impact of own credit risk valuation: The small widening in the credit spread on KBC debt between the end of June 2013 and the end of the third quarter resulted in a positive marked-to-market adjustment of 12 million euros (post tax), but had no impact on regulatory capital.

Financial highlights for 3Q2013 compared with 2Q2013:

- High level of adjusted group profit thanks *inter alia* to sustained net interest income, lower impairments and good cost control.
- Net result impacted by impairment on divestments.
- Solid return on equity of 16% year-to-date, based on adjusted results.
- Net interest income slightly higher, net interest margin up to 1.77%.
- Growth in deposit and mortgage loan portfolio.
- Healthy combined ratio of 91% year-to-date, with low claims ratio in 3Q2013.
- Good level of dealing room income but lower impact of marked-to-market valuations of ALM derivatives.
- Weaker net fee and commission income, due partly to seasonality.
- Excellent cost/income ratio of 51% year-to-date, based on adjusted results; 56% excluding specific items.
- Credit cost ratio down further to 0.71% year-to-date; Ireland's ratio at 2.4%.
- Consistently strong liquidity position, with LCR at 132% and NSFR at 108%.
- Solvency: strong capital base, with a tier-1 ratio of 15.8% (core tier-1 ratio of 13.4%). Basel III common equity ratio (fully loaded) at 12.5%, well above the 10% target.

Overview KBC Group (consolidated)	3Q2012	2Q2013	3Q2013	9M2012	9M2013
Net result, IFRS (in millions of EUR)	531	517	272	372	1 309
Basic earnings per share, IFRS (in EUR)[1]	1.16	1.24	-0.75	-0.13	1.74
Adjusted net result (in millions of EUR)	373	485	457	1 217	1 300
Basic earnings per share, based on adjusted net result (in EUR)[1]	0.69	1.16	-0.30	2.36	1.72
Breakdown by business unit (in millions of EUR)[2]					
Belgium	335	418	391	1 064	1 193
Czech Republic	149	146	157	467	435
International Markets	-38	-23	-12	-242	-122
Group Centre	-72	-56	-79	-72	-207
Parent shareholders' equity per share (in EUR, end of period)	31.3	29.1	28.5	31.3	28.5

1 Note: If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid, it will likewise be deducted.
2 A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report). The 2012 reference figures have been restated in order to reflect this new breakdown.

Overview of results according to IFRS

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

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	9M 2012	9M 2013
Net interest income	1 261	1 190	1 097	1 121	1 068	1 016	1 028	-	3 548	3 111
Interest income	2 695	2 563	2 493	2 382	2 193	2 109	2 066	-	7 752	6 369
Interest expense	-1 434	-1 374	-1 396	-1 261	-1 125	-1 093	-1 039	-	-4 204	-3 257
Non-life insurance (before reinsurance)	204	200	157	61	149	115	145	-	561	409
Earned premiums	438	442	307	313	305	316	321	-	1 187	942
Technical charges	-234	-243	-150	-252	-156	-201	-176	-	-626	-533
Life insurance (before reinsurance)	-72	-67	-79	-22	-59	-62	-63	-	-218	-185
Earned premiums	446	448	271	310	271	241	238	-	1 165	750
Technical charges	-518	-514	-350	-332	-331	-303	-302	-	-1 383	-936
Ceded reinsurance result	-14	-1	-12	13	-12	13	1	-	-27	2
Dividend income	6	21	13	5	5	20	14	-	39	39
Net result from financial instruments at fair value through profit or loss	60	43	275	42	314	425	223	-	378	962
Net realised result from available-for-sale assets	32	9	56	85	142	47	34	-	97	223
Net fee and commission income	304	309	343	360	393	385	340	-	955	1 118
Fee and commission income	492	479	494	541	641	565	512	-	1 464	1 717
Fee and commission expense	-188	-170	-151	-181	-248	-180	-171	-	-509	-599
Other net income	73	368	106	187	76	-20	51	-	547	108
Total income	1 853	2 072	1 954	1 854	2 076	1 938	1 772	-	5 879	5 786
Operating expenses	-1 132	-1 033	-1 003	-1 081	-1 039	-931	-925	-	-3 167	-2 895
Impairment	-273	-1 473	-302	-463	-352	-276	-363	-	-2 048	-991
on loans and receivables	-261	-198	-283	-330	-295	-255	-231	-	-742	-781
on available-for-sale assets	-5	-75	-4	-11	-13	-3	-8	-	-83	-24
on goodwill	0	-414	0	-8	-7	0	0	-	-414	-7
on other	-7	-786	-15	-114	-37	-18	-125	-	-809	-179
Share in results of associated companies	-9	17	-6	1	0	0	0	-	2	1
Result before tax	439	-417	644	310	684	731	485	-	666	1 900
Income tax expense	-93	-110	-103	-56	-160	-211	-209	-	-306	-581
Net post-tax result from discontinued operations	40	-8	0	-6	0	0	0	-	33	0
Result after tax	387	-535	540	249	524	520	276	-	392	1 319
attributable to minority interests	7	5	9	9	4	3	4	-	21	10
attributable to equity holders of the parent	**380**	**-539**	**531**	**240**	**520**	**517**	**272**	**-**	**372**	**1 309**
Basic earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	1.24	-0.75	-	-0.13	1.74
Diluted earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	1.24	-0.75	-	-0.13	1.74

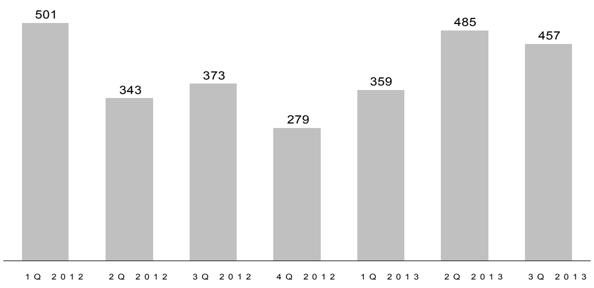
Overview of adjusted results

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

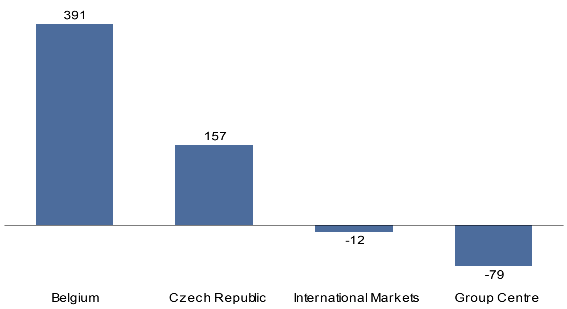
Consolidated income statement, KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	9M 2012	9M 2013
Adjusted net result (i.e. excluding legacy business and own credit risk)										
Net interest income	1 217	1 153	1 078	1 084	1 032	990	1 013	-	3 448	3 035
Non-life insurance (before reinsurance)	204	200	157	61	149	115	145	-	561	409
Earned premiums	438	442	307	313	305	316	321	-	1 187	942
Technical charges	-234	-243	-150	-252	-156	-201	-176	-	-626	-533
Life insurance (before reinsurance)	-72	-67	-79	-22	-59	-62	-63	-	-218	-185
Earned premiums	446	448	271	310	271	241	238	-	1 165	750
Technical charges	-518	-514	-350	-332	-331	-303	-302	-	-1 383	-936
Ceded reinsurance result	-14	-1	-12	13	-12	13	1	-	-27	2
Dividend income	5	22	10	5	4	19	11	-	37	34
Net result from financial instruments at fair value through profit or loss	353	58	223	156	218	256	146	-	633	620
Net realised result from available-for-sale assets	31	9	55	85	96	46	42	-	95	183
Net fee and commission income	312	309	345	359	385	388	345	-	965	1 118
Other net income	22	60	80	89	76	69	151	-	163	296
Total income	2 057	1 743	1 857	1 831	1 890	1 832	1 791	-	5 657	5 512
Operating expenses	-1 110	-1 016	-990	-1 068	-1 029	-921	-913	-	-3 116	-2 863
Impairment	-271	-241	-305	-378	-335	-235	-209	-	-816	-779
on loans and receivables	-261	-198	-283	-329	-295	-217	-186	-	-742	-698
on available-for-sale assets	-5	-24	-4	-4	-13	-3	-2	-	-33	-18
on goodwill	0	0	0	0	-7	0	0	-	0	-7
on other	-5	-18	-18	-45	-20	-15	-22	-	-41	-57
Share in results of associated companies	-9	-9	-13	1	0	0	0	-	-32	1
Result before tax	667	477	549	385	526	677	669	-	1 693	1 871
Income tax expense	-159	-129	-167	-98	-163	-189	-208	-	-455	-560
Result after tax	508	348	382	287	363	487	460	-	1 238	1 310
attributable to minority interests	7	5	9	9	4	3	4	-	21	10
attributable to equity holders of the parent	**501**	**343**	**373**	**279**	**359**	**485**	**457**	**-**	**1 217**	**1 300**
Belgium	486	244	335	295	385	418	391	-	1 064	1 193
Czech Republic	158	159	149	114	132	146	157	-	467	435
International Markets	-163	-41	-38	-18	-87	-23	-12	-	-242	-122
Group Centre	19	-19	-72	-113	-71	-56	-79	-	-72	-207
Basic earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	1.16	-0.30	-	2.36	1.72
Diluted earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	1.16	-0.30	-	2.36	1.72
Legacy business and own credit risk impact (after tax)										
Legacy – gains/losses on CDOs	138	-39	280	46	165	180	34	-	379	380
Legacy – divestments	81	-884	23	3	22	-128	-231	-	-780	-337
MTM of own credit risk	-340	41	-144	-87	-26	-20	12	-	-444	-34
Net result (IFRS)										
Result after tax, attributable to equity holders of the parent: IFRS	**380**	**-539**	**531**	**240**	**520**	**517**	**272**	**-**	**372**	**1 309**

Analysis of the quarter under review (3Q2013)

Adjusted net result (in millions of EUR)



Adjusted net result by business unit, 3Q 2013 (in millions of EUR)



The net result for the quarter under review amounted to 272 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result amounted to 457 million euros, compared with 485 million euros in 2Q2013 and 373 million euros in 3Q2012.

Total income (adjusted net result)

- The year-on-year performance was affected in part by the deconsolidation of Kredyt Bank and Absolut Bank, the sale of NLB and certain other sales. These items will be disregarded (see 'on a comparable basis') in the underlying analysis to enable a meaningful comparison to be made.
- Net interest income stood at 1 013 million euros, up 2% quarter-on-quarter but down 6% year-on-year. On a comparable basis, net interest income was up by 1% year-on-year. This increase was driven primarily by the Belgium Business Unit, but partly offset by a decrease at the Group Centre Business Unit. The net interest margin came to 1.77% for the quarter under review, 5 basis points higher than the level of the previous quarter, and 11 basis points higher than the level of the year-earlier quarter. In the Belgium Business Unit, deposit volumes were flat quarter-on-quarter and up 8% year-on-year. Loan volumes were down 1% quarter-on-quarter. On a yearly comparison, the loan book also contracted by 1% (due to the deliberate reduction at the foreign branches). The loan book in the Czech Republic increased by 5% year-on-year but contracted by 1% quarter-on-quarter, while deposits rose by 3% year-on-year and by 1% quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined by 5% year-on-year (due to Ireland and Hungary) and was more or less flat quarter-on-quarter, while the deposit base grew by 17% year-on-year (driven by Ireland, Hungary and Slovakia) and by 4% quarter-on-quarter.
- The life and non-life insurance businesses turned in the following performance during the quarter under review. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 83 million euros, up 26% quarter-on-quarter and year-on-year.

  In the non-life segment, earned premiums were 2% higher quarter-on-quarter and 5% higher year-on-year. The claims during the quarter were much lower, resulting in a significantly lower level of technical charges compared with 2Q2013. The combined ratio came to a good 91% year-to-date (92% for the quarter itself).

  In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were down 27% on their level in 2Q2013. Year-on-year on a comparable basis, these sales have fallen by as much as 65%, triggered by a number of factors, including a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013 and a shift to other wealth management products.

  It should be noted that the third quarter was a decent one for investment income from insurance activities, with the quarter-on-quarter results being somewhat dampened by lower dividend income in the investment portfolio – following a typical second-quarter dividend receipt– and by the lower net result from financial instruments at fair value through profit and loss. Lastly, the technical-financial result also benefited from general administrative expenses being kept strictly under control.
- The net result from financial instruments at fair value amounted to 146 million euros in the quarter under review, lower than the 213-million-euro average for the last four quarters. This figure is usually defined by dealing-room income, which was stable, but the first and second quarters of 2013 were influenced primarily by positive results on the marked-to-market valuations in respect of derivative instruments used in asset and liability management.

- Net realised gains from available-for-sale assets stood at 42 million euros for the quarter under review, below the 71-million-euro average for the last four quarters. These gains were realised on the sale of both bonds and shares, and were similar to the previous quarter.
- Net fee and commission income amounted to 345 million euros, down 11% quarter-on-quarter and flat year-on-year. On a comparable basis, income was up by as much as 8% year-on-year. The main driver for the quarter-on-quarter decline was a lower level of transaction fees in the summer months. Assets under management stood at 160 billion euros, up 2% compared with the quarter earlier (1% accounted for by net new inflows and 1% by investment performance) and up 3% year-on-year, driven by investment performance.
- Other net income came to 151 million euros, higher than the 79-million-euro average of the last four quarters. In the quarter under review, this item benefited from a number of significant positive one-off items.

Operating expenses (adjusted net result)

- Operating expenses came to 913 million euros in 3Q2013, down 1% on their level in the previous quarter and down 8% on their year-earlier level. The quarter-on-quarter decrease is attributable to a huge decline in Hungary (an additional one-off financial transaction levy was charged in the second quarter), offset by an increase in Belgium (where the second quarter benefitted from a reimbursement relating to the former deposit guarantee scheme). Year-on-year on a comparable basis, costs were 2% higher. This was due primarily to the new financial transaction levy in Hungary and higher bank taxes and increased costs related to staff transition arrangements in Belgium. The year-to-date cost/income ratio came to 51%, a clear indication that costs remain well under control. However, this ratio was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used in asset and liability management and the substantially higher level of other income.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 186 million euros in 3Q2013, down on the 217 million euros recorded in the previous quarter, and on the 283 million euros recorded a year earlier. The figure for 3Q2013 included loan loss impairment of 98 million euros recorded at KBC Bank Ireland (as opposed to 88 million euros in the previous quarter and 129 million euros in the year-earlier quarter), as well as 43 million euros in the Belgium Business Unit (compared with 82 million euros in the second quarter of 2013 and 66 million euros in the year-earlier quarter). The annualised credit cost ratio stood at 0.71% year-to-date. This breaks down into 0.39% for the Belgium Business Unit (up from 0.28% for FY2012 mainly as a result of increased impairment recorded in the SME and corporate segments), 0.24% in the Czech Republic Business Unit (an improvement compared with 0.31% for FY2012, but driven by a change in methodology) and 1.78% for the International Markets Business Unit (down from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 2 million euros and other impairment charges amounted to 22 million euros in the quarter under review (essentially related to real estate).

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

- CDOs: During the third quarter, corporate and ABS credit spreads tightened further, as had been the case during previous quarters. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government as well as termination costs, there was a positive post-tax impact of some 34 million euros.
- Remaining divestments: A total post-tax impact of 231 million euros was recorded for this quarter. This was attributable primarily to the following four items.
  - Impairment of 30 million euros (post tax) on the 75-million-euro subordinated loan to NLB was recorded under this item. Taking into account the impairment on this loan taken in the second quarter, provisioning for this loan is now a full 100%.
  - The profit and loss impact of the transfer of 0.3 billion euros' worth of loans to KBC Ancora to another financial institution, amounted to 43 million euros (post tax) as a result of discount and transaction costs.
  - The signed but not yet closed KBC Banka divestment file triggered an additional loss of 55 million euros (post tax), over and above the initially communicated estimate of 47 million euros (17 million euros of which was taken in the first quarter of this year).
  - The current status of the divestment of Antwerp Diamond Bank triggered a one-off impairment charge of 73 million euros in this quarter.
- Impact of own credit risk valuation: The small widening in the credit spread on KBC debt between the end of June 2013 and the end of the third quarter resulted in a positive marked-to-market adjustment of 12 million euros (post tax), but had no impact on regulatory capital.

Breakdown by business unit

- In 3Q2013, the Belgium Business Unit generated a net result of 391 million euros, above the average figure of 358 million for the four preceding quarters. Compared with the previous quarter, 3Q2013 was characterised by higher net interest income, lower net fee and commission income, weak unit-linked life insurance sales but an excellent non-life combined ratio, seasonally lower dividend income, lower MTM of ALM derivatives, higher realised gains on the sale of available-for-sale securities and some positive one-off items in other income, a very good cost/income ratio and a lower level of loan loss impairment charges. The banking activities accounted for 79% of the net result in the quarter under review, and insurance activities for 21%.
- In the quarter under review, the Czech Republic Business Unit generated a net result of 157 million euros, above the average figure of 135 million for the four preceding quarters. Compared with the previous quarter, 3Q2013 included a small decline in net interest income, an improved combined ratio in non-life insurance, increased unit-linked life insurance sales, higher net fee and commission income, increased other net income thanks to a one-off item, lower MTM of ALM derivatives and net realised gains from the sale of AFS securities, an excellent cost/income ratio and lower loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review and insurance activities for 4%.
- In the quarter under review, the International Markets Business Unit generated a net result of -12 million euros, an improvement on the average of -42 million euros for the four preceding quarters. Compared with the previous quarter, 3Q2013 was characterised by slightly *higher* net interest income, trading income and net fee and commission income, *lower* realised gains on available-for-sale securities and other net income, *lower* costs (although this item was higher in the second quarter due to the one-off financial transaction levy in Hungary) and slightly higher loan loss impairment charges, with Ireland still accounting for the bulk of the impairments. Overall, the banking activities accounted for a negative net result of -17 million euros (the positive results in Slovakia, Hungary and Bulgaria were wiped out by the negative result in Ireland), while the insurance activities accounted for a positive net result of 6 million euros.
- The Group Centre's net result amounted to -264 million in 3Q2013. As mentioned earlier, this includes a number of group items and results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk (see above).

Analysis of the year-to-date period under review (9M2013)

The net result for 9M2013 amounted to 1 309 million euros, compared with 372 million euros for the same period a year earlier. Excluding the legacy business and impact of own credit risk, the adjusted net result amounted to 1 300 million euros, compared with 1 217 million euros for the first nine months of 2012.

Total income (adjusted net result)

- The year-on-year performance was affected in part by the deconsolidation of Kredyt Bank, Warta, Żagiel, NLB, Absolut Bank and certain other sales. These items will be disregarded to enable a meaningful comparison to be made.
- Net interest income stood at 3 035 million euros, down 12% year-on-year. On a comparable basis, net interest income fell by 5% year-on-year. This was due primarily to the lower income generated by asset and liability management (lower reinvestment yields), while commercial margins remained healthy. The net interest margin came to 1.74% year-to-date, 3 basis point lower than the level of a year earlier. In the Belgium Business Unit, deposit volumes were up 8% year-on-year and loan volumes were down 1% on a yearly comparison, due to the deliberate reduction of the loan book at the foreign branches). The loan book in the Czech Republic increased by 5% year-on-year, while deposits rose by 3% year-on-year. The loan portfolio in the International Markets Business Unit declined by 5% year-on-year (due to Ireland and Hungary), while the deposit base grew by 17% year-on-year (driven by Ireland, Hungary and Slovakia).
- The life and non-life insurance businesses turned in the following performance during the first nine months of 2013. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 226 million euros, down 28% year-on-year. However, on a comparable basis (excluding the effect of the deconsolidation of Warta), this result was 28% higher than the year-earlier figure.

  In the non-life segment, earned premiums were 4% higher year-on-year (on a comparable basis). The claims arising from *inter alia* the floods in the Czech Republic resulted in a significantly higher level of technical charges compared with 9M2012. Nevertheless, the combined ratio still came to a good 91% year-to-date.

  In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were down 62% on their level in 9M2012, triggered by a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013 and a shift to mutual funds, amongst other things.

  It should be noted that the insurance results were also impacted by lower investment income, particularly net interest income, but benefited from general administrative expenses being kept strictly under control.
- The net result from financial instruments at fair value amounted to 620 million euros in the first three quarters of 2013, compared with 633 million euros for the first three quarters of the previous year, or 576 million euros on a comparable basis. This figure is usually defined by dealing-room income, but this first nine-month period has been influenced primarily by a positive result of 250 million euros on the marked-to-market valuations in respect of certain derivative instruments used in asset and liability management.
- Net realised gains from available-for-sale assets stood at 183 million euros for the period under review, compared with 95 million euros for the equivalent period of the previous year, or 80 million euros on a comparable basis. The gains were realised on the sale of both bonds and shares, with the first quarter benefiting from particularly large gains on the sale of Belgian government bonds.
- Net fee and commission income amounted to 1 118 million euros, up 16% year-on-year. On a comparable basis, fee income was likewise 16% higher year-on-year. The main drivers for this year-to-date increase compared to 2012 were entry and management fees on mutual funds. Assets under management stood at 160 billion euros, up 3% since the end of 2012, 1% because of net sales and 2% due to price effects.
- Driven by a number of exceptional items, other net income came to 296 million euros, compared with 163 million euros in 9M2012.

Operating expenses (adjusted net result)

- Operating expenses came to 2 863 million euros in 9M2013, down 8% on their year-earlier level. On a comparable basis, costs increased by 3%, owing in part to the introduction of the financial transaction levy in Hungary, higher pension expenses and higher ICT costs. The year-to-date cost/income ratio came to 51%, a clear indication that costs remain well under control. However, it was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used in asset and liability management, by net realised gains from available-for-sale assets and by a high level of other income.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 698 million euros in 9M2013, down on the 742 million euros recorded a year earlier. The figure for 9M2013 included loan loss impairment of 286 million euros recorded at KBC Bank Ireland (as opposed to 460 million euros in the first nine months of 2012), as well as a relatively high 263 million euros in the Belgium Business Unit (as opposed to 108 million euros in 9M2012). The annualised credit cost ratio stood at 0.71% year-to-date. This breaks down into 0.39% for the Belgium Business Unit (up from 0.28% for FY2012), 0.24% in the Czech Republic Business Unit (compared with 0.31% for FY2012) and 1.78% for the International Markets Business Unit (down from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 18 million euros, on goodwill came to 7 million euros and on other items amounted to 57 million euros in the nine months under review.

Income tax

- Income tax amounted to 560 million euros for the first nine months of 2013, as opposed to 455 million euros in the reference period.

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

- CDOs: During the first nine months of 2013, corporate and ABS credit spreads tightened further. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, the costs and benefits of reducing CDO exposure and the improved CVA on MBIA, there was a positive post-tax impact of some 380 million euros.
- Remaining divestments: The total impact of several items relating to divestments on the net result for the first nine months of 2013 was a negative 337 million euros.
  - In the first quarter, the successful placement of KBC's 16.2% participation in Bank Zachodni WBK through a secondary offering resulted in an additional capital gain. In contrast, the sale of KBC Banka and the closure of the deal to sell NLB led to a capital loss. Their combined effect amounted to a positive 22 million euros (post tax) in the first quarter.
  - In the second quarter, the closure of the deal to sell the Russian Absolut Bank had a negative impact on the results of about -0.1 billion euros, but none on regulatory capital. Impairment of 20 million euros (post tax) on the 75-million-euro subordinated loan to NLB was also recorded under this item in 2Q2013. The total impact for this quarter, including some other minor items, was a negative 128 million euros.
  - In the third quarter, an additional impairment charge of 30 million euros (post tax) on the subordinated loan to NLB was recorded. In addition, the transfer of 0.3 billion euros' worth of loans to KBC Ancora to another financial institution led to a profit and loss impact of 43 million euros (post tax) as a result of discount and transaction costs. Furthermore, the signed but not yet closed KBC Banka divestment file triggered an additional loss of 55 million euros (post tax). Lastly, the current status of the divestment of Antwerp Diamond Bank resulted in a one-off impairment charge of 73 million euros. A total post-tax impact, including also some minor other items, of a negative 231 million euros was recognised for the quarter.
- Impact of own credit risk valuation: The improvement in the credit spread on KBC debt between the end of 2012 and the end of the third quarter resulted in a negative marked-to-market adjustment of 34 million euros (post tax), but had no impact on regulatory capital.

Equity and solvency

- At the end of September 2013, total equity came to 14.6 billion euros – down 1.3 billion euros on its level at the start of the year – due mainly to the payment of the dividend (-0.4 billion euros), the payment of the coupon on non-voting core-capital securities subscribed by the Belgian Federal and Flemish Regional governments (-0.5 billion euros) and the repayment of 1.17 billion euros (plus 50% penalty) in Flemish state aid (-1.8 billion euros). All of these payments were mitigated by the 9M2013 results (1.3 billion euros).
- The group's tier-1 ratio (under Basel II) stood at a strong 15.8% at 30 September 2013 (core tier-1 ratio of 13.4%). The solvency ratio for KBC Insurance stood at an excellent 312% at 30 September 2013, down slightly from the very high 322% at the end of 2012.
- The common equity ratio under the current Basel III framework came to 12.5% (fully loaded, but including the remaining aid from the Flemish Region) at the end of the third quarter of 2013, well above the targeted common equity ratio of 10% under Basel III (fully loaded).

Liquidity

- The group's liquidity remains excellent, as reflected in the LCR ratio of 132%, as well as in the NSFR ratio of 108% at the end of the quarter.

Selected balance sheet data

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-03-2012	30-06-2012	30-09-2012	31-12-2012	31-03-2013	30-06-2013	30-09-2013	31-12-2013
Total assets	290 635	285 848	270 010	256 928°	258 567	253 297	250 260	-
Loans and advances to customers*	135 980	133 326	131 048	128 492	129 753	131 769	128 377	-
Securities (equity and debt instruments)*	65 853	64 227	65 171	67 295	65 071	65 722	64 147	-
Deposits from customers and debt certificates*	166 551	163 685	160 945	159 632	167 994	167 414	169 413	-
Technical provisions, before reinsurance*	19 925	19 539	19 637	19 205	18 836	18 805	18 803	-
Liabilities under investment contracts, insurance*	7 871	8 856	9 680	10 853	11 664	11 606	11 684	-
Parent shareholders' equity	10 949	9 687	10 629	12 017°	12 505	12 119	11 895	-
Non-voting core-capital securities	6 500	6 500	6 500	3 500	3 500	3 500	2 333	-

* In accordance with IFRS 5, the assets and liabilities of a number of divestments have been reallocated to 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.
° Restated based on IAS19 revision as of 1 January 2013.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2012	9M2013
Profitability and efficiency (based on adjusted net result)		
Return on equity*	9%	16%
Cost/income ratio, banking	57%	51%
Combined ratio, non-life insurance	95%	91%
Solvency		
Tier-1 ratio (Basel II)	13.8%	15.8%
Core tier-1 ratio (Basel II)	11.7%	13.4%
Common equity ratio (Basel III, fully loaded, including remaining state aid)	10.8%	12.5%
Credit risk		
Credit cost ratio	0.71%	0.71%
Non-performing ratio	5.3%	5.8%

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

Strategy highlights and main events

Strategy and business highlights

- KBC's core strategy remains focused on providing bank-insurance products and services in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria to retail, SME and mid-cap clients. In line with its strategic plan, the group has almost completed the sale or run-down of a number of (non-core) activities (see below).

- Last steps in the divestment programme (3Q to date):
  - On 24 September 2013, KBC announced it has reached an agreement to sell KBC Bank Deutschland AG to several investors including affiliates of Teacher Retirement System of Texas, Apollo Global Management, Apollo Commercial Real Estate Finance and Grovepoint Capital. This deal will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets and will have no material impact on KBC's financial results. This will result in an improvement of KBC's solvency position by roughly 15 basis points.
  - KBC is still in discussions with a number of interested parties for its last remaining divestment file: Antwerp Diamond Bank (Belgium). It is also maintaining an open and constructive dialogue with the European Commission about this file.

- Developments on the Corporate Sustainability & Responsibility front:
  - On 2 August 2013, Bulgarian CIBANK's employees helped children in children's homes across the country to prepare for their seaside vacation under the 'Blue Summer with CIBANK' programme.
  - On 12 August 2013, K&H in Hungary published its Sustainability Report 2012, the seventh issue of this report.
  - On 1 September 2013, the ČSOB Foundation launched the ČSOB Slovakia Employee Grant Programme, a programme designed to give employees the opportunity to help the city or community where they work or live.
  - In the week of 16 September 2013, KBC participated in Belgian 'Mobility Week', encouraging KBC employees to reduce commuter travel and thus reduce their ecological footprint. More than 2 000 employees participated, saving 10 tonnes of CO_2. This corresponds to a wood measuring one hectare.
  - On 25 October 2013, KBC won the 'best financial information' award granted by the Belgian Financial Analysts Association.

- Statement of risk
  - Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing divestment plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
  - Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
  - Five trends continued to affect the global economy during 3Q2013. Firstly, the recovery in the US continued, despite the so-called fiscal drag. Secondly, the economy of the EMU as a whole also appears to be gradually turning around, as illustrated by confidence indicators and GDP data. Thirdly, the combination of fiscal reform and strong monetary expansion in Japan ('Abenomics') is boosting producer and consumer confidence and supporting economic growth. Fourthly, China's efforts to rebalance its economic growth away from exports and towards domestic demand, together with the need to preserve the health of its financial system, are leading to a markedly lower growth rate than in the past. Lastly, the weak growth of credit and monetary aggregates in developed economies imply that the disinflationary trend will continue for the time being, helped by stable or even falling commodity prices.

- The main risks for the global economy are:
  - a stronger-than-expected rise in global bond yields following the end of the US Fed's asset purchase programme.
  - economic and/or financial instability in the Chinese economy, leading to a significant economic slowdown.
  - EMU internal structural reforms delivering results slower than expected. The risk of a re-emergence of an acute EMU crisis has, however, clearly diminished.
- The ECB has announced the launch of its comprehensive assessment of euro area banks, including the asset quality review, balance sheet assessment and stress test. The results will be published in late 2014.

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

KBC Group Analysis of 3Q2013 results by business unit

Unless otherwise specified,
all amounts are given in euros

Breakdown by business unit

New business unit structure since 1 January 2013

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

In the new segment reporting presentation, the segments[1] are essentially:

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

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

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

In addition to the figures according to IFRS, KBC provides figures aimed at giving more insight into the ongoing business performance. This means that, over and above the IFRS income statement, an *adjusted* income statement is provided in which a limited number of non-operational items is excluded from P/L and summarised in three lines at the bottom of the reporting presentation. Segment reporting is based on this reworked presentation.

The items in question are:

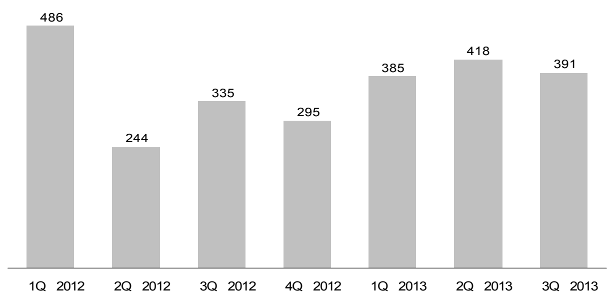
- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to own credit risk.

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

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

Analysis of the results – Belgium Business Unit

Net result – Belgium Business Unit
(in millions of EUR)



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

Income statement, Belgium Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	724	671	639	688	658	640	670	-
Non-life insurance (before reinsurance)	114	110	126	24	117	96	111	-
Earned premiums	225	226	228	236	234	239	241	-
Technical charges	-111	-116	-102	-212	-117	-143	-130	-
Life insurance (before reinsurance)	-92	-92	-88	-32	-69	-69	-70	-
Earned premiums	264	184	166	233	195	180	162	-
Technical charges	-357	-276	-254	-266	-263	-249	-232	-
Ceded reinsurance result	-8	-6	-12	15	-10	4	0	-
Dividend income	5	21	9	5	4	18	11	-
Net result from financial instruments at fair value through profit or loss	278	1	134	94	135	201	83	-
Net realised result from available-for-sale assets	40	-8	44	42	85	30	40	-
Net fee and commission income	222	238	234	253	291	288	240	-
Other net income	-14	42	39	39	66	49	124	-
Total income	1 269	976	1 126	1 128	1 278	1 257	1 210	-
Operating expenses	-568	-536	-535	-557	-575	-544	-568	-
Impairment	-6	-79	-84	-159	-140	-98	-65	-
on loans and receivables	-1	-41	-66	-139	-138	*-82*	-43	-
on available-for-sale assets	-4	-24	-4	-4	-2	*-2*	-1	-
on goodwill	0	0	0	0	0	*0*	0	-
other	-1	-14	-14	-16	1	*-14*	-21	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	695	361	508	413	562	615	577	-
Income tax expense	-209	-118	-174	-119	-176	-198	-186	-
Result after tax	486	243	334	294	386	417	391	-
attributable to minority interests	0	-1	-1	-1	1	-1	0	-
attributable to equity holders of the parent	**486**	**244**	**335**	**295**	**385**	**418**	**391**	**-**
Banking	360	171	219	239	300	329	307	-
Insurance	126	73	116	57	85	89	83	-
Risk-weighted assets, group (end of period, Basel II)	60 087	56 501	53 757	52 884	51 486	50 190	47 786	-
of which banking	49 166	45 747	43 056	42 175	41 002	39 662	37 206	-
Allocated capital (end of period)	6 446	6 080	5 804	5 717	5 568	5 440	5 202	-
Return on allocated capital (ROAC)	31%	16%	23%	20%	28%	30%	29%	-
Cost/income ratio, banking	48%	59%	51%	50%	46%	44%	49%	-
Combined ratio, non-life insurance	81%	91%	88%	122%	85%	93%	90%	-
Net interest margin, banking	1.43%	1.28%	1.15%	1.16%	1.17%	1.19%	1.18%	-

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

In 3Q2013, the Belgium Business Unit generated a net result of 391 million, above the average figure of 358 million for the four preceding quarters. Compared with the previous quarter, 3Q2013 was characterised by higher net interest income, lower net fee and commission income, weak unit-linked life insurance sales but an excellent non-life combined ratio, seasonally lower dividend income, lower MTM valuations of ALM derivatives, higher realised gains on the sale of available-for-sale securities and some positive one-off items in other income, a very good cost/income ratio and a lower level of loan loss impairment charges. The banking activities accounted for 79% of the net result in the quarter under review, and insurance activities for 21%.

Increased net interest income attributable to loans and ALM

Net interest income stood at 670 million in the quarter under review, up 5% both on the previous and year-earlier quarters. The quarter-on-quarter increase was driven by the commercial net interest income related to loans, by interest income related to asset liability management and by some technical elements. The year-on-year increase was accounted for by the same positive elements, but the reduction of the loan portfolio in the foreign branches of KBC Bank and a lower average yield on the insurance bond portfolio had a negative impact.

On the whole, the net interest margin at KBC Bank in Belgium remained more or less stable quarter-on-quarter, and increased by 3 basis points year-on-year, to 118 basis points in 3Q2013.

At the end of September 2013, the loan book ('Loans and advances to customers, excluding reverse repos') of the Belgium Business Unit amounted to 82 billion, down 1% both quarter-on-quarter and year-on-year (the latter due entirely to the deliberate reduction in the loan book at the foreign branches). Deposits ('Deposits from customers and debt certificates, excluding repos') stood at 100 billion, roughly the same level (+0.4%) as the previous quarter and up almost 8% year-on-year.

Year-to-date non-life combined ratio at excellent level
Weak unit-linked life insurance sales in the quarter under review

In the non-life business, premium income (241 million) increased by 1% quarter-on-quarter and by 6% year-on-year, the latter mainly in the Fire class. Technical non-life charges (130 million) decreased by 9% quarter-on-quarter due mainly to a lower level of major claims and despite the negative impact from the July summer storm; they were up 28% year-on-year, on account chiefly of an increase in the level of major and normal claims compared to 3Q2012. After taking into account the ceded reinsurance result, earned premiums less technical charges stood at 111 million in the quarter under review, compared with 100 million in 2Q2013 and 114 million in 3Q2012. The combined ratio improved from 93% in the previous quarter to 90% in 3Q2013. For the first nine months (hence also including the 85% ratio recorded in the first quarter), the year-to-date combined ratio now stands at an excellent 89%, an improvement on the 95% recorded in FY2012.

In the life business, insurance sales (including unit-linked products, which are not included in the premium figures under IFRS) amounted to 254 million in 3Q2013, further down on the 382 million recorded in the previous quarter and on the strong 839 million recorded in the year-earlier quarter. This decline is attributable to the unit-linked insurance product category, and is related to a number of elements, including a seasonal effect, the increased insurance tax and a shift towards asset management products. As a result, unit-linked life insurance sales – which usually constitute the bulk of life sales – accounted for less than 40% of life sales in the quarter under review. At the end of September 2013, the life reserves of the Belgium Business Unit (including the liabilities under unit-linked contracts) amounted to 25.2 billion.

Note that the life and non-life insurance results described above only relate to premiums and technical charges. The insurance bottom line is also clearly impacted by investment income, costs, taxes etc., all of which are analysed from a group perspective (i.e. banking and insurance together) in this section.

Lower level of fee and commission income in the quarter under review

Total net fee and commission income amounted to 240 million in the quarter under review, 16% below the strong level in the previous quarter, but still 3% higher than its year-earlier level. The quarter-on-quarter decrease resulted mainly from a lower level of fees related to mutual funds (lower entry fees partly due to the seasonal summer holiday effect), lower fees on unit-linked life insurance sales (declined sales – see above) and less switches between life insurance products, and decreased fee income from securities transactions (the previous quarter had benefited from fee income for the Belgium Business Unit resulting from the issuance of KBC Group notes). The 3% year-on-year increase in net fee and commission income is essentially due to higher fee income related to asset management, although it was partly offset by the lower fee income related to unit-linked insurance.

Assets under management in this business unit stood at 149 billion at the end of September 2013, up 3% on the level recorded three months ago (one-third of which attributable to net inflows and two-thirds to a positive price effect) and also up 3% on the year-earlier level (accounted for entirely by a positive price effect).

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 83 million in the quarter under review, below the 141 million average for the four preceding quarters. The quarter under review included good income from the dealing room (comparable with the previous quarter and driven by the IRS desk) but significantly lower MTM valuations of ALM derivatives and negative MVA/CVA.

Dividend income stood at 11 million, slightly higher than the level recorded in the year-earlier quarter (increased share portfolio), and down on the 18 million recorded in 2Q2013, since the bulk of dividends is received in the second quarter of the year.

The realised result from available-for-sale assets amounted to 40 million, somewhat below the average figure of 50 million for the last four quarters; in the quarter under review, two-thirds of the realised result from available-for-sale assets came from gains realised on the sale of bonds and one-third from the sale of shares.

Other net income amounted to a relatively high 124 million in 3Q2013, significantly more than the 48 million average for the four preceding quarters, since the quarter under review included a number of positive one-off items (e.g., the recovery of moratorium interests amounting to 46 million on an old tax-related file and gains of 26 million on the sale of real estate).

Costs up quarter-on-quarter

The operating expenses of the Belgium Business Unit totalled 568 million in the quarter under review, up 5% on the previous quarter and 6% on the year-earlier quarter. The quarter under review included lower common staff expenses and ICT expenses (the latter only quarter-on-quarter), but these were more than offset by, *inter alia*, higher banking taxes and increased costs related to staff transition arrangements.

The cost/income ratio in the quarter under review amounted to 49%, compared with 44% in 2Q2013. Hence, for 9M2013, the cost/income ratio came to an excellent 46%, although it was clearly positively influenced by the relatively large positive MTM valuations of ALM derivatives and some exceptional income items in the nine-month period under review.

Impairment significantly down on previous quarter

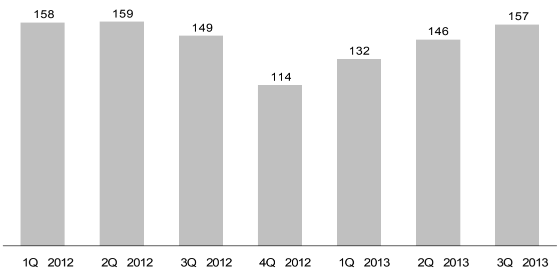
Impairment on loans and receivables (loan loss provisions) amounted to 43 million in 3Q2013, significantly below the 82 million recorded for the previous quarter, partly due to the fact that the quarter under review benefited from some write-backs at KBC Bank's foreign branches.

The annualised credit cost ratio for 9M2013 stood at 39 basis points, still up somewhat on the favourable 28 basis points recorded in FY2012. At the end of 3Q2013, some 2.6% of the Belgian loan book was non-performing, up from the 2.3% level recorded three months earlier.

Other impairment charges amounted to 22 million in the quarter under review, and related mainly to real estate (investment property).

Analysis of the results – Czech Republic Business Unit

Net result – Czech Republic Business Unit
(in millions of EUR)



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

Income statement, Czech Republic Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	261	258	260	249	244	246	244	-
Non-life insurance (before reinsurance)	18	19	16	21	16	3	17	-
Earned premiums	39	41	44	45	41	42	43	-
Technical charges	-21	-22	-28	-24	-25	-39	-27	-
Life insurance (before reinsurance)	7	9	8	7	7	5	7	-
Earned premiums	72	160	85	53	48	36	53	-
Technical charges	-64	-151	-77	-46	-41	-30	-47	-
Ceded reinsurance result	-1	-2	0	-2	-1	10	0	-
Dividend income	0	0	1	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	33	24	22	17	16	28	24	-
Net realised result from available-for-sale assets	-11	7	5	4	7	6	0	-
Net fee and commission income	49	42	47	41	51	46	49	-
Other net income	10	6	0	13	3	2	8	-
Total income	365	364	359	349	343	347	348	-
Operating expenses	-164	-164	-165	-196	-164	-163	-156	-
Impairment	-13	-14	-19	-23	-22	-9	-7	-
on loans and receivables	-13	-12	-17	-21	-22	-9	-7	-
on available-for-sale assets	0	0	0	-1	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
Other	0	-2	-2	-2	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	188	186	175	129	156	176	185	-
Income tax expense	-30	-27	-25	-15	-24	-29	-28	-
Result after tax	158	159	149	114	132	146	157	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**158**	**159**	**149**	**114**	**132**	**146**	**157**	**-**
Banking	154	154	144	106	128	143	150	-
Insurance	5	6	6	9	5	3	7	-
Risk-weighted assets, group (end of period, Basel II)	15 676	16 020	15 218	14 283	13 077	13 962	14 014	-
of which banking	14 795	15 141	14 316	13 371	12 176	13 062	13 106	-
Allocated capital (end of period)	1 603	1 637	1 558	1 465	1 344	1 432	1 438	-
Return on allocated capital (ROAC)	37%	36%	34%	26%	33%	38%	40%	-
Cost/income ratio, banking	44%	44%	45%	57%	47%	46%	44%	-
Combined ratio, non-life insurance	91%	94%	99%	95%	99%	104%	97%	-
Net interest margin, banking	3.36%	3.26%	3.19%	3.03%	3.07%	3.04%	3.03%	-

In the quarter under review, the Czech Republic Business Unit generated a net result of 157 million, above the average figure of 135 million for the four preceding quarters. Compared with the previous quarter, 3Q2013 included a small decrease in net interest income, an improved combined ratio in non-life insurance, increased unit-linked life insurance sales, higher net fee and commission income, increased other net income thanks to a one-off item, lower MTM valuations of ALM derivatives and net realised gains from the sale of AFS securities, an excellent cost/income ratio and lower loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review and insurance activities for 4%.

Net interest income down slightly quarter-on-quarter; continued pressure on deposit margins

Net interest income generated in this business unit amounted to 244 million in the quarter under review. Excluding the exchange rate impact, net interest income was down by less than 1% quarter-on-quarter, as a result primarily of continued pressure on deposit margins (continuous decline in average reinvestment rates), which offset the higher net interest income on retail, SME and corporate loans. Net interest income was down almost 4% year-on-year (excluding FX effect), which was attributable largely to lower reinvestment yields, and was only partially offset by higher net interest income on loans.

The overall net interest margin of the ČSOB group in the Czech Republic amounted to 3.03% in the quarter under review, roughly stable quarter-on-quarter, but down 16 basis points on the situation a year ago.

Disregarding the FX effect, the group's Czech loan book ('Loans and advances to customers, excluding reverse repos': 19 billion at 30 September 2013) was down 1% quarter-on-quarter but up 5% year-on-year, while deposits ('Deposits from customers and debt certificates, excluding repos': 26 billion) were up 1% quarter-on-quarter and 3% year-on-year.

Improved combined ratio in non-life insurance
Quarter-on-quarter increase in unit-linked life sales

In the non-life business, premium income stood at 43 million, more or less in line with both reference figures. Technical charges, at 27 million, were also in line with the previous year' figure but were significantly below the high 39 million recorded in the previous quarter which had been impacted by the floods in the Czech Republic. When account is also taken of the impact of reinsurance, earned premiums less technical charges improved by 4 million quarter-on-quarter and were roughly stable year-on-year. The combined ratio for the quarter under review, therefore, also improved, from 104% in 2Q2013 to 97% in the quarter under review, leading to a 9M2013 year-to-date ratio of 100%, compared with 95% for FY2012.

In the life business, sales amounted to 53 million in the quarter under review, up on the relatively low level recorded in the previous quarter (36 million), but still down on the year-earlier quarter (85 million). The quarter-on-quarter increase in life sales was attributable entirely to unit-linked products (Maximal Invest Life products), and as a consequence, unit-linked life products accounted for over 70% of life sales in the quarter under review. At the end of September 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1.1 billion.

Note that the life and non-life insurance results described above only relate to premiums and technical charges. The insurance bottom line is also clearly impacted by investment income, costs, taxes etc., all of which are analysed from a group perspective (i.e. banking and insurance together) in this section.

Other income components

Net fee and commission income stood at 49 million in the quarter under review. Year-on-year, this represents a 6% increase (excluding FX effects) due to a number of elements such as higher fees related to the mutual fund business and to payment cards. Compared with the previous quarter, net fee and commission income was also up 6% (excluding FX effects), owing in part to lower distribution commissions. Total assets under management in this business unit came to roughly 6 billion at quarter-end.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 24 million, down quarter-on-quarter (*inter alia* due to lower MTM valuations of ALM derivatives) though still up on the average figure of 21 million for the four preceding quarters. There were no significant sales of available-for-sale assets in the quarter under review, which meant that the net realised result from available-for-sale assets stood at 0 million, below the 6 million average for the last four quarters (note that the previous quarter had included 5 million in gains on the sale of shares, and the year-earlier quarter had benefited from 5 million in gains on the sale of bonds). Other net income totalled 8 million in the quarter under review, up on the 5 million average for the last four quarters as the quarter under review benefited from 7 million in overdue interest related to a historical file.

Costs down

The operating expenses of this business unit came to 156 million, which is a decrease compared with both 2Q2013 and 3Q2012 (by 4% and 3%, respectively, excluding FX effects), attributable to lower ICT expenses, among other things. Consequently, the cost/income ratio of the Czech Republic Business Unit came to an excellent 44%, even further down on the 46% recorded in the previous quarter. The 9M2013 year-to-date cost/income ratio now stands at 46%.

Loan loss provisions down on previous quarter

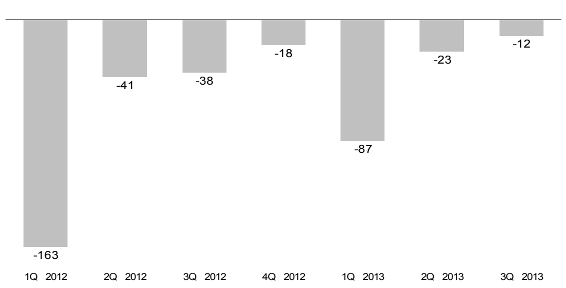
Impairment on loans and receivables (loan loss provisions) stood at a favourably low 7 million in the quarter under review, even lower than the 9 million recorded in the previous quarter (which benefited *inter alia* from model-related impairment releases), and well below the 17 million recorded in the year-earlier quarter. The quarter under review included a positive one-off effect of 8 million following impairment releases regarding a historical file (this file also had a positive impact on Other net income – see above).

As a result, the credit cost ratio of this business unit amounted to 24 basis points for 9M2013, an improvement on the 31 basis points recorded for FY2012. At the end of the quarter under review, non-performing loans accounted for some 3.2% of the Czech loan book, a slight improvement compared with the 3.3% recorded three months earlier.

There were no impairments on assets other than loans and receivables in the quarter under review.

Analysis of the results – International Markets Business Unit

Net result – International Markets Business Unit
(in millions of EUR)



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

Income statement, International Markets Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	164	161	162	157	155	160	163	-
Non-life insurance (before reinsurance)	20	19	19	22	21	19	20	-
Earned premiums	43	41	41	39	39	38	39	-
Technical charges	-23	-21	-22	-17	-18	-20	-19	-
Life insurance (before reinsurance)	0	1	1	3	2	0	0	-
Earned premiums	20	22	17	20	25	20	18	-
Technical charges	-20	-21	-15	-17	-23	-21	-18	-
Ceded reinsurance result	-1	-1	-2	-3	-2	-2	-2	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	24	26	35	23	21	22	29	-
Net realised result from available-for-sale assets	0	0	0	1	2	8	2	-
Net fee and commission income	35	34	36	38	41	45	50	-
Other net income	1	4	1	5	2	19	1	-
Total income	242	245	253	246	242	272	262	-
Operating expenses	-199	-143	-145	-164	-210	-176	-156	-
Impairment	-229	-144	-142	-108	-127	-116	-119	-
on loans and receivables	-228	-143	-141	-98	-117	-114	-118	-
on available-for-sale assets	0	0	0	0	-10	0	0	-
on goodwill	0	0	0	0	0	0	0	-
other	-1	-1	-1	-10	-1	-1	0	-
Share in results of associated companies	0	0	0	1	0	0	0	-
Result before tax	-185	-41	-34	-26	-95	-19	-12	-
Income tax expense	22	0	-5	8	8	-4	0	-
Result after tax	-163	-41	-38	-18	-87	-23	-12	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**-163**	**-41**	**-38**	**-18**	**-87**	**-23**	**-12**	**-**
Banking	-166	-49	-43	-24	-82	-29	-17	-
Insurance	3	8	5	6	-6	6	6	-
Risk-weighted assets, group (end of period, Basel II)	17 438	17 280	17 509	18 224	17 699	17 086	16 829	-
of which banking	16 801	16 664	16 904	17 673	17 162	16 555	16 309	-
Allocated capital (end of period)	1 769	1 753	1 775	1 844	1 791	1 730	1 704	-
Return on allocated capital (ROAC)	-38%	-11%	-11%	-6%	-21%	-7%	-4%	-
Cost/income ratio, banking	82%	58%	57%	67%	88%	65%	59%	-
Combined ratio, non-life insurance	98%	99%	100%	94%	87%	98%	97%	-
Net interest margin, banking	2.05%	2.06%	2.08%	2.03%	2.04%	2.11%	2.15%	-

In the quarter under review, the International Markets Business Unit generated a net result of -12 million, an improvement on the average of -42 million for the four preceding quarters. Compared with the previous quarter, 3Q2013 was characterised by slightly *higher* net interest income, trading income and net fee and commission income, *lower* realised gains on available-for-sale securities and other net income, *lower* costs (the previous quarter included a one-off charge in Hungary) and *slightly higher* loan loss impairment charges, with Ireland still accounting for the bulk of the impairments. Overall, the banking activities accounted for a negative net result of -17 million (the positive results in Slovakia, Hungary and Bulgaria were fully absorbed by the negative result in Ireland), while the insurance activities accounted for a positive net result of 6 million.

Total income down slightly quarter-on-quarter. Positive change in most income components offset by decline in *other net income* as previous quarter benefited from significant positive one-off items

Net interest income stood at 163 million in 3Q2013, up 1% on 2Q2013, due chiefly to the rise in net interest income in Slovakia as a result of the growth in mortgage and SME loan portfolios in that country. Net interest income was flat compared to the year-earlier figure, the increase in Slovakia being fully offset by a decrease in Ireland.

On a weighted basis, the net interest margin of this business unit amounted to 2.15% in the quarter under review, up 4 and 7 basis points, respectively, compared with the previous and year-earlier quarter.

The total loan portfolio of the International Markets Business Unit ('Loans and advances to customers, excluding reverse repos': 22 billion as at end September 2013) was more or less flat quarter-on-quarter and down 5% year-on-year. The year-on-year decline was attributable to Ireland (matured loans surpassed new production) and Hungary (trend impacted by FX relief programme, among other things), whereas the loan portfolio went up in Slovakia and Bulgaria. Customer deposits for the entire business unit ('Deposits from customer and debt certificates, excluding repos': 15 billion) went up by almost 4% in the quarter under review, and by as much as 17% compared to the situation a year ago. The largest part of the year-on-year increase was accounted for by Ireland (cf. retail deposit campaign in that country), although deposits rose in Slovakia and Hungary, too.

In the non-life business, earned insurance premiums in the quarter under review (which relate solely to Hungary, Slovakia and Bulgaria as there are no insurance activities in Ireland) amounted to 39 million, up 2% quarter-on-quarter but down 4% on the year-earlier figure. Technical insurance charges in the non-life segment were flat compared with the previous quarter and down 11% year-on-year. Overall, this caused the non-life combined ratio for the quarter under review to amount to 97%, a slight improvement compared with 98% in 2Q2013. For the first nine months of 2013 (including the favourable figure for 1Q2013), the combined ratio amounted to a good 93%, a significant improvement on the 98% recorded for FY2012. The combined ratio for 9M2013 breaks down into 91% in Hungary, 74% in Slovakia (very low due to the release of excess reserves) and a comparatively high 102% in Bulgaria.

Life sales, including insurance products not recognised under earned premiums under IFRS, amounted to 21 million in the quarter under review, more or less in line with the level recorded in the year-earlier quarter, but down by one-third on 2Q2013 due mainly to the decline in unit-linked insurance sales Hungary. For the business unit as a whole, sales of unit-linked products accounted for 43% of total life insurance sales in the quarter under review, and interest-guaranteed products accounted for 57%. At the end of September 2013, the business unit's outstanding life reserves (including the liabilities under unit-linked products) stood at 0.5 billion.

The other income components totalled 82 million in the quarter under review. This included net fee and commission income of 50 million, an increase compared to the average of 40 million in the four preceding quarters (increase accounted for by Hungary). Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 29 million, somewhat above the average figure of 25 million for the four preceding quarters. The net realised result from available-for-sale bonds and shares amounted to 2 million and other net income totalled 1 million. The latter was significantly down on the 19 million recorded in the previous quarter, as that quarter had benefited from a number of positive one-off items in Slovakia and Hungary.

Costs down quarter-on-quarter, but the previous quarter saw the booking of a one-off bank tax charge in Hungary

Operating expenses in the quarter under review amounted to 156 million. This is down 12% on the previous quarter, but that quarter had been negatively impacted by the booking in Hungary of an additional one-off financial transaction levy related charge of 27 million. On the other hand, costs rose in Ireland, by 17% compared with 2Q2013, due essentially to an increase in headcount (as a result of the further strengthening of the arrears unit) and to the further implementation of the retail programme. Costs were up 7% year-on-year, largely due to the Hungarian financial transaction levy that was introduced in 2013 and, to a small extent, the cost increase in Ireland (cf. FTE increase just mentioned).

As a consequence, the cost/income ratio for the business unit as a whole stood at 59% in 3Q2013, an improvement on the 65% recorded for 2Q2013. For the first nine months of 2013, the cost/income ratio came to 70%; per country, the 9M2013 cost/income ratio was 71% in Ireland, 58% in Slovakia, 77% in Hungary and 62% in Bulgaria.

Loan loss provisioning up slightly quarter-on-quarter

Impairment on loans and receivables (loan loss provisions) amounted to 118 million in the quarter under review, slightly higher than the 114 million recognised in the previous quarter and down on the 141 million recorded in the year-earlier quarter. The bulk of the loan loss provisions still related to Ireland, where loan loss provisions of 98 million were booked in the quarter under review (66 million relating to home loans and 32 million to corporate loans), compared with 88 million in 2Q2013 and 129 million in 3Q2012. The remaining 20 million in loan loss provisions in 3Q2013 break down into 7 million for Slovakia (down on 2Q2013 which had been impacted by one large corporate file),12 million for Hungary (up slightly on 2Q2013) and 1 million for Bulgaria.

Consequently, the 9M2013 credit cost ratio for the entire business unit came to a relatively high 178 basis points, which is still an improvement on the 226 basis points recorded for FY2012. Broken down by country, the 9M2013 credit cost ratio was 240 basis points for Ireland (down on the 334 basis points in FY2012), 86 basis points for Hungary (up somewhat on the 78 basis points in FY2012), 73 basis points for Slovakia (up on the 25 basis points in FY2012) and 123 basis points for Bulgaria (up on the 94 basis points for FY2012). At the end of September 2013, approximately 19% of the International Markets Business Unit's loan book was non-performing, a little higher than the 18.5% level recorded three months earlier; the figure was clearly impacted by the high non-performing ratio of 25.9% for Ireland.
There were no other impairment charges (than on loans and receivables) for this business unit in the quarter under review.

Highlights per country (compared with 2Q2013, unless otherwise indicated)

The net result of the International Markets Business Unit (-12 million) breaks down as follows: 19 million for Slovakia, 43 million for Hungary, 6 million for Bulgaria and -80 million for Ireland. A detailed results table and brief comments per country are provided below.

IRELAND Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	41	45	42	36	35	33	32	-
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0	-
Earned premiums	0	0	0	0	0	0	0	-
Technical charges	0	0	0	0	0	0	0	-
Life insurance (before reinsurance)	0	0	0	0	0	0	0	-
Earned premiums	0	0	0	0	0	0	0	-
Technical charges	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0		-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	2	1	3	-4	-3	0	0	-
Net realised result from available-for-sale assets	0	0	0	0	0	1	0	-
Net fee and commission income	1	0	0	0	-1	-2	0	-
Other net income	0	0	0	1	0	0	0	-
Total income	43	46	46	32	32	31	32	-
Operating expenses	-18	-19	-22	-23	-21	-22	-25	-
Impairment	-195	-137	-129	-87	-99	-88	-98	-
on loans and receivables	-195	-136	-129	-87	-99	-88	-98	-
on available-for-sale assets	0	0	0	0	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
Other	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	-169	-110	-105	-78	-88	-79	-92	-
Income tax expense	21	14	12	10	11	10	11	-
Result after tax	-148	-96	-93	-67	-77	-69	-80	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**-148**	**-96**	**-93**	**-67**	**-77**	**-69**	**-80**	**-**
Banking	-148	-96	-93	-67	-77	-69	-80	-
Insurance	0	0	0	0	0	0	0	-
Risk-weighted assets, group (end of period, Basel II)	6 739	6 862	7 049	7 945	7 707	7 302	7 006	-
of which banking	6 739	6 862	7 049	7 945	7 707	7 302	7 006	-
Allocated capital (end of period)	674	686	705	795	771	730	701	-
Return on allocated capital (ROAC)	-89%	-58%	-55%	-37%	-40%	-37%	-45%	-
Cost/income ratio, banking	40%	42%	48%	71%	65%	69%	79%	-
Combined ratio, non-life insurance	-	-	-	-	-	-	-	-

- The net result in 3Q2013 was -80 million euros, more or less comparable with the average figure of -77 million for the four preceding quarters.
- Total income (32 million) was roughly flat quarter-on-quarter.
- Costs (25 million) were up 17% on the previous quarter, *inter alia* due to staff expenses (increase in FTEs) and costs related to the launch of the new retail strategy. The 9M2013 cost/income ratio stood at 71%, compared with 49% for FY2012.
- Loan loss impairment (98 million) was up on the 88 million recorded in 2Q2013. The 98 million breaks down into 32 million for corporate files and 66 million for home loans. The credit cost ratio amounted to 240 basis points in 9M2013.

HUNGARY Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	70	65	66	66	64	69	68	-
Non-life insurance (before reinsurance)	8	7	8	9	7	7	7	-
Earned premiums	16	14	15	15	14	15	16	-
Technical charges	-8	-7	-8	-6	-7	-8	-8	-
Life insurance (before reinsurance)	-4	-2	-1	-1	-1	-4	-3	-
Earned premiums	3	3	3	4	3	3	3	-
Technical charges	-7	-6	-4	-4	-5	-7	-7	-
Ceded reinsurance result	-1	-1	-1	-1	0	-1	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	13	22	26	20	18	18	25	-
Net realised result from available-for-sale assets	0	0	0	1	2	5	0	-
Net fee and commission income	22	22	23	26	30	34	37	-
Other net income	-2	1	-1	1	2	13	0	-
Total income	106	114	120	120	121	141	134	-
Operating expenses	-122	-64	-65	-73	-130	-97	-73	-
Impairment	-29	-4	-7	-10	-11	-11	-13	-
on loans and receivables	-28	-3	-6	-8	-10	-10	-12	-
on available-for-sale assets	0	0	0	0	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
other	-1	-1	-1	-3	-1	-1	0	-
Share in results of associated companies	0	0	0	1	0	0	0	-
Result before tax	-44	46	49	38	-20	33	48	-
Income tax expense	6	-10	-13	-5	1	-7	-5	-
Result after tax	-38	36	36	33	-19	26	43	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**-38**	**36**	**36**	**33**	**-19**	**26**	**43**	**-**
Banking	-37	34	34	30	-22	24	41	-
Insurance	-1	2	2	3	3	2	2	-
Risk-weighted assets, group (end of period, Basel II)	5 759	5 537	5 595	5 374	5 158	4 994	5 053	-
of which banking	5 513	5 302	5 362	5 192	4 991	4 831	4 899	-
Allocated capital (end of period)	586	563	569	545	522	506	511	-
Return on allocated capital (ROAC)	-28%	22%	22%	20%	-18%	17%	31%	-
Cost/income ratio, banking	115%	56%	54%	61%	112%	70%	55%	-
Combined ratio, non-life insurance	98%	103%	93%	89%	82%	100%	95%	-

- The net result in 3Q2013 was 43 million euros, up on the 19 million average for the four preceding quarters.
- Total income (134 million) was down 5% quarter-on-quarter, due mainly to lower other net income (the previous quarter benefited from a positive one-off item) and lower gains on sales of available-for-sale securities. The 9M2013 combined ratio for non-life insurance stood at a good 91%, compared with 96% in FY2012. Life insurance sales (including unit-linked products) went down by over half compared with the high level recorded in the previous quarter.
- Costs (73 million) were 25% lower than in 2Q2013, which was attributable entirely to the fact that 2Q2013 had been impacted by an additional one-off (financial transaction levy related) charge of 27 million. The cost/income ratio amounted to 77% in 9M2013, compared with 70% for FY2012.
- Loan loss impairment (12 million) was up 2 million on the previous quarter and related almost entirely to the retail mortgage book. The credit cost ratio amounted to 86 basis points in 9M2013.

SLOVAKIA Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	44	42	43	44	46	49	52	-
Non-life insurance (before reinsurance)	6	5	5	4	5	5	6	-
Earned premiums	6	6	6	6	6	6	7	-
Technical charges	0	-1	-1	-2	-1	-1	-1	-
Life insurance (before reinsurance)	3	3	2	3	3	2	2	-
Earned premiums	12	15	11	15	16	14	12	-
Technical charges	-10	-12	-9	-12	-14	-11	-9	-
Ceded reinsurance result	-1	0	-1	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	8	3	7	7	6	4	5	-
Net realised result from available-for-sale assets	0	0	0	1	0	3	0	-
Net fee and commission income	9	9	10	11	11	11	11	-
Other net income	2	2	1	2	2	6	1	-
Total income	72	64	68	71	72	81	76	-
Operating expenses	-44	-44	-45	-53	-46	-44	-44	-
Impairment	-3	-2	-4	-9	-4	-15	-7	-
on loans and receivables	-3	-2	-4	-2	-4	-14	-7	-
on available-for-sale assets	0	0	0	0	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
other	0	0	0	-7	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	25	18	19	10	23	23	25	-
Income tax expense	-5	-4	-4	3	-5	-6	-6	-
Result after tax	20	13	15	12	17	16	19	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**20**	**13**	**15**	**12**	**17**	**16**	**19**	**-**
Banking	16	11	13	11	15	14	17	-
Insurance	4	3	3	2	3	2	3	-
Risk-weighted assets, group (end of period, Basel II)	4 102	4 034	4 028	4 092	4 035	3 970	3 947	-
of which banking	3 926	3 855	3 849	3 913	3 853	3 788	3 762	-
Allocated capital (end of period)	417	411	410	416	411	404	402	-
Return on allocated capital (ROAC)	18%	12%	14%	11%	16%	16%	19%	-
Cost/income ratio, banking	63%	70%	67%	74%	64%	54%	58%	-
Combined ratio, non-life insurance	52%	85%	84%	103%	65%	77%	81%	-

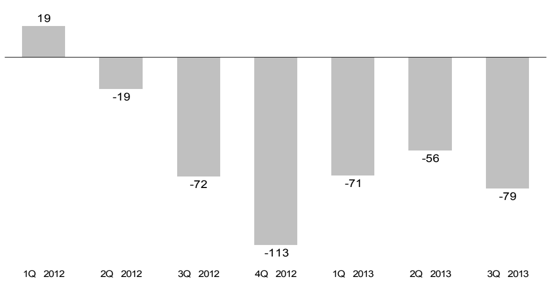
- The net result in 3Q2013 totalled 19 million euros, above the 15 million average for the four preceding quarters.
- Total income (76 million) fell by 6% quarter-on-quarter, as the positive impact of increased net interest income (related to the continued growth in the loan portfolio) could not fully compensate for the positive one-off items included in the previous quarter (in realised gains on available-for-sale bonds and other net income). The 9M2013 combined ratio for non-life insurance stood at a very favourable 74%, compared with 80% for FY2012. Life sales (including unit-linked products) were down 14% compared with 2Q2013.
- Costs (44 million) were roughly flat quarter-on-quarter. The 9M2013 cost/income ratio stood at 58%, as opposed to 69% for FY2012.
- Loan loss impairment (7 million) went down by half compared with 2Q2013, which had been impacted by a large corporate loan file. The credit cost ratio amounted to 73 basis points in 9M2013.

BULGARIA Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	10	9	10	10	10	10	10	-
Non-life insurance (before reinsurance)	6	8	6	9	8	7	7	-
Earned premiums	21	21	19	19	18	18	17	-
Technical charges	-15	-13	-13	-9	-10	-11	-10	-
Life insurance (before reinsurance)	1	1	0	1	1	1	1	-
Earned premiums	4	3	3	2	5	3	3	-
Technical charges	-3	-2	-2	-1	-4	-2	-2	-
Ceded reinsurance result	0	0	-1	-2	-1	-1	-1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	0	-
Net realised result from available-for-sale assets	0	0	0	0	1	0	1	-
Net fee and commission income	0	1	1	0	0	0	1	-
Other net income	1	1	0	1	-2	1	0	-
Total income	19	20	17	20	16	18	20	-
Operating expenses	-14	-14	-12	-15	-13	-13	-13	-
Impairment	-2	-1	-2	-2	-13	-2	-1	-
on loans and receivables	-2	-1	-2	-1	-4	-2	-1	-
on available-for-sale assets	0	0	0	0	-10	0	0	-
on goodwill	0	0	0	0	0	0	0	-
Other	0	0	0	-1	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	2	5	3	3	-10	4	6	-
Income tax expense	0	0	0	0	1	0	0	-
Result after tax	2	5	3	4	-9	3	6	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**2**	**5**	**3**	**4**	**-9**	**3**	**6**	**-**
Banking	2	2	2	2	2	2	5	-
Insurance	1	3	0	1	-11	1	1	-
Risk-weighted assets, group (end of period, Basel II)	808	817	808	799	784	805	810	-
of which banking	593	614	614	610	595	620	627	-
Allocated capital (end of period)	89	90	89	88	86	88	88	-
Return on allocated capital (ROAC)	4%	18%	11%	12%	-42%	15%	26%	-
Cost/income ratio, banking	69%	72%	61%	68%	57%	67%	61%	-
Combined ratio, non-life insurance	110%	99%	111%	94%	101%	103%	104%	-

- The net result in 3Q2013 came to 6 million, up on the 0.3 million average for the four preceding quarters (which had been impacted by the loss in 1Q2013).
- Total income (20 million) increased by 7% quarter-on-quarter, partly due to higher realised gains on the sale of available-for-sale government bonds. The combined ratio for non-life insurance amounted to 102% in 9M2013, compared with 104% for FY2012. Total life insurance sales were more or less unchanged compared with 2Q2013.
- Costs (13 million) were more or less flat quarter-on-quarter. The 9M2013 cost/income ratio stood at 62%, an improvement on the 68% for FY2012, thanks to cost optimisation measures.
- Total impairment charges stood at 1 million compared with 2 million in the previous quarter. The credit cost ratio amounted to 123 basis points in 9M2013.

Analysis of the results – Group Centre

Adjusted net result – Group Centre
(in millions of EUR)



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

Income statement, Group Centre (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Adjusted net result (i.e. excluding legacy and own credit risk impact)								
Net interest income	68	63	17	-9	-24	-57	-63	-
Non-life insurance (before reinsurance)	52	51	-4	-6	-4	-3	-3	-
Earned premiums	131	134	-7	-7	-8	-4	-3	-
Technical charges	-79	-83	2	1	4	1	1	-
Life insurance (before reinsurance)	13	15	0	1	0	1	0	-
Earned premiums	90	82	4	4	4	5	5	-
Technical charges	-77	-67	-4	-3	-3	-3	-5	-
Ceded reinsurance result	-3	9	2	3	1	0	2	-
Dividend income	0	1	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	18	7	31	22	45	4	10	-
Net realised result from available-for-sale assets	3	9	5	37	2	1	0	-
Net fee and commission income	5	-6	28	26	2	10	5	-
Other net income	26	9	39	33	5	-2	18	-
Total income	181	158	119	108	28	-44	-30	-
Operating expenses	-179	-174	-146	-151	-79	-39	-33	-
Impairment	-23	-4	-60	-88	-46	-12	-18	-
on loans and receivables	-19	-3	-59	-72	-18	-11	-17	-
on available-for-sale assets	0	0	0	1	-1	-1	-1	-
on goodwill	0	0	0	0	-7	0	0	-
Other	-3	-1	-1	-17	-20	0	0	-
Share in results of associated companies	-10	-10	-13	0	0	0	0	-
Result before tax	-31	-29	-100	-131	-97	-95	-81	-
Income tax expense	57	16	37	28	29	42	6	-
Result after tax	26	-13	-63	-104	-68	-53	-75	-
attributable to minority interests	7	6	10	9	3	4	4	-
attributable to equity holders of the parent	**19**	**-19**	**-72**	**-113**	**-71**	**-56**	**-79**	**-**
Banking	8	-25	-55	-89	17	-44	-49	-
Insurance	10	19	-10	-4	-11	-1	-7	-
Group	1	-13	-7	-20	-78	-12	-23	
Legacy and own credit risk (after tax)								
Legacy – gains/losses on CDOs	138	-39	280	46	165	180	34	-
Legacy – divestments	81	-884	23	3	22	-128	-231	-
MTM of own credit risk	-340	41	-144	-87	-26	-20	12	-
Net result	-102	-901	86	-152	90	-24	-264	
Risk-weighted assets, group (end of period, Basel II)	29 907	27 928	24 630	16 758	16 295	12 618	11 581	-
of which banking	28 328	27 702	24 414	16 543	16 097	12 426	11 473	-
Allocated capital (end of period)	3 054	2 802	2 472	1 684	1 637	1 269	1 162	-

The Group Centre's net result amounted to -264 million in 3Q2013. As mentioned earlier, this includes not only a number of group items and results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk.

Legacy and own credit risk:

- Legacy CDOs:
  Accounted for a positive post-tax impact of 34 million in 3Q2013. This item consists, *inter alia*, of the positive impact of the rise in value of CDOs owing mainly to the tightening of credit spreads.
- Legacy divestments:
  Accounted for a post-tax impact of -231 million in 3Q2013. This item mainly includes the additional negative impact related to the sale agreement for KBC Banka in Serbia (-55 million after tax), the increase in impairment on the subordinated loan to NLB in Slovenia from 40% to 100% (-30 million after tax), an impairment charge for Antwerp Diamond Bank (-73 million after tax) and the negative impact of the transfer of part of the shareholder loans (-43 million after-tax).
- Own credit risk:
  Accounted for a limited positive post-tax impact of 12 million in 3Q2013, due to the small widening of KBC credit spreads.

Other results

- Accounted for a total of -79 million in 3Q2013. This item includes the results of KBC Group NV (including KBC Global Services; -23 million in total), certain costs allocated to Group Centre (funding cost of participations, subordinated debt costs, etc; -47 million in total) and a limited amount relating to the results of the remaining companies or activities earmarked for divestment or run-down (-9 million in total).

KBC Group

Consolidated financial statements according to IFRS 3Q and 9M2013

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Net interest income	3	1 097	1 016	1 028	3 548	3 111
Interest income		2 493	2 109	2 066	7 752	6 369
Interest expense		- 1 396	- 1 093	- 1 039	- 4 204	- 3 257
Non-life insurance before reinsurance	9	157	115	145	561	409
Earned premiums Non-life		307	316	321	1 187	942
Technical charges Non-life		- 150	- 201	- 176	- 626	- 533
Life insurance before reinsurance	9	- 79	- 62	- 63	- 218	- 185
Earned premiums Life		271	241	238	1 165	750
Technical charges Life		- 350	- 303	- 302	- 1 383	- 936
Ceded reinsurance result	9	- 12	13	1	- 27	2
Dividend income		13	20	14	39	39
Net result from financial instruments at fair value through profit or loss	5	275	425	223	378	962
Net realised result from available-for-sale assets	6	56	47	34	97	223
Net fee and commission income	7	343	385	340	955	1 118
Fee and commission income		494	565	512	1 464	1 717
Fee and commission expense		- 151	- 180	- 171	- 509	- 599
Net other income	8	106	- 20	51	547	108
TOTAL INCOME		1 954	1 938	1 772	5 879	5 786
Operating expenses	12	- 1 003	- 931	- 925	- 3 167	- 2 895
Staff expenses		- 634	- 579	- 587	- 1 907	- 1 763
General administrative expenses		- 292	- 286	- 270	- 1 024	- 928
Depreciation and amortisation of fixed assets		- 77	- 67	- 68	- 236	- 205
Impairment	14	- 302	- 276	- 363	- 2 048	- 991
on loans and receivables		- 283	- 255	- 231	- 742	- 781
on available-for-sale assets		- 4	- 3	- 8	- 83	- 24
on goodwill		0	0	0	- 414	- 7
on other		- 15	- 18	- 125	- 809	- 179
Share in results of associated companies		- 6	0	0	2	1
RESULT BEFORE TAX		644	731	485	666	1 900
Income tax expense		- 103	- 211	- 209	- 306	- 581
Net post-tax result from discontinued operations	46	0	0	0	33	0
RESULT AFTER TAX		540	520	276	392	1 319
Attributable to minority interest		9	3	4	21	10
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**531**	**517**	**272**	**372**	**1 309**
of which relating to discontinued operations		*0*	*0*	*0*	*33*	*0*
Earnings per share (in EUR)						
Basic		1.16	1.24	-0.75	-0.13	1.74
Diluted		1.16	1.24	-0.75	-0.13	1.74

Consolidated statement of comprehensive income (condensed)

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
RESULT AFTER TAX	540	520	276	392	1 319
attributable to minority interest	9	3	4	21	10
attributable to equity holders of the parent	531	517	272	372	1 309
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	- 46	- 35	41	- 55	34
Net change in revaluation reserve (AFS assets) - Bonds	467	- 171	2	1 292	- 290
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	- 44	195	52	- 167	308
Net change in defined benefit plans	- 39	- 12	6	- 107	2
Net change in translation differences	37	- 20	- 14	87	- 44
Other movements	- 1	1	1	- 2	2
TOTAL COMPREHENSIVE INCOME	915	477	364	1 440	1 332
attributable to minority interest	17	2	4	39	10
attributable to equity holders of the parent	898	475	360	1 401	1 322

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2012	30-09-2013
Cash and cash balances with central banks		4 426	6 509
Financial assets	18 - 26	236 898	231 959
Held for trading		21 159	15 770
Designated at fair value through profit or loss		16 295	21 416
Available for sale		30 622	26 281
Loans and receivables		139 225	136 009
Held to maturity		28 510	31 712
Hedging derivatives		1 088	771
Reinsurers' share in technical provisions		137	153
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		204	125
Tax assets		2 188	1 922
Current tax assets		174	222
Deferred tax assets		2 014	1 700
Non-current assets held for sale and assets associated with disposal groups	46	7 138	4 053
Investments in associated companies		8	7
Investment property		638	606
Property and equipment		2 581	2 494
Goodwill and other intangible assets		1 328	1 284
Other assets		1 383	1 147
TOTAL ASSETS		256 928	250 260

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2012	30-09-2013
Financial liabilities	18 - 26	213 265	210 621
Held for trading		19 459	14 059
Designated at fair value through profit or loss		20 563	27 520
Measured at amortised cost		170 813	167 257
Hedging derivatives		2 430	1 784
Technical provisions, before reinsurance		19 205	18 803
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		69	- 4
Tax liabilities		647	576
Current tax liabilities		192	157
Deferred tax liabilies		455	419
Liabilities associated with disposal groups	46	3 739	2 207
Provisions for risks and charges		526	527
Other liabilities		3 598	2 948
TOTAL LIABILITIES		241 048	235 678
Total equity	39	15 879	14 582
Parent shareholders' equity	39	12 017	11 895
Non-voting core-capital securities	39	3 500	2 333
Minority interests		362	354
TOTAL LIABILITIES AND EQUITY		256 928	250 260

In line with IFRS 5, the assets and liabilities of the largest part of the remaining divestments have been moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. More information on divestments can be found in note 46.

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

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
30-09-2012												
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	0	6 831	- 422	9 756	6 500	516	16 772
First time application IAS19 Revised	0	0	0	0	0	63	0	0	63	0	0	63
Adjusted balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	63	6 831	- 422	9 819	6 500	516	16 835
Net result for the period	0	0	0	0	0	0	372	0	372	0	21	392
Other comprehensive income for the period	0	0	0	1 233	- 169	- 107	- 2	75	1 030	0	18	1 047
Total comprehensive income	0	0	0	1 233	- 169	- 107	369	75	1 401	0	39	1 440
Dividends	0	0	0	0	0	0	- 599	0	- 599	0	0	- 599
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	- 1	0	0	0	0	0	- 1	0	0	- 1
Impact business combinations	0	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	0	- 16	- 16
Change in scope	0	0	0	- 53	0	0	0	23	- 30	0	0	- 30
Total change	**0**	**0**	**- 1**	**1 180**	**- 169**	**- 107**	**- 236**	**98**	**766**	**0**	**23**	**789**
Balance at the end of the period	**1 245**	**4 341**	**- 1 529**	**1 063**	**- 762**	**- 44**	**6 595**	**- 324**	**10 585**	**6 500**	**539**	**17 623**
of which revaluation reserve for shares				175								
of which revaluation reserve for bonds				888								
of which revaluation reserve for other assets than bonds and shares				0								
of which relating to non-current assets held for sale and disposal groups				29	13			- 68	- 26		168	141
30-09-2013												
Balance at the beginning of the period	1 450	5 388	-1	1 263	-834	0	5 192	-360	12 099	3 500	362	15 961
First time application IAS19 Revised	0	0	0	0	0	-71	-11	0	-82	0	0	-82
Adjusted balance at the beginning of the period	1 450	5 388	-1	1 263	-834	-71	5 182	-360	12 017	3 500	362	15 879
Net result for the period	0	0	0	0	0	0	1 309	0	1 309	0	10	1 319
Other comprehensive income for the period	0	1	0	-255	308	2	1	-44	13	0	0	13
Total comprehensive income	**0**	**1**	**0**	**-255**	**308**	**2**	**1 310**	**-44**	**1 322**	**0**	**10**	**1 332**
Dividends	0	0	0	0	0	0	-961	0	-961	0	0	-961
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	-583	0	-583	-1 167	0	-1 750
Sales of treasury shares	0	0	1	0	0	0	0	0	1	0	0	1
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	0	-2	0	-2	0	0	-2
Change in minorities	0	0	0	0	0	0	0	0	0	0	-14	-14
Change in scope	0	0	0	0	0	**0**	0	102	102	0	-4	97
Total change	**0**	**1**	**1**	**-255**	**308**	**2**	**-237**	**58**	**-122**	**-1 167**	**-8**	**-1 297**
Balance at the end of the period	**1 450**	**5 390**	**0**	**1 008**	**-526**	**-70**	**4 945**	**-302**	**11 895**	**2 333**	**354**	**14 582**
of which revaluation reserve for shares				240								
of which revaluation reserve for bonds				768								
of which revaluation reserve for other assets than bonds and shares				0								
of which relating to non-current assets held for sale and disposal groups				4	1			-38	-33			-33

9M 2013 includes the accounting of a gross dividend of 1 euro per share (417 million euros in total) and the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (543 million euros or 8.5% on 6.5 billion euros, of which 3.0 billion euros to the Belgian Government outstanding until 17 December 2012), both paid in the second quarter of 2013.

On 3 July 2013 KBC repaid 1.17 billion euros to the Flemish Regional Government plus a penalty of 50%.

For more information on retroactive adjustments to remeasurement of defined benefit plans and with regard to IAS 19 see note 1b.

Condensed consolidated cash flow statement

In millions of EUR	9M 2012	9M 2013
Operating activities		
Net cash from (used in) operating activities	5 087	14 733
Investing activities		
Net cash from (used in) investing activities	- 13 963	- 2 849
Financing activities		
Net cash from (used in) financing activities	- 2 517	- 1 534
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	- 11 393	10 350
Cash and cash equivalents at the beginning of the period	13 997	982
Effects of exchange rate changes on opening cash and cash equivalents	140	- 106
Cash and cash equivalents at the end of the period	2 744	11 226

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

On 3 July 2013, KBC repaid 1.17 billion euros (+0.58 billion euros or 50% penalty) to the Flemish Regional Government. This has had an influence in the third quarter of 2013 on the net cash from financing activities to the tune of -1.75 billion euros.

Both the (on 26 April 2013 announced) sale of KBC Banka as well as the (on 24 September 2013 announced) sale of KBC Bank Deutschland will have no material impact on cash flows at the level of KBC Group.

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

If the EU endorses IFRIC 21 (relates to levies), and as such the IFRIC becomes applicable for annual periods beginning on or after 1 January 2014, we may have to restate 2013 quarterly comparative figures as a result of the retrospective application of IFRIC 21 (concerns only shifts between quarters, no impact on the full year figures of 2013).

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

A summary of the main accounting policies is provided in the annual report. In 9M 2013, following changes in content were made in the accounting policies that had a material impact on the results:

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

As of 2Q 2013 the presentation of the P/L-lines concerning the earned premiums and technical charges of the insurance activities before reinsurance has been changed , in order to provide a better view on the non-life and life business separately. Moreover, in 3Q 2013 the presentation of the 'Breakdown of the insurance results (note 9)' has changed.

Notes on segment reporting

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

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

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

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

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

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

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

The figures of the segment reporting have been prepared in accordance with the general KBC accounting policies (see note 1) and are thus in compliance with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS).

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

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

These non-operational items are:

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

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

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
9M 2012										
Net interest income	2 034	779	487	200	129	29	128	145	2	3 448
Non-life insurance before reinsurance	351	53	59	22	16	20	0	113	- 15	561
Earned premiums Non-life	680	125	125	46	19	60	0	273	- 15	1 187
Technical charges Non-life	- 329	- 71	- 66	- 23	- 2	- 40	0	- 160	0	- 626
Life insurance before reinsurance	- 273	24	3	- 7	8	2	0	30	- 2	- 218
Earned premiums Life	614	316	58	10	38	10	0	178	- 2	1 165
Technical charges Life	- 887	- 292	- 55	- 17	- 31	- 8	0	- 148	0	- 1 383
Ceded reinsurance result	- 27	- 4	- 4	- 2	- 2	- 1	0	8	0	- 27
Dividend income	35	1	0	0	0	0	0	1	0	37
Net result from financial instruments at fair value through profit or loss	413	79	85	61	18	1	6	56	0	633
Net realised result from available-for-sale assets	76	1	1	0	0	0	0	17	0	95
Net fee and commission income	694	139	105	68	28	2	2	27	0	965
Net other income	68	16	5	- 2	5	2	0	73	2	163
TOTAL INCOME	3 371	1 087	740	341	203	56	135	471	- 12	5 657
Operating expenses	- 1 638	- 493	- 486	- 251	- 133	- 41	- 59	- 511	12	- 3 116
Impairment	- 170	- 46	- 515	- 40	- 9	- 5	- 460	- 87	0	- 816
on loans and receivables	- 108	- 42	- 511	- 37	- 9	- 5	- 460	- 81	0	- 742
on available-for-sale assets	- 32	0	0	0	0	0	0	0	0	- 33
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 30	- 3	- 3	- 3	0	0	0	- 5	0	- 41
Share in results of associated companies	0	0	1	1	0	0	0	- 33	0	- 32
RESULT BEFORE TAX	1 563	549	- 259	51	61	10	- 384	- 159	0	1 693
Income tax expense	- 500	- 82	17	- 17	- 13	0	47	110	0	- 455
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 063	467	- 242	34	49	11	- 337	- 49	0	1 238
Attributable to minority interests	- 2	0	0	0	0	0	0	23	0	21
ADJUSTED NET RESULT	1 064	467	- 242	34	49	11	- 337	- 72	0	1 217
Legacy CDOs	0	0	0	0	0	0	0	379	0	379
Own credit risk	0	0	0	0	0	0	0	- 444	0	- 444
Divestments	0	0	0	0	0	0	0	- 780	0	- 780
NET RESULT	1 064	467	- 242	34	49	11	- 337	- 917	0	372
9M 2013										
Net interest income	1 968	734	478	200	148	30	100	- 143	- 2	3 035
Non-life insurance before reinsurance	323	36	60	21	16	22	0	4	- 14	409
Earned premiums Non-life	714	127	116	45	19	53	0	- 1	- 15	942
Technical charges Non-life	- 391	- 91	- 57	- 23	- 3	- 31	0	6	0	- 533
Life insurance before reinsurance	- 208	19	2	- 8	7	2	0	4	- 2	- 185
Earned premiums Life	536	137	63	10	42	11	0	15	- 2	750
Technical charges Life	- 744	- 118	- 62	- 18	- 35	- 9	0	- 11	0	- 936
Ceded reinsurance result	- 5	8	- 5	- 1	- 1	- 3	0	4	0	2
Dividend income	33	0	0	0	0	0	0	0	0	34
Net result from financial instruments at fair value through profit or loss	419	68	73	61	15	1	- 3	60	0	620
Net realised result from available-for-sale assets	155	12	12	7	3	2	1	4	0	183
Net fee and commission income	819	146	136	101	32	1	- 2	11	5	1 118
Net other income	239	13	22	15	9	- 2	0	19	2	296
TOTAL INCOME	3 745	1 038	776	395	229	54	95	- 36	- 10	5 512
Operating expenses	- 1 687	- 483	- 542	- 300	- 134	- 38	- 67	- 161	10	- 2 863
Impairment	- 303	- 38	- 362	- 35	- 25	- 16	- 286	- 76	0	- 779
on loans and receivables	- 263	- 38	- 350	- 32	- 25	- 7	- 286	- 47	0	- 698
on available-for-sale assets	- 5	0	- 10	0	0	- 10	0	- 3	0	- 18
on goodwill	0	0	0	0	0	0	0	- 7	0	- 7
on other	- 35	0	- 2	- 2	0	0	0	- 20	0	- 57
Share in results of associated companies	0	0	1	1	0	0	0	0	0	1
RESULT BEFORE TAX	1 754	517	- 126	61	70	0	- 259	- 274	0	1 871
Income tax expense	- 561	- 81	4	- 11	- 17	1	32	77	0	- 560
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 193	435	- 122	50	53	1	- 227	- 196	0	1 310
Attributable to minority interests	0	0	0	0	0	0	0	11	0	10
ADJUSTED NET RESULT	1 193	435	- 122	50	53	1	- 227	- 207	0	1 300
Legacy CDOs	0	0	0	0	0	0	0	380	0	380
Own credit risk	0	0	0	0	0	0	0	- 34	0	- 34
Divestments	0	0	0	0	0	0	0	- 337	0	- 337
NET RESULT	1 193	435	- 122	50	53	1	- 227	- 198	0	1 309

Legacy CDO's:

In the nine months of 2013 and mainly in the first and second quarter of 2013, the market price for corporate credit improved, as reflected in tightened credit default swap spreads, generating a value mark-up of KBC's CDO exposure. The total result also includes the impact of the government guarantee and the related fee, cost and benefit of de-risking and the coverage of the CDO-linked counterparty risk against MBIA,a US monoline insurer.
In the course of the second quarter of 2013 this coverage for counterparty risk against MBIA was adjusted from 80% to 60%.

Own credit risk:

The negative impact on the results of the first nine months of 2013 can be explained by a decrease of the senior and subordinated credit spreads of KBC over the period, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss. The decrease in the first half of 2013 was only very slightly offset by an increase in the third quarter of 2013.

Divestments:

The negative result in the first nine months of 2013 was mainly driven by:

- a negative influence in 3Q 2013 of -43 million euros after tax as a results of transferring 0.3 billion euros worth of loans granted to KBC shareholders to a third party on 3 July 2013;
- an impairment of -50 million euros after tax for a subordinated loan to Nova Ljubljanska Banka (-20 million euros in 2Q 2013 and -30 million euros in 3Q 2013);
- a negative result of -0.1 billion euros post tax related to the closing of the sale of Absolut Bank in the second quarter of 2013;
- a total negative influence of -72 million euros post tax linked to the signing of the sale of KBC Banka (-17 million euros in the first quarter of 2013 and -55 million euros in the third quarter of 2013 (of which -41 million euros included in net other income, -2 million euros in operating expenses and -12 million euros in impairments on other))
- a negative influence in 3Q 2013 of -73 million euros after tax following progress made with the divestment process of Antwerp Diamond Bank and based on a further assessment of the value of its business
- a compensation by positive results for an amount of 50 million euros before tax (43 million euros after tax) related to the sale of the stake in Bank Zachodni WBK in the first quarter of 2013

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2012									
Deposits from customers & debt certificates excl. repos	95 073	26 228	13 426	5 749	4 389	601	2 687	18 728	153 454
Loans & advances to customers excluding reverse repos	83 332	18 581	23 103	4 057	4 129	557	14 360	1 495	126 510
Term loans excl. Reverse repos	42 151	7 590	6 217	1 719	1 615	175	2 708	1 468	57 426
Mortgage loans	30 847	7 919	15 069	1 701	1 519	255	11 594	27	53 862
Current accounts advances	2 623	15	653	291	349	0	12	0	3 291
Finance leases	3 224	373	512	104	363	0	46	0	4 110
Consumer credit	1 282	1 561	520	152	241	127	0	0	3 364
Other	3 204	1 122	131	90	41	0	0	0	4 458
30-09-2013									
Deposits from customers & debt certificates excl. repos	100 071	25 519	14 730	6 214	4 508	534	3 474	17 578	157 898
Loans & advances to customers excluding reverse repos	82 472	18 609	22 471	4 103	4 247	566	13 556	1 261	124 813
Term loans excl. Reverse repos	41 134	6 564	5 982	1 804	1 529	197	2 452	1 216	54 896
Mortgage loans	31 042	8 770	14 591	1 598	1 668	239	11 086	26	54 430
Current accounts advances	2 361	22	773	403	369	0	0	0	3 156
Finance leases	3 222	357	490	98	375	0	18	0	4 070
Consumer credit	1 312	1 590	516	122	264	130	0	0	3 418
Other	3 401	1 306	119	78	41	0	0	19	4 845

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

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Total	1 097	1 016	1 028	3 548	3 111
Interest income	2 493	2 109	2 066	7 752	6 369
Available-for-sale assets	277	217	198	938	641
Loans and receivables	1 469	1 248	1 235	4 589	3 812
Held-to-maturity investments	259	259	266	671	780
Other assets not at fair value	7	7	5	22	12
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 012*	*1 731*	*1 705*	*6 220*	*5 245*
Financial assets held for trading	300	239	196	957	688
Hedging derivatives	143	115	127	440	343
Other financial assets at fair value through profit or loss	39	24	39	135	92
Interest expense	-1 396	-1 093	-1 039	-4 204	-3 257
Financial liabilities measured at amortised cost	- 769	- 598	- 567	-2 306	-1 795
Other	- 2	- 1	- 1	- 8	- 4
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 770*	*- 599*	*- 568*	*-2 315*	*-1 799*
Financial liabilities held for trading	- 356	- 290	- 236	-1 129	- 812
Hedging derivatives	- 220	- 167	- 187	- 609	- 524
Other financial liabilities at fair value through profit or loss	- 50	- 37	- 47	- 151	- 122

Net realised result from financial instruments at fair value through profit or loss (note 5 in the annual accounts 2012)

In the first nine months of 2013, the result from financial instruments at fair value through profit or loss was influenced by:

- Gains and losses on CDO's, where a positive net result mainly stems from an improved market price for corporate credit, as reflected in tightened credit default swap spreads. This improvement generates a value mark-up of KBC's CDO exposure and a positive evolution in the coverage of the CDO-linked counterparty risk against MBIA, a US monoline insurer. In the course of the second quarter of 2013 this coverage for counterparty risk against MBIA was adjusted from 80% to 60%.
  Moreover, the positive result also includes amongst other things the impact of the government guarantee and the related fee, and the cost and benefit of de-risking.

- MtM ALM Derivatives, where fair value changes (due to mark-to-market accounting) of a large proportion of ALM hedging instruments (that are treated as trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. The net realised result from these financial instruments at fair value through profit or loss amounted to +250 million euros pre tax (of which 85 million euros in 1Q 2013, 126 million euros in 2Q 2013 and 39 million euros in 3Q 2013).

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

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Total	56	47	34	97	223
Breakdown by portfolio					
Fixed-income securities	- 4	22	28	- 55	116
Shares	60	24	6	152	107

The net realised result from available-for-sale shares includes +50 million euros (+43 million euros after tax) stemming from an extra gain on the sale of the stake in Bank Zachodni WBK in 1Q 2013.

The net realised result from available-for-sale fixed-income securities is for the largest part related to the sale of Belgian government bonds mainly in the first and third quarter of 2013 and to a lesser extent also in the second quarter of 2013.

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

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Total	343	385	340	955	1 118
Fee and commission income	494	565	512	1 464	1 717
Securities and asset management	214	275	246	617	804
Margin on deposit accounting (life insurance investment contracts without DPF)	24	31	12	81	90
Commitment credit	71	62	62	218	189
Payments	146	128	137	421	396
Other	39	69	55	128	238
Fee and commission expense	- 151	- 180	- 171	- 509	- 599
Commission paid to intermediaries	- 71	- 78	- 74	- 276	- 227
Other	- 80	- 102	- 97	- 233	- 373

Net other income (note 8 in the annual accounts 2012)

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Total	106	- 20	51	547	108
Of which net realised result following					
The sale of loans and receivables	- 22	- 7	- 97	- 74	- 100
The sale of held-to-maturity investments	2	0	0	- 7	0
The repurchase of financial liabilities measured at amortised cost	0	0	0	- 1	- 1
Other: of which:	126	- 12	148	628	209
KBC Lease UK	44	0	0	85	0
Income concerning leasing at the KBC Lease-group	23	22	25	63	69
Income from consolidated private equity participations	5	0	0	15	0
Income from Group VAB	15	17	15	48	50
5/5/5 loans	0	0	0	- 56	0
Realised gains or losses on divestments	20	- 91	0	426	- 94
Legal interests	0	0	66	0	66

In 2Q 2013, there was an impact in realised gains or losses on divestments to the tune of -103 million euros post tax stemming from the closing of the sale of Absolut Bank.

In 3Q 2013:

- there was a positive impact in legal interests to the tune of +66 million euros before tax (+43 million euros after tax) emanating from received legal interests due;
- there was a further negative influence on net other income related to the sale of loans and receivables of which -65 million euros pre tax (-43 million euros after tax) as a result of transferring 0.3 billion euros worth of loans granted to KBC shareholders to a third party on 3 July 2013 and -41 million euros (before tax = after tax) related to the sale of loans and receivables of KBC Banka as part of the divestment process.

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
9M 2012				
Earned premiums, insurance (before reinsurance)	1 167	1 202		2 369
Technical charges, insurance (before reinsurance)	- 1 383	- 633		- 2 016
Net fee and commission income	- 70	- 211	55	- 226
Ceded reinsurance result	- 1	- 25	0	- 27
Operating expenses	- 99	- 232	0	- 331
Internal costs claim paid	- 6	- 55		- 61
Administration costs related to acquisitions	- 29	- 65		- 94
Administration costs	- 64	- 112		- 176
Management costs investments	0	0	0	0
Technical result	- 386	101	55	- 230
Net interest income			643	643
Dividend income			28	28
Net result from financial instruments at fair value			300	300
Net realised result from AFS assets			88	88
Net other income			382	382
Impairments			- 159	- 159
Allocation to the technical accounts	566	117	- 683	0
Technical-financial result	566	117	599	1 282
Share in results of associated companies			0	0
RESULT BEFORE TAX	179	219	654	1 052
Income tax expense				- 178
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				874
attributable to minority interest				1
attributable to equity holders of the parent				873
9M 2013				
Earned premiums, insurance (before reinsurance)	752	956		1 708
Technical charges, insurance (before reinsurance)	- 935	- 533		- 1 468
Net fee and commission income	- 38	- 171	55	- 154
Ceded reinsurance result	- 1	3	0	2
Operating expenses	- 93	- 181	- 2	- 276
Internal costs claim paid	- 5	- 45		- 50
Administration costs related to acquisitions	- 25	- 53		- 78
Administration costs	- 63	- 83		- 146
Management costs investments	0	0	- 2	- 2
Technical result	- 315	74	53	- 188
Net interest income			530	530
Dividend income			24	24
Net result from financial instruments at fair value			275	275
Net realised result from AFS assets			41	41
Net other income			- 42	- 42
Impairments			- 79	- 79
Allocation to the technical accounts	534	82	- 616	0
Technical-financial result	534	82	133	749
Share in results of associated companies			0	0
RESULT BEFORE TAX	219	155	187	561
Income tax expense				- 193
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				368
attributable to minority interest				0
attributable to equity holders of the parent				368

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2012 annual report).

Operating expenses (note 12 in the annual accounts 2012)

The operating expenses for the second quarter of 2013 include the expenses related to a special one-off additional Financial Transaction Levy-related charge imposed on financial institutions in Hungary (27 million euros cost pre-tax and 22 million euros post-tax, deductible charges). This additional charge is determined as 208% of the Financial Transaction Levy paid by K&H in the period January 2013 up to and including April 2013.

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

In millions of EUR	3Q 2012	2Q 2013	3Q 2013	9M 2012	9M 2013
Total	- 302	- 276	- 363	- 2 048	- 991
Impairment on loans and receivables	- 283	- 255	- 231	- 742	- 781
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 304	- 240	- 217	- 785	- 716
Provisions for off-balance-sheet credit commitments	- 17	0	15	- 22	7
Portfolio-based impairments	38	- 15	- 28	66	- 72
Breakdown by business unit					
Business unit Belgium	- 66	- 82	- 43	- 108	- 263
Business unit Czech Republic	- 17	- 9	- 7	- 42	- 38
Business unit International Markets	- 141	- 114	- 118	- 511	- 350
of which: Hungary	*- 6*	- 10	- 12	*- 37*	- 32
of which: Slovakia	*- 4*	- 14	- 7	*- 9*	- 25
of which: Bulgaria	*- 2*	- 2	- 1	*- 5*	- 7
of which: Ireland	*- 129*	- 88	- 98	*- 460*	- 286
Group Centre	- 59	- 50	- 62	- 81	- 130
Impairment on available-for-sale assets	- 4	- 3	- 8	- 83	- 24
Breakdown by type					
Shares	- 4	- 3	- 8	- 33	- 14
Other	0	0	0	- 50	- 10
Impairment on goodwill	0	0	0	- 414	- 7
Impairment on other	- 15	- 18	- 125	- 809	- 179
Intangible assets, other than goodwill	0	0	0	0	0
Property and equipment and investment property	- 15	- 14	- 31	- 29	- 46
Held-to-maturity assets	0	0	0	0	0
Associated companies	0	0	0	- 334	0
Other	0	- 3	- 93	- 445	- 133

In 1Q 2013, the impairment on other (other) contains -17 million of euros booked on KBC Banka for which a sales agreement has been signed (see further note 46).

In 2Q 2013 an impairment to the tune of -30 million euros pre-tax (-20 million euros post-tax) for a subordinated loan to Nova Ljubljanska Banka (NLB) was noted at Group Centre.

In 3Q 2013:

- a further impairment to the tune of -45 million euros pre tax (-30 million post tax) for the subordinated loan to NLB was recorded at KBC Group Centre, which brings the provision coverage for this loan to 100%;
- a further impairment to the tune of -12 million euros (pre tax= post tax) was booked in light of the divestment of KBC Banka (for a view on the total impact re KBC Banka see page 41)
- an impairment to the tune of -73 million euros (before tax = after tax) following further progress made with the divestment process of Antwerp Diamond Bank and based on a further assessment of the value of its business.

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

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2012								
Loans and advances to credit institutions and investment firms [a]	3 802	916	0	11 363	-	-	-	16 081
Loans and advances to customers [b]	600	2 197	0	125 695	-	-	-	128 492
Excluding reverse repos								*126 510*
Discount and acceptance credit	0	0	0	131	-	-	-	131
Consumer credit	0	0	0	3 364	-	-	-	3 364
Mortgage loans	0	184	0	53 678	-	-	-	53 862
Term loans	600	2 013	0	56 795	-	-	-	59 407
Finance leasing	0	0	0	4 110	-	-	-	4 110
Current account advances	0	0	0	3 291	-	-	-	3 291
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	4 327	-	-	-	4 327
Equity instruments	451	53	1 931	-	-	-	-	2 435
Investment contracts (insurance)		11 847	-	-	-	-	-	11 847
Debt instruments issued by	4 210	1 282	28 691	2 167	28 510	-	-	64 860
Public bodies	3 390	811	19 929	190	27 346	-	-	51 666
Credit institutions and investment firms	361	199	3 335	158	670	-	-	4 724
Corporates	459	272	5 427	1 819	494	-	-	8 471
Derivatives	12 095	-	-	-	-	1 088	-	13 183
Total carrying value including accrued interest income	21 159	16 295	30 622	139 225	28 510	1 088	0	236 898
[a] *Of which reverse repos*								*5 160*
[b] *Of which reverse repos*								*1 981*
FINANCIAL ASSETS, 30-09-2013								
Loans and advances to credit institutions and investment firms [a]	3 602	3 938	0	9 769	-	-	-	17 308
Loans and advances to customers [b]	272	3 642	0	124 463	-	-	-	128 377
Excluding reverse repos	*166*	*253*	*0*	*124 394*	-	-	-	*124 813*
Discount and acceptance credit	0	0	0	546	-	-	-	546
Consumer credit	0	0	0	3 418	-	-	-	3 418
Mortgage loans	0	39	0	54 391	-	-	-	54 430
Term loans	264	3 533	0	54 663	-	-	-	58 460
Finance leasing	0	0	0	4 070	-	-	-	4 070
Current account advances	0	0	0	3 156	-	-	-	3 156
Securitised loans	0	0	0	0	-	-	-	0
Other	8	70	0	4 220	-	-	-	4 299
Equity instruments	276	10	1 287	-	-	-	-	1 572
Investment contracts (insurance)	-	12 660	-	-	-	-	-	12 660
Debt instruments issued by	2 924	1 167	24 994	1 777	31 712	-	-	62 574
Public bodies	2 255	599	16 827	92	30 006	-	-	49 780
Credit institutions and investment firms	304	212	3 306	153	1 052	-	-	5 028
Corporates	364	355	4 862	1 532	654	-	-	7 766
Derivatives	8 696	-	-	-	-	771	-	9 467
Total carrying value including accrued interest income	15 770	21 416	26 281	136 009	31 712	771	0	231 959
[a] *Of which reverse repos*								*8 906*
[b] *Of which reverse repos*								*3 564*

In 9M 2013, an amount of 1.8 billion euros of debt instruments was reclassified from available-for-sale to held-to-maturity.

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2012								
Deposits from credit institutions and investment firms [a]	375	884	-	-	-	-	21 660	22 919
Deposits from customers and debt certificates [b]	4 161	8 782	-	-	-	-	146 689	159 632
Excluding repos								*153 454*
Deposits from customers	3 776	3 420	-	-	-	-	121 062	128 258
Demand deposits	0	0	-	-	-	-	37 477	37 477
Time deposits	3 776	3 336	-	-	-	-	43 491	50 602
Savings deposits	0	0	-	-	-	-	34 904	34 904
Special deposits	0	0	-	-	-	-	3 941	3 941
Other deposits	0	84	-	-	-	-	1 250	1 334
Debt certificates	385	5 362	-	-	-	-	25 627	31 373
Certificates of deposit	0	27	-	-	-	-	6 209	6 236
Customer savings certificates	0	0	-	-	-	-	522	522
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	385	4 705	-	-	-	-	12 914	18 003
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	630	-	-	-	-	5 982	6 612
Liabilities under investment contracts	-	10 853	-	-	-	-	0	10 853
Derivatives	14 432	0	-	-	-	2 430	-	16 861
Short positions	491	0	-	-	-	-	-	491
in equity instruments	17	0	-	-	-	-	-	17
in debt instruments	475	0	-	-	-	-	-	475
Other	0	44	-	-	-	-	2 465	2 509
Total carrying value including accrued interest expense	19 459	20 563	-	-	-	2 430	170 813	213 265
[a] *Of which repos*								*1 589*
[b] *Of which repos*								*6 178*
FINANCIAL LIABILITIES, 30-09-2013								
Deposits from credit institutions and investment firms [a]	923	1 329	-	-	-	-	13 581	15 833
Deposits from customers and debt certificates [b]	3 362	14 508	-	-	-	-	151 543	169 413
Excluding repos	*388*	*5 987*	-	-	-	-	*151 523*	*157 898*
Deposits from customers	3 041	9 532	-	-	-	-	123 931	136 504
Demand deposits	0	190	-	-	-	-	38 989	39 179
Time deposits	3 041	9 342	-	-	-	-	43 024	55 407
Savings deposits	0	0	-	-	-	-	35 830	35 830
Special deposits	0	0	-	-	-	-	4 603	4 603
Other deposits	0	0	-	-	-	-	1 484	1 484
Debt certificates	321	4 976	-	-	-	-	27 612	32 909
Certificates of deposit	0	6	-	-	-	-	6 761	6 767
Customer savings certificates	0	0	-	-	-	-	488	488
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	321	4 153	-	-	-	-	14 595	19 068
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	817	-	-	-	-	5 769	6 586
Liabilities under investment contracts	-	11 684	-	-	-	-	0	11 684
Derivatives	9 350	0	-	-	-	1 784	-	11 134
Short positions	424	0	-	-	-	-	-	424
in equity instruments	29	0	-	-	-	-	-	29
in debt instruments	396	0	-	-	-	-	-	396
Other	0	0	-	-	-	-	2 133	2 133
Total carrying value including accrued interest expense	14 059	27 520	-	-	-	1 784	167 257	210 621
[a] *Of which repos*								*2 153*
[b] *Of which repos*								*11 514*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-09-2012	31-12-2012	31-03-2013	30-06-2013	30-09-2013
Total customer loans excluding reverse repo					
Business unit Belgium	82 933	83 332	83 562	83 453	82 472
Business unit Czech Republic	18 095	18 581	18 213	18 562	18 609
Business unit International Markets	23 547	23 103	22 723	22 561	22 471
of which: Hungary	*4 188*	*4 057*	*3 964*	*4 019*	*4 103*
of which: Slovakia	*4 043*	*4 129*	*4 144*	*4 187*	*4 247*
of which: Bulgaria	*544*	*557*	*544*	*546*	*566*
of which: Ireland	*14 773*	*14 360*	*14 071*	*13 808*	*13 556*
Group Centre	1 704	1 495	1 471	1 323	1 261
KBC Group	126 279	126 510	125 970	125 899	124 813
Mortgage loans					
Business unit Belgium	30 646	30 847	30 781	30 891	31 042
Business unit Czech Republic	7 742	7 919	7 860	7 928	8 770
Business unit International Markets	15 201	15 069	14 868	14 730	14 591
of which: Hungary	*1 726*	*1 701*	*1 652*	*1 618*	*1 598*
of which: Slovakia	*1 464*	*1 519*	*1 564*	*1 629*	*1 668*
of which: Bulgaria	*251*	*255*	*247*	*246*	*239*
of which: Ireland	*11 760*	*11 594*	*11 405*	*11 236*	*11 086*
Group Centre	28	27	27	27	26
KBC Group	53 617	53 862	53 536	53 576	54 430
Customer deposits and debt certificates excl. repos					
Business unit Belgium	92 673	95 073	99 635	99 672	100 071
Business unit Czech Republic	25 572	26 228	25 309	25 085	25 519
Business unit International Markets	12 812	13 426	13 725	14 300	14 730
of which: Hungary	*5 642*	*5 749*	*5 663*	*5 958*	*6 214*
of which: Slovakia	*4 319*	*4 389*	*4 457*	*4 506*	*4 508*
of which: Bulgaria	*613*	*601*	*593*	*550*	*534*
of which: Ireland	*2 238*	*2 687*	*3 012*	*3 287*	*3 474*
Group Centre	19 341	18 728	17 847	17 786	17 578
KBC Group	150 397	153 454	156 516	156 843	157 898

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-09-2012		31-12-2012		31-03-2013		30-06-2013		30-09-2013	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	14 604	9 741	14 195	10 917	13 514	11 730	13 483	11 673	13 493	11 754
Business unit Czech Republic	609	646	608	631	589	601	573	569	570	578
Business unit International Markets	235	241	228	241	226	248	228	261	228	266
of which: Hungary	*60*	*181*	*55*	*179*	*52*	*180*	*54*	*189*	*54*	*189*
of which: Slovakia	*137*	*58*	*137*	*59*	*138*	*66*	*138*	*69*	*139*	*74*
of which: Bulgaria	*38*	*2*	*35*	*2*	*36*	*2*	*36*	*2*	*35*	*2*
Group Centre	33	56	34	59	35	60	48	64	52	62
KBC Group	15 481	10 684	15 065	11 848	14 365	12 640	14 332	12 566	14 342	12 660

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

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

In millions of EUR	31-12-2012				30-09-2013			
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 285	15 112	3 762	21 159	2 184	11 158	2 428	15 770
Designated at fair value	12 661	3 287	347	16 295	13 189	7 846	381	21 416
Available for sale	24 414	3 431	2 777	30 622	21 786	3 128	1 368	26 281
Hedging derivatives	0	1 088	0	1 088	0	771	0	771
Total	39 360	22 919	6 885	69 163	37 159	22 903	4 176	64 238
Financial liabilities measured at fair value								
Held for trading	498	13 801	5 160	19 459	427	10 705	2 928	14 059
Designated at fair value	10 853	8 300	1 410	20 563	11 684	15 059	778	27 520
Hedging derivatives	0	2 430	0	2 430	0	1 784	0	1 784
Total	11 351	24 531	6 570	42 451	12 110	27 548	3 705	43 363

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

In the first 9 months of 2013, only a limited amount in debt instruments was transferred between level 1 and level 2.

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

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at **30-09-2013**, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Equity instruments	Debt instruments	Derivatives
Opening balance	0	197	0	523	3 041	27	50	0	269	1 117	1 660	0
Total gains/losses	0	- 29	0	23	- 211	2	- 10	0	119	- 20	- 7	0
in profit and loss*	0	- 29	0	23	- 211	2	- 10	0	119	- 20	1	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	- 1	- 8	0
Acquisitions	0	0	0	119	200	0	0	0	31	15	375	0
Sales	0	0	0	- 102	0	0	- 7	0	0	- 844	- 145	0
Settlements	0	- 151	0	- 19	- 599	- 2	0	0	0	0	- 571	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	44	0
Transfers out of level 3	0	0	0	- 140	0	0	0	0	0	0	- 278	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	- 27	0	0	0	0	0
Translation differences	0	0	0	- 8	- 2	- 1	0	0	- 7	0	- 5	0
Changes in scope	0	- 19	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	- 14	- 384	0	0	0	- 65	0	26	0
Closing balance	0	0	0	383	2 045	26	6	0	348	268	1 099	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	0	23	- 225	0	- 5	0	117	0	0	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading						Designated at fair value				Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Other	
Opening balance	0	181	0	4 979	0	0	0	1 366	0	44	0
Total gains/losses	0	32	0	- 977	0	0	0	18	0	0	0
in profit and loss*	0	32	0	- 977	0	0	0	18	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	151	0	0	0	0	0	0	0
Repurchases	0	0	0	0	0	0	0	0	0	0	0
Settlements	0	- 92	0	- 738	0	0	0	0	0	- 44	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	- 2	0	- 6	0	0	0	- 4	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	- 13	0	- 587	0	0	0	- 601	0	0	0
Closing balance	0	106	0	2 821	0	0	0	778	0	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	31	0	- 965	0	0	0	17	0	0	0

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

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

in number of shares	31-12-2012	30-09-2013
Ordinary shares	416 967 355	416 967 355
of which ordinary shares that entitle the holder to a dividend payment	*416 967 355*	*416 967 355*
of which treasury shares	*302*	*2*
Non-voting core-capital securities	118 644 067	79 096 044
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

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

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

On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (583 million euros in total).

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

On 3 July, KBC transferred 0.3 billion euros of loans granted to KBC shareholders to a third party and repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government plus a penalty of 583 million euros

Over 2013 results, KBC does not intend to pay a coupon on the remaining non-voting core capital securities.

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

Company	Consolidation method	Ownership percentage at group level		Comments
For income statement comparison		9M 2012	9M 2013	
Additions				
None				
Exclusions				
TUIR WARTA SA	Full	------	------	Deconsolidated on 30 June 2012 following sale
KBL EPB (Group)	Full	------	------	Sold in 3Q 2012
Kredyt Bank SA	Full	80.00%	------	Deconsolidated on 31 December 2012 following merger with Bank Zachodni WBK
KBC Private Equity NV	Full	100.00%	------	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	22.04%	------	Sold in 1Q 2013
Absolut Bank	Full	99.00%	------	Sold in 2Q 2013
Name Changes				
None				
Changes in ownership percentage and internal mergers				
VAB Group	Full	79.81%	95.00%	Stake increased with 15,19% in 2Q 2013
KBC Real Estate NV	Full	100.00%	------	Merged with KBC Bank on 1 July 2012
KBC Global Services NV	Full	100.00%	------	Merged with KBC Groep NV on 1 July 2013
For balance sheet comparison		31-12-2012	30-06-2013	
Additions				
None				
Exclusions				
KBC Private Equity NV	Full	100.00%	------	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	22.04%	------	Sold in 1Q 2013
Absolut Bank	Full	99.00%	------	Sold in 2Q 2013
Name Changes				
None				
Changes in ownership percentage and internal mergers				
VAB Group	Full	79.81%	95.00%	Stake increased with 15,19% in 2Q 2013
KBC Global Services NV	Full	100.00%	------	Merged with KBC Groep NV on 1 July 2013

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

Situation as at 30 September 2013

On 30 September 2013, following planned divestments fulfill the criteria of IFRS 5:

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

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

Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 30 September 2013

KBC Banka:

Activity:	Banking
Segment:	Group Centre
Other information:	On 26 April 2013, KBC has reached an agreement with Société Générale Srbija and Telenor Serbia on the sale of KBC Banka, KBC's banking entity in Serbia. Under the agreement, Telenor will purchase 100% of KBC Banka's shares, while Société Générale Srbija will acquire KBC Banka's key assets and deposits. All the parties involved agreed not to disclose any financial details of the transaction. For KBC, however, the transaction's impact on earnings at the time of signing was estimated at -47 million euros (-17m euros of which recorded in 1Q 2013), largely offset by another capital release of an estimated 42 million euros, resulting in a negligible total capital release. However, in 3Q 2013 the negative impact on earnings was further increased by -55 million euros and adjusted for this in the quarter under review. At closing of the file the remaining initially estimated impact of -30 million euros (maximally) is still to be recorded. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the fourth quarter of 2013.

KBC Bank Deutschland:

Activity:	Banking
Segment:	Group Centre
Other information:	On 24 September, KBC has reached an agreement to sell KBC Bank Deutschland AG, a wholly-owned subsidiary of KBC Bank NV, to several investors including affiliates of Teacher Retirement System of Texas (TRS), Apollo Global Management, LLC (NYSE: APO), Apollo Commercial Real Estate Finance, Inc. (NYSE: ARI), and Grovepoint Capital LLP (Grovepoint). This deal will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets and will have no material impact on KBC's financial results. This will result in an improvement of KBC's solvency position with roughly 15bp. The agreement allows KBC to continue supporting its homemarket corporate customers requiring financial services for their German business activities. Closing of the transaction is subject to the customary regulatory approvals and closure can be expected in the coming quarters.

Financial impact:

NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS	31-12-2012	*of which: Discontinued operations*	30-09-2013	*of which: Discontinued operations*
Assets				
Cash and cash balances with central banks	484	0	70	0
Financial assets	6 407	0	3 875	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Tax assets	83	0	62	0
Investments in associated companies	3	0	0	0
Investment property and property and equipment	113	0	24	0
Goodwill and other intangible assets	14	0	2	0
Other assets	35	0	20	0
Total assets	7 138	0	4 053	0
Liabilities				
Financial liabilities	3 657	0	2 155	0
Technical provisions insurance, before reinsurance	0	0	0	0
Tax liabilities	12	0	13	0
Provisions for risks and charges	9	0	9	0
Other liabilities	61	0	30	0
Total liabilities	3 739	0	2 207	0
Other comprehensive income				
Available-for-sale reserve	101	78	- 3	0
Deferred tax on available-for-sale reserve	- 27	- 22	0	0
Cash flow hedge reserve	7	0	0	0
Translation differences	55	- 4	0	0
Total other comprehensive income	136	52	- 3	0

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

Significant events between the balance sheet date (30 September 2013) and the publication of this report (14 November 2013):

Currently the risk classification and corresponding level of impairments on the credit portfolios are screened considering the most recent economic outlook and evolutions in the market (i.e. EBA and ESMA papers). These interpretations of EBA and ESMA focus on the treatment for forbearance and non-performing loans, respectively for regulatory and financial reporting purposes. It is expected that the impact of this change in accounting estimate will materialise during the fourth quarter of 2013. For more information see the press release on the 3Q 2013 results.

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Report of the statutory auditor to the shareholders of KBC Groep nv on the review of the interim condensed consolidated financial statements as of 30 September 2013 and for the nine-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Groep nv and its subsidiaries (collectively referred to as "the Group") as at 30 September 2013 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the nine-month period then ended, and explanatory notes, which show a consolidated balance sheet total of € 250.260 million and a consolidated profit (share of the group) for the nine-month period of € 1.309 million. Management is responsible for the preparation and fair 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") in accordance with the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing (ISA) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report dated 14 November 2013 on the interim condensed consolidated financial statements of KBC Groep nv as of 30 September 2013 and for the nine-month period then ended

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements does not present fairly, in all material respects, the financial position of the Group as at 30 September 2013, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussels, 14 November 2013

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

Pierre Vanderbeek
Partner

Peter Telders
Partner

14PVD80061

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KBC Group

Risk and capital management 3Q 2013

This section is not reviewed by the auditors.

Credit risk

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2012)'. Following entities have been recognised as 'disposal groups' under IFRS 5 and have been excluded from the figures since 30-06-2012: Absolut Bank (sale closed in May 2013), Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka.

Credit risk: loan portfolio overview	31-12-2012	30-09-2013
Total loan portfolio (in billions of EUR)		
Amount granted	167	165
Amount outstanding[1]	141	139
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	63%
Czech Republic	15%	15%
International Markets	19%	19%
Group Centre	3%	3%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 757	11 426
Specific loan impairments	4 614	4 799
Portfolio-based loan impairments	244	317
Credit cost ratio, per business unit[2]		
Belgium	0.28%	0.39%
Czech Republic	0.31%	0.24%
International Markets	2.26%	1.78%
Slovakia	0.25%	0.73%
Hungary	0.78%	0.86%
Bulgaria	0.94%	1.23%
Ireland	3.34%	2.40%
Group Centre[3]	1.06%	2.97%
Total[3]	0.69%	0.71%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 397	8 134
Specific loan impairments for NP loans	3 626	3 858
Non-performing ratio, per business unit		
Belgium	2.3%	2.6%
Czech Republic	3.2%	3.2%
International Markets	17.6%	19.0%
Group Centre	1.3%	5.4%
Total	5.3%	5.8%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	49%	47%
Idem, excluding mortgage loans	63%	59%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	66%	63%
Idem, excluding mortgage loans	91%	85%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
2. Annualised credit cost.
3. Including IFRS 5 entities the CCR per 30-09-2013 would be 1.83% for Group Centre and 0.71% for the Total.

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

Legend:

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

Loan portfolio Business Unit Belgium 30-09-2013, in millions of EUR	Belgium			Foreign branches			Total Belgium	
Total outstanding amount	81 630			6 169			87 799	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*
SME / corporate	22 016	*27.0%*		6 169	*100.0%*		28 185	*32.1%*
retail	59 614	*73.0%*		0	*0.0%*		59 614	*67.9%*
o/w private	32 210	*39.5%*		0	*0.0%*		32 210	*36.7%*
o/w companies	27 404	*33.6%*		0	*0.0%*		27 404	*31.2%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	30 965	*37.9%*	62%	0	*0.0%*	-	30 965	*35.3%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*
o/w vintage 2007 and 2008	3 269	*4.0%*	-	0	*0.0%*	-	3 269	*3.7%*
o/w ind. LTV > 100%	2 258	*2.8%*	-	0	*0.0%*	-	2 258	*2.6%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	62 097	*76.1%*		3 621	*58.7%*		65 718	*74.9%*
medium risk (pd 5-7; 0.80%-6.40%)	13 321	*16.3%*		1 439	*23.3%*		14 760	*16.8%*
high risk (pd 8-10; 6.40%-100.00%)	4 210	*5.2%*		764	*12.4%*		4 974	*5.7%*
non-performing loans (pd 11 - 12)	1 949	*2.4%*		323	*5.2%*		2 272	*2.6%*
unrated	54	*0.1%*		21	*0.3%*		74	*0.1%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	1 949	*2.4%*		323	*5.2%*		2 272	*2.6%*
provisions for NPL	1 126			192			1 317	
all provisions (specific + portfolio based)	n.a.			n.a.			1 917	
cover NPL by all provisions (specific + portfolio)	n.a.			n.a.			84%	
2012 Credit cost ratio (CCR)	n.a.			n.a.			0.28%	
YTD 2013 CCR	n.a.			n.a.			0.39%	

Remarks

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

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

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

Loan portfolio Business Unit Czech Republic 30-09-2013, in millions of EUR	Czech republic		
Total outstanding amount	21 158		
Counterparty break down		*% outst.*	
SME / corporate	6 727	*31.8%*	
retail	14 431	*68.2%*	
o/w private	10 813	*51.1%*	
o/w companies	3 618	*17.1%*	
Mortgage loans (1)		*% outst.*	ind. LTV
total	9 472	*44.8%*	66%
o/w FX mortgages	0	*0.0%*	-
o/w vintage 2007 and 2008	1 913	*9.0%*	-
o/w ind. LTV > 100%	0	*0.0%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	12 839	*60.7%*	
medium risk (pd 5-7; 0.80%-6.40%)	6 575	*31.1%*	
high risk (pd 8-10; 6.40%-100.00%)	1 009	*4.8%*	
non-performing loans (pd 11 - 12)	671	*3.2%*	
unrated	64	*0.3%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	671	*3.2%*	
provisions for NPL	418		
all provisions (specific + portfolio based)	493		
cover NPL by all provisions (specific + portfolio)	73%		
2012 Credit cost ratio (CCR)	0.31%		
YTD 2013 CCR (2)	0.24%		

Remarks

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

(2) individual CCR in local currencies.

Loan portfolio Business Unit International Markets

30-09-2013, in millions of EUR	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets	
Total outstanding amount	15 496			4 651			5 080			706			26 138	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	3 305	*21.3%*		2 046	*44.0%*		2 669	*52.5%*		297	*42.0%*		8 520	*32.6%*
retail	12 192	*78.7%*		2 605	*56.0%*		2 412	*47.5%*		409	*58.0%*		17 618	*67.4%*
o/w private	12 192	*78.7%*		2 028	*43.6%*		1 998	*39.3%*		254	*36.0%*		16 472	*63.0%*
o/w companies	0	*0.0%*		577	*12.4%*		413	*8.1%*		155	*22.0%*		1 145	*4.4%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	12 192	*78.7%*	121%	1 682	*36.2%*	58%	1 796	*35.4%*	84%	121	*17.2%*	61%	15 792	*60.4%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	1 431	*28.2%*	92%	77	*10.9%*	56%	1 508	*5.8%*
o/w vintage 2007 and 2008	4 514	*29.1%*	-	231	*5.0%*	-	933	*18.4%*	-	45	*6.4%*	-	5 723	*21.9%*
o/w ind. LTV > 100%	8 021	*51.8%*	-	0	*0.0%*	-	556	*10.9%*	-	13	*1.8%*	-	8 589	*32.9%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	5 548	*35.8%*		2 906	*62.5%*		2 073	*40.8%*		71	*10.0%*		10 606	*40.6%*
medium risk (pd 5-7; 0.80%-6.40%)	1 955	*12.6%*		1 078	*23.2%*		1 741	*34.3%*		248	*35.1%*		5 047	*19.3%*
high risk (pd 8-10; 6.40%-100.00%)	3 977	*25.7%*		352	*7.6%*		605	*11.9%*		87	*12.3%*		5 192	*19.9%*
non-performing loans (pd 11 - 12)	4 016	*25.9%*		179	*3.9%*		596	*11.7%*		184	*26.1%*		4 976	*19.0%*
unrated	0	*0.0%*		135	*2.9%*		66	*1.3%*		116	*16.5%*		317	*1.2%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	4 016	*25.9%*		179	*3.9%*		596	*11.7%*		184	*26.1%*		4 976	*19.0%*
provisions for NPL	1 545			85			323			84			2 037	
all provisions (specific + portfolio based)	1 975			117			374			98			2 563	
cover NPL by all provisions (specific + portfolio)	49%			65%			63%			53%			52%	
2012 Credit cost ratio (CCR)	3.34%			0.25%			0.78%			0.94%			2.26%	
YTD 2013 CCR (2)	2.40%			0.73%			0.86%			1.23%			1.78%	

Remarks
Ireland = KBC Bank Ireland (incl. former KBC Homeloans)
Total Int Markets: outstanding additionally includes small amount of KBC internal risk sharings which were eliminated at country level

(1) mortgage loans: only to private persons (as opposed to the accounting figures); For Ireland: only KBC Homeloans exposure
(2) individual CCR in local currency

Loan portfolio Group Centre (IFRS5 scope) 30-09-2013, in millions of EUR	Total Group Centre (mainly KBC Finance Ireland and KBC Credit Investments)			For information: entities marked as 'disposal groups' under IFRS 5 Belgium (Antwerp Diamond Bank)			Western Europe (KBC Deutschland)		
Total outstanding amount	3 956			1 442			2 425		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*	
SME / corporate	3 956	*100.0%*		1 442	*100.0%*		2 425	*100.0%*	
retail	0	*0.0%*		0	*0.0%*		0	*0.0%*	
o/w private	0	*0.0%*		0	*0.0%*		0	*0.0%*	
o/w companies	0	*0.0%*		0	*0.0%*		0	*0.0%*	
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w vintage 2007 and 2008	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w ind. LTV > 100%	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	1 489	*37.6%*		53	*3.7%*		1 288	*53.1%*	
medium risk (pd 5-7; 0.80%-6.40%)	1 457	*36.8%*		1 032	*71.6%*		735	*30.3%*	
high risk (pd 8-10; 6.40%-100.00%)	744	*18.8%*		130	*9.0%*		271	*11.2%*	
non-performing loans (pd 11 - 12)	215	*5.4%*		214	*14.9%*		120	*5.0%*	
unrated	52	*1.3%*		13	*0.9%*		10	*0.4%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	215	*5.4%*		214	*14.9%*		120	*5.0%*	
provisions for NPL	85			181			91		
all provisions (specific + portfolio based)	100			186			131		
cover NPL by all provisions (specific + portfolio)	47%			87%			108%		
2012 Credit cost ratio (CCR)	1.06%			1.51%			1.89%		
YTD 2013 CCR	2.97%			1.20%			0.87%		

Remarks

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

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

Structured credit exposure (banking and insurance activities)

(figures exclude all expired, unwound or terminated CDO positions and after claimed or settled credit events)

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

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('CDO exposure protected with MBIA' in the table).

- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('other CDO exposure' in the table) and in other ABS ('other ABS exposure' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

KBC investments in structured credit products (CDOs and other ABS), in billions of EUR	30-09-2013
Total net exposure	7.6
o/w CDO exposure protected with MBIA	5.3
o/w other CDO exposure	1.1
o/w other ABS exposure	1.3
Cumulative value markdowns (mid 2007 to date)*	-0.5
Value markdowns	-0.4
for *other CDO exposure*	-0.3
for *other ABS exposure*	-0.1
Credit value adjustment (CVA) on MBIA cover	-0.1

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

In the third quarter of 2013, there was a reduction to the tune of -0.1 billion euros in KBC's CDO and ABS exposure. This reduction was mainly due to redemptions in the other ABS portfolio.

Protection for CDO exposure

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

Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a nominal value of 5.9 billion euros of which 5.3 billion euros relates to the exposure insured by MBIA. It should be noted that the provisioning rate of MBIA was reduced from 80% to 60% per end June 2013 based on a fundamental internal analysis. Per end September 2013 it was kept at 60%.The remaining 0.7 billion euros of exposure covered by the contract with the Belgian State relates to part of the 'other CDO exposure'. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the current Guarantee Agreement with the Belgian State.

Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR	30-09-2013
Total insured amount (notional amount of super senior swaps)*	5.3
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	0.2
- CVA for counterparty risk, MBIA	-0.1
(as a % of fair value of insurance coverage received)	60%

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

Solvency

Solvency KBC Group

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

In millions of EUR	31-12-2012	30-09-2013
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	16 113	17 245
Tier-1 capital	14 062	14 221
Core Tier-1 capital	*11 951*	*12 120*
Parent shareholders' equity	12 099	11 895
Non-voting core-capital securities	3 500	2 333
Intangible fixed assets (-)	- 356	- 327
Goodwill on consolidation (-)	- 987	- 959
Innovative hybrid tier-1 instruments	419	409
Non-innovative hybrid tier-1 instruments	1 692	1 693
Direct & indirect funding of investments in own shares	- 250	- 250
Minority interests	- 5	- 4
Equity guarantee (Belgian State)	276	42
Revaluation reserve available-for-sale assets (-)	- 1 263	- 1 008
Hedging reserve, cashflow hedges (-)	834	526
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 22	16
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	0	0
Equalization reserve (-)	- 111	- 132
Dividend payout (-)	- 960	0
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 227	- 13
Items to be deducted[1] (-)	- 577	0
Tier-2 & 3 capital	2 051	3 023
Perpetuals (incl. hybrid tier-1 not used in tier-1)	0	0
Revaluation reserve, available-for-sale shares (at 90%)	185	216
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	130	326
Subordinated liabilities	2 268	2 454
Tier-3 capital	44	27
IRB provision shortfall (50%) (-)	0	0
Items to be deducted[1] (-)	- 577	0
Capital requirement		
Total weighted risks	102 148	90 210
Banking[2]	89 532	78 291
Insurance	12 386	12 116
Holding activities	304	80
Elimination of intercompany transactions between banking and holding activities	- 74	- 277
Solvency ratios		
Tier-1 ratio	13.77%	15.76%
Core Tier-1 ratio	11.70%	13.44%
CAD ratio	15.77%	19.12%

1 Items to be deducted fell to zero after KBC closed the sale of NLB and sold its stake in Bank Zachodni WBK.
2 Until the end of 2014, KBC Group's RWA include a yearly decreasing amount of RWA for residual operational risks related to KBL EPB (sold in 2012).

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

The Belgian regulator has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under the current CRD4 proposal. KBC Group's approximated Basel III fully loaded Common Equity ratio amounts to 12.5%.

Basel II IRB, since its implementation in 2008, is the primary approach (used for approximately 91% of the weighted credit risks, of which approx. 64% according to Advanced and approx. 26% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 9%) are calculated according to the Standardised approach.

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel II for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance as at 31-12-2012 can be found in their consolidated financial statements and in the KBC Risk Report on www.kbc.com.

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2012	30-09-2013
Total regulatory capital, after profit appropriation	14 390	16 046
Tier-1 capital	12 235	12 954
Tier-2 and tier-3 capital	2 154	3 092
Total weighted risks	88 927	77 687
Credit risk	69 149	61 546
Market risk	8 733	5 096
Operational risk	11 045	11 045
Solvency ratios		
Tier-1 ratio	13.8%	16.7%
of which core tier-1 ratio	11.4%	14.0%
CAD ratio	16.2%	20.7%
Solvency, KBC Insurance consolidated (in millions of EUR)	**31-12-2012**	**30-09-2013**
Available capital	3 190	3 021
Required solvency margin	991	969
Solvency ratio and surplus		
Solvency ratio (%)	322%	312%
Solvency surplus (in millions of EUR)	2 199	2 052