KBC Group
Extended Quarterly Report

3Q2015

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

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 (and/or penalty) is paid on the core-capital securities sold to the government and/or a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator.

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).

Common equity ratio: [common equity tier-1 capital] / [total weighted risks]. The calculation includes in the numerator the core-capital securities sold to the government that are grandfathered by the regulator.

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

Cover ratio: [specific impairment on loans] / [outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'. Where appropriate, the impairment charges and impaired loans in the formula may be limited to 'more than 90 days overdue'.

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

Diluted earnings per share: [result after tax, attributable to equity holders of the parent] / [average number of ordinary shares plus dilutive options less treasury shares]. If a coupon (and/or penalty) is paid on the core-capital securities sold to the government, and/or a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator.

Impaired loans ratio: [impaired loans] / [total outstanding loan portfolio]. Impaired loans are loans for which full (re)payment of contractual principal and interest is deemed unlikely. This corresponds with KBC's Probability-of-Default classes 10+11+12. These loans are equivalent to 'non-performing loans' under the (new) definition used by the European Banking Authority.

Leverage ratio: [regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data.

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]. To more closely reflect the scope of business, the definition has been reworked since 2014 (and applied retroactively) to exclude all divestments and all volatile short-term assets used for liquidity management.

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

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] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking (based on Basel III) and risk-weighted asset equivalents for insurance (based on Solvency I).

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 paid on the core-capital securities sold to the government or a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator.

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

Investor Relations contact details

Investor.relations@kbc.com
KBC Group NV, Investor Relations Office, Havenlaan 2, BE 1080 Brussels, Belgium

Visit www.kbc.com

Content

KBC Group

Report for 3Q2015 and 9M2015

This report contains information that is subject to transparency regulations for listed companies.
Date of release: 16 November 2015

Summary:
Strong quarterly profit of 600 million euros, resulting in an excellent 1.8 billion euros of profit for the first nine months of 2015.

During the summer months, our clients continued to put their trust in us: lending and deposit volumes went up in virtually all of the countries where we operate. A low cost of credit also ensured that profit thrived. In a backdrop of economic recovery, but also of low interest rates and volatile financial markets, KBC ended the third quarter of 2015 with a strong net profit of 600 million euros, somewhat below the 666 million euros recorded in the previous quarter and the 608 million euros recorded in the year-earlier quarter. The total result for the first nine months of 2015 stands at 1 776 million euros. The business model performed very well, as illustrated by the fact that all countries were profitable in the third quarter.

Financial highlights for the third quarter of 2015, compared with the second quarter of 2015:

- Both the banking and insurance franchises in our core markets and core activities turned in a good performance.
- We again granted more loans in Belgium (+2%), the Czech Republic (+2%), Slovakia (+5%) and Bulgaria (+3%), while clients further increased their deposits in most of our countries: the Czech Republic (+2%), Hungary (+1%), Slovakia (+3%), Bulgaria (+4%) and Ireland (+4%)
- Lower prepayment fees and the low interest rate environment caused our net interest income to contract by 3%, and the net interest margin narrowed from 2.06% to 1.99%
- Sales of non-life insurance products across all our markets were up year-on-year, and the non-life combined ratio stood at an excellent 89% year-to-date. Sales of life products decreased.
- Clients further increased their assets managed by KBC. Total assets under management of our group ended somewhat down at 200 billion euros, despite these positive net entries, mainly as a result of the weak market performance. Our net fee and commission income dropped substantially due to lower sales and the weak market performance from very strong levels in the second quarter and is estimated to end in the range of 360 to 370 million euros for the fourth quarter
- The result from financial instruments at fair value was modest given the stable valuation of the derivatives we use for asset/liability management purposes and weak level of dealing room income, among other factors.
- Excluding special bank taxes, costs were down 2%. The cost/income ratio stood at a good 54% year-to-date.
- The cost of credit amounted to a low 0.23% of our loan portfolio year-to-date.
- Our liquidity position remains solid, and our capital base – with a common equity ratio of 17.4% (fully loaded, Danish compromise) – remains well above the regulator's target.

Johan Thijs, our group CEO, added…

'The confidence and trust we receive from both existing and new clients show that our approach is paying off. We posted an excellent result of 600 million euros in the third quarter through our strong banking and insurance franchise, and achieved it in challenging economic times. Clients' trust in us is reflected in the growth of our deposit base, our loan book and the net increase in sales of our investment products as well as through our insurance products. I am also very pleased to see that a profit was recorded this quarter in all our countries. However, the continuing low level of interest rates remains a challenge for the entire financial sector. And the volatility in the financial markets puts a challenge on the fee business. Nevertheless, we continue to invest in the future and are pro-actively rolling out our digitalisation plans further in order to serve clients even better.

On the regulatory front, the National Bank of Belgium announced its new capital buffers for Belgian systemically important banks, including ours. The regulator's decision clarifies for the group and our stakeholders the capital requirements KBC must meet. We feel comfortable with the size of the additional buffer that the National Bank is asking and that we had already factored in to our capital management models. As our capital position is currently very robust we can easily absorb this extra buffer and still stick to our strategic ambitions and planned dividend pay-out ratio of at least 50%. That is a comforting signal to all stakeholders who put their trust in us.'

Overview **KBC Group (consolidated)**	**3Q2014**	**2Q2015**	**3Q2015**	**9M2014**	**9M2015**
Net result, IFRS (in millions of EUR)	608	666	600	1 289	1 776
Basic earnings per share, IFRS (in EUR)*	1.32	1.56	1.41	2.32	4.16
Breakdown of the net result, IFRS, by business unit (in millions of EUR)					
Belgium	399	528	358	1 102	1 216
Czech Republic	130	127	153	408	423
International Markets	28	68	92	-175	184
Group Centre	51	-57	-2	-46	-47
Parent shareholders' equity per share (in EUR, end of period)	30.7	32.5	33.6	30.7	33.6

* Note: if a coupon is paid on the core-capital securities sold to the Flemish Regional Government and a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid on the core-capital securities, it will likewise be deducted.

Business highlights in the quarter under review

- Our core strategy remains focused on providing bank-insurance products and services to retail, SME and mid-cap clients in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria.

- We continued to work on achieving our strategic objectives within our strict risk and capital framework and under the supervision of the regulatory authorities. In this context, the National Bank of Belgium announced its new capital buffers for Belgian systemically important banks, including ours. These new buffers will be introduced in phases starting from 2016 and are on top of the minimum capital requirements (Joint Capital Decision) that the ECB imposes every year. The additional buffer for KBC will be 0.5% CET1 (phased in, calculated under the Danish compromise) in 2016, and will gradually increase over a three-year period, reaching 1.5% in 2018. As mentioned, this comes on top of the new ECB minimum capital requirement for 2016 which will be announced before the end of this year. In 2015, this minimum requirement was 10.5% CET1 (fully loaded, calculated under the Danish compromise).

- When KBC agreed its strategic refocus with the European Commission in 2009, it undertook to run down or divest the activities of its subsidiary KBC Financial Holding Inc. (US) in order to reduce KBC's risk profile. As a final step, KBC is now going to liquidate KBC Financial Holding Inc. This will result in the tax deductibility of losses already booked in previous years (specifically 2008 and 2009), for which a deferred tax asset will be booked. On balance, the post-tax impact on the result is around 763 million euros, likely to be booked in the fourth quarter. Initially, recognition of the deferred tax asset will have only a limited positive impact of 0.16 percentage points (fully loaded CET1 ratio calculated under the Danish compromise method) on KBC's regulatory capital.

- In line with our strategic objectives, ČSOB Leasing increased its share of the Slovak market and expanded its client base during the second quarter. ČSOB Leasing and Volksbank Leasing International reached agreement for ČSOB Leasing to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary. The results have been included for the first time in this quarter. The company is a universal leasing company ranked seventh on the Slovak leasing market with a market share of approximately 6% and a balance sheet total of approximately 170 million euros. KBC is the clear leader on the Slovak leasing market through the activities pursued by ČSOB Leasing.

- On the macroeconomic front, the world economy in the third quarter was characterised by a dichotomy between emerging markets and advanced economies. While advanced economies such as the euro area and the US were still growing solidly driven mainly by domestic demand, many emerging markets suffered from low commodity prices and capital outflows in anticipation of the Fed possibly hiking rates for a first time. At the beginning of the fourth quarter, the ECB made it clear that all its policy tools would be available at its December meeting to push up the sustained low rate of inflation in the euro area. This announcement served to lower German bond yields further and weakened the euro again. Owing to the fact that the latest Fed policy statement again raised the probability of a first rate hike in December, the euro weakened further against the US dollar, which helped the ECB get nearer to its inflation target of close to, but below, 2%. For the same reason, global bond yields edged up again.

- On the corporate sustainability and responsibility front, we again took a number of initiatives. In Belgium, KBC participated in the 'Week of mobility' and stimulated carpooling and teleworking in order to reduce our ecological footprint. ČSOB in the Czech Republic also became a partner of 'Better Place', a web and mobile application. It invites citizens and organisations to help improve their neighbourhood and the environment they live in. Our efforts were further recognised by the following awards: in Hungary, K&H won the CSR Best Practice Award 2015 for its new 'Program for the Underprivileged'. KBC Bank Ireland was certified with the Business Working Responsibly Mark by Business in the Community Ireland. DZI in Bulgaria received the 'Insurer for the society' award, highlighting and reaffirming the good examples of corporate sustainability and responsibility it practises in the insurance business.

Overview of our results and balance sheet

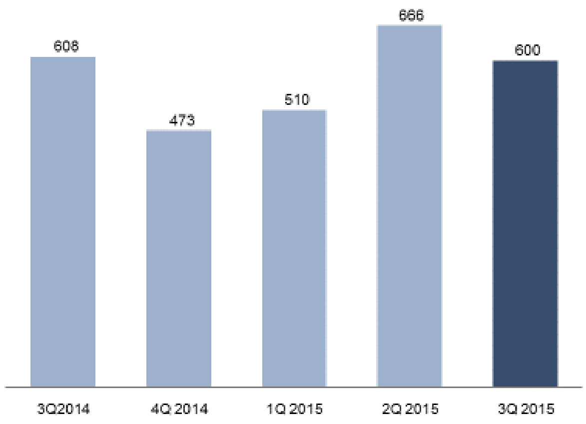
We provide a full overview of our IFRS consolidated income statement and balance sheet in the 'Consolidated financial statements' section of the quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity, as well as several notes to the accounts, are also available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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	9M 2014	9M 2015
Net interest income	1 120	1 123	1 091	1 092	1 062	3 185	3 245
Interest income	2 010	1 982	1 850	1 804	1 770	5 911	5 425
Interest expense	-890	-860	-759	-712	-708	-2 726	-2 179
Non-life insurance (before reinsurance)	139	123	167	155	142	389	464
Earned premiums	*321*	*322*	*320*	*326*	*335*	*944*	*981*
Technical charges	*-183*	*-200*	*-153*	*-172*	*-193*	*-555*	*-517*
Life insurance (before reinsurance)	-57	-45	-48	-51	-51	-171	-150
Earned premiums	*299*	*343*	*302*	*265*	*289*	*904*	*856*
Technical charges	*-355*	*-388*	*-350*	*-316*	*-340*	*-1075*	*-1 006*
Ceded reinsurance result	4	10	-11	-7	0	6	-18
Dividend income	9	9	12	39	13	47	64
Net result from financial instruments at fair value through P&L	34	109	57	179	47	118	282
Net realised result from available-for-sale assets	28	22	80	36	44	128	160
Net fee and commission income	402	410	459	465	383	1 163	1 307
Fee and commission income	579	577	632	634	547	1 668	1 814
Fee and commission expense	-177	-167	-174	-169	-164	-505	-507
Other net income	73	68	49	105	96	26	250
Total income	1 752	1 827	1 855	2 013	1 736	4 892	5 604
Operating expenses	-897	-964	-1 125	-941	-862	-2 854	-2 928
Impairment	-58	-193	-77	-149	-49	-313	-275
on loans and receivables	-190	-158	-73	-138	-34	-429	-245
on available-for-sale assets	-6	-14	-3	-7	-15	-14	-24
on goodwill	0	0	0	0	0	0	0
other	139	-21	-1	-5	0	130	-6
Share in results of associated companies and joint ventures	6	6	6	8	6	19	20
Result before tax	803	675	659	930	831	1 745	2 421
Income tax expense	-194	-202	-149	-264	-231	-455	-644
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	608	473	510	666	600	1 289	1 776
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**608**	**473**	**510**	**666**	**600**	**1 289**	**1 776**
of which legacy activities and own credit risk	*114*	*-20*	*-*	*-*	*-*	*153*	*-*
Basic earnings per share (EUR)	1.32	1.00	1.19	1.56	1.41	2.32	4.16
Diluted earnings per share (EUR)	1.32	1.00	1.19	1.56	1.41	2.32	4.16

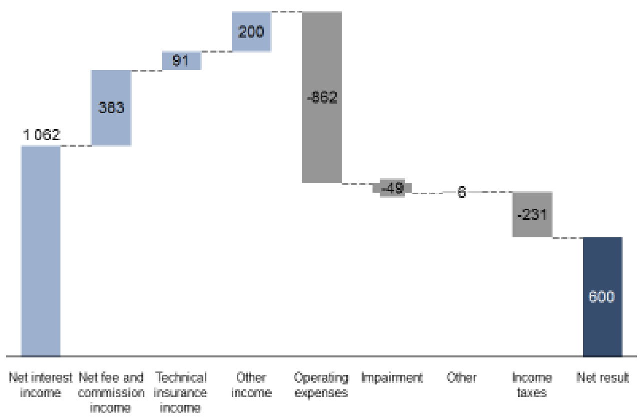
IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 in 2015 is that certain levies have to be recognised in advance, which adversely impacted the results for the first quarter of 2015. As IFRIC 21 needs to be applied retroactively, KBC restated the comparable quarterly figures for 2014. This relates solely to movements between quarters and does not affect the full-year figures.

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	30-09-2014	31-12-2014	31-03-2015	30-06-2015	30-09-2015
Total assets	251 612	245 174	258 396	256 654	257 632
Loans and advances to customers	125 898	124 551	124 632	126 093	126 971
Securities (equity and debt instruments)	69 530	70 359	71 948	70 755	71 115
Deposits from customers and debt certificates	166 843	161 783	167 922	170 159	171 412
Technical provisions, before reinsurance	19 065	18 934	19 181	19 198	19 365
Liabilities under investment contracts, insurance	12 540	12 553	13 263	12 937	12 422
Parent shareholders' equity	12 840	13 125	13 928	13 576	14 022
Non-voting core-capital securities	2 000	2 000	2 000	2 000	2 000

Net result (in millions of EUR)



Breakdown of net result for 3Q2015 (in millions of EUR)



Up to 2014, we provided not only figures according to IFRS, but also so-called ‘adjusted figures’. In these figures, we extracted the impact of legacy activities (remaining divestments and CDOs) as well as the impact of the valuation of own credit risk, and rearranged trading income under ‘Net result from financial instruments at fair value’. As these legacy activities have become immaterial (divestments have been finalised and there is no longer any exposure to CDOs) – and in order to simplify reporting – we have now stopped providing adjusted results.

Note: the year-on-year performance was partly affected by the deconsolidation of KBC Bank Deutschland and by a number of other minor changes. These items will be disregarded to enable a meaningful comparison to be made (‘on a comparable basis’).

The first-time inclusion of the acquisition of Volksbank Leasing in the results is covered in the International Markets Business Unit.

Analysis of the quarter (3Q2015)

The net result for the quarter under review amounted to 600 million euros, compared to 666 million euros quarter-on-quarter and 608 million euros year-on-year.

Total income down by 14% quarter-on-quarter, with moderately lower net interest income, a substantial drop in net fee and commission income and weaker net result from financial instruments at fair value. Total income flat year-on-year.

- Net interest income stood at 1 062 million euros in the third quarter of 2015. In the current environment of low yields, our net interest income contracted by 3% quarter-on-quarter and by 4% year-on-year, on a comparable basis. The quarter-on-quarter decline was driven by the decrease in prepayment fees following the drop in home loan refinancing in Belgium, the negative hedging effect related to the large amount of home loan refinancing in previous quarters in that country and decreasing reinvestment yields in general, which could not be offset by the positive impact of falling customer funding costs, volume increases, and rate cuts on saving accounts in the Czech Republic. Compared to a year ago, the 4% drop in net interest income was largely driven by a negative hedging result relating to mortgage loans in Belgium, despite sound commercial margins, volume increases and lower funding costs. As a result, the net interest margin came to 1.99% for the quarter under review, 7 basis points lower than the level of the previous quarter, and 14 basis points lower than the level of the year-earlier quarter. Interest income continued to be supported by volume growth: loans went up both quarter-on-quarter (by 1%) and year-on-year (by 3%) and deposit volumes stayed flat quarter-on-quarter (increase in current and savings accounts as opposed to a deliberate decrease in time deposits) and went up by 7% year-on-year.
- Technical income from our non-life and life insurance activities went up year-on-year, but fell quarter-on-quarter. Gross earned premiums less gross technical charges and the ceded reinsurance result contributed 91 million euros to total income, 6% less than in the previous quarter due essentially to higher non-life claims mainly in Belgium. However, it was up 6% year-on-year, boosted by higher non-life premiums, though somewhat mitigated by increased non-life claims.

Earned premiums from our non-life insurance activities increased by 3% quarter-on-quarter and by 4% year-on-year. Claims during the third quarter were up 12% on the previous quarter and up 5% on their level in the third quarter of 2014. The combined ratio came to an excellent 89% year-to-date.

Sales of life insurance products (including unit-linked products not included in premium income) were down 7% quarter-on-quarter and 24% year-on-year.

It should be noted that, during the third quarter, investment income derived from insurance activities was down 11% on its level of the previous quarter, and down 12% on the year-earlier quarter. The quarter-on-quarter change was driven chiefly by the lower level of dividend income following a seasonally high second quarter. The year-on-year change was accounted for primarily by lower net interest income caused by decreasing yields on the bond position.

- The investment climate for clients was volatile in the quarter under review, and this was reflected in lower sales of our mutual funds compared to the excellent previous quarter. Despite new entries, a negative price performance reduced total assets under management by 2% (to 200 billion euros) in the quarter under review. Compared to a year ago, however, they have increased by as much as 11%. The sales-related drop in entry fees on these investment products, as well as the lower level of management fees for mutual funds, were the main reasons for the significant decrease in our net fee and commission income, which came to 383 million euros, down 4% year-on-year and 18% quarter-on-quarter, on a comparable basis.

- All other income items combined amounted to 200 million euros. They comprised the net result from financial instruments at fair value (47 million euros in the quarter under review, including 2 million euros arising from valuation changes in respect of ALM derivative instruments (compared to 90 million euros in 2Q2015), realised gains on the sale of available-for-sale assets (44 million euros for the quarter under review), dividend income (13 million euros) and other net income (96 million euros, benefiting from a number of positive one-off items in the quarter under review).

Continued solid cost management: excluding special bank taxes, operating expenses down quarter-on-quarter and more or less flat year-on-year, thanks to reduced legacy costs

- Strict cost control is high on our list of priorities. Our operating expenses amounted to 862 million euros for the third quarter of 2015, significantly down (-8%) on their level of the previous quarter, when a significant part of the special bank taxes had been posted for the full year. Disregarding all of these bank taxes (21 million euros in the current quarter, compared to 264 million in 1Q2015, 83 million euros in 2Q2015, and 48 million euros in 3Q2014), our operating expenses fell by 2% quarter-on-quarter and remained more or less unchanged year-on-year, with higher pension expenses (lower interest rates) and expenses related to investments in further digitalisation being mitigated by lower legacy costs.

  The increase in income enabled the cost/income ratio of our banking activities to improve to 54% year-to-date (from 58% for 2014 as a whole). Adjusted for specific items (mainly the special bank tax, but also excluding some other non-operational items such as tax adjustments and divestments), the cost/income ratio stood at 54% year-to-date as well, similar to 54% for 2014 as a whole, despite investments in further digitalisation.

Loan impairment charges: considerable drop on levels in the previous and year-earlier quarters

- Loan losses (34 million) were substantially lower than the level recorded in the year-earlier and previous quarters. The quarter-on-quarter decrease came about mainly because of Belgium (a decrease of 54 million euros, lower impairment in general for both loan files and IBNR), the Czech Republic, Hungary and Ireland (a decline of 11, 10 and 7 million euros, respectively) and the Group Centre (a drop of 22 million euros, related primarily to the legacy portfolio of the former Antwerp Diamond Bank). Loan loss impairment in the first nine months of 2015 accounted for some 0.23% the total loan portfolio.

Results per business unit

- Our quarterly profit of 600 million euros breaks down into 358 million euros for the Belgium Business Unit, 153 million euros for the Czech Republic Business Unit, 92 million euros for the International Markets Business Unit and -2 million euros for the Group Centre. A full results table and a short analysis per business unit is provided in the 'Results per business unit' section of the quarterly report, while more information for each business unit is also given in the analyst presentation (both available at www.kbc.com).

Strong fundamentals: equity, solvency and liquidity

- At the end of September 2015, our total equity stood at 17.4 billion euros, up 0.9 billion euros on its level at the start of the year. The change in total equity during the first nine months of the year resulted from the inclusion of the 9M2015 profit (+1.8 billion euros), the payment of dividends for 2014 and the related coupon on the remaining state aid (an aggregate -1.0 billion euros) and a number of smaller items (an aggregate +0.1 billion euros).

- Our solvency ratios comfortably surpassed the regulator's double solvency test (a minimum 10.5%). At 30 September 2015, the group's common equity ratio (Basel III, fully loaded, under the Danish compromise, including the remaining aid from the Flemish Regional Government) stood at a strong 17.4%. Under the Financial Conglomerates Directive (FICOD), the group's common equity ratio stood at 17.2% (fully loaded, including the remaining aid from the Flemish Regional Government). The leverage ratio for the group (Basel III, fully loaded) stood at 6.9%. The solvency ratio for KBC Insurance was an excellent 276% at 30 September 2015.

- The group's liquidity position remained at an excellent level, as reflected in an LCR ratio of 118% and an NSFR ratio of 123% at the end of the third quarter of 2015.

Analysis of the year-to-date period (9M2015)

Our aggregate result for the first nine months of the year now stands at 1 776 million euros, compared to 1 289 million euros a year earlier.

Compared to the first nine months of 2014, the result for the first nine months of 2015 was characterised by:

- Higher net interest income (+3% on a comparable basis, up to 3 245 million euros), thanks to substantially lower (subordinated) funding costs, as well as wider margins on loans and lower rates on deposits, all of which was mitigated somewhat by losses on prepaid mortgages in Belgium. Volumes increased for deposits (+7%) and lending (+3%).
- A higher contribution by technical insurance results (gross earned premiums less gross technical charges and the ceded reinsurance result: +32% to 296 million euros). In non-life insurance, the year-to-date combined ratio stood at an excellent 89%.
- A strong increase in asset management activity leading to higher net fee and commission income (+13% on a comparable basis, up to 1 307 million euros). At the end of September 2015, assets under management stood at 200 billion euros, a year-on-year increase of 11%, 7% due to net entries and 4% to the price performance.
- An increase in other income items. The net result from financial instruments at fair value amounted to 282 million euros in the first nine months of 2015 (more than double the figure of 9M2014, thanks mainly to the valuation of ALM derivatives), net realised gains from available-for-sale assets stood at 160 million euros (+25%), dividend income stood at 64 million euros (+35%) and other net income came to 250 million euros (up 224 million euros on the first three quarters of 2014, which had been affected by 231 million euros of provisioning for the new Hungarian act on retail loans).
- Higher operating expenses (+4% on a comparable basis, up to 2 928 million euros), owing essentially to higher special bank taxes. Excluding these taxes, operating expenses were only slightly up (+1% on a comparable basis), primarily because of higher pension expenses, staff expenses and expenses related to investments in further digitalisation, but partly offset by lower expenses at the former Antwerp Diamond Bank. As a result, the year-to-date cost/income ratio stood at 54%.
- Lower loan losses (-41% on a comparable basis, to 245 million euros). The improvement was most pronounced in Ireland (125 million euros less). As a result, the annualised credit cost ratio for the whole group stood at a satisfying 0.23%.
- It is worth noting that a reversal of the impairment recorded on the participation in Antwerp Diamond Bank in 2012 and 2013 lead to a one-off total post-tax positive impact of 132 million euros in the first nine months 2014.

Selected ratios for the KBC group (consolidated)	FY2014	9M2015
Profitability and efficiency		
Return on equity*	14%	20%
Cost/income ratio, banking	58%	54%
Combined ratio, non-life insurance	94%	89%
Solvency		
Common equity ratio according to Basel III (fully loaded, incl. remaining state aid)	14.3%	17.4%
Common equity ratio according to FICOD method (incl. remaining state aid)	14.6%	17.2%
Leverage ratio according to Basel III (fully loaded, incl. remaining state aid)	6.4%	6.9%
Credit risk		
Credit cost ratio	0.42%	0.23%
Impaired loans ratio	9.9%	9.0%
for loans more than 90 days overdue	5.5%	5.2%
Liquidity		
Net stable funding ratio (NSFR)	123%	123%
Liquidity coverage ratio (LCR)	120%	118%

* If a coupon is paid on the core-capital securities sold to the Flemish Regional Government and/or on the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid on the core-capital securities, it will likewise be deducted.

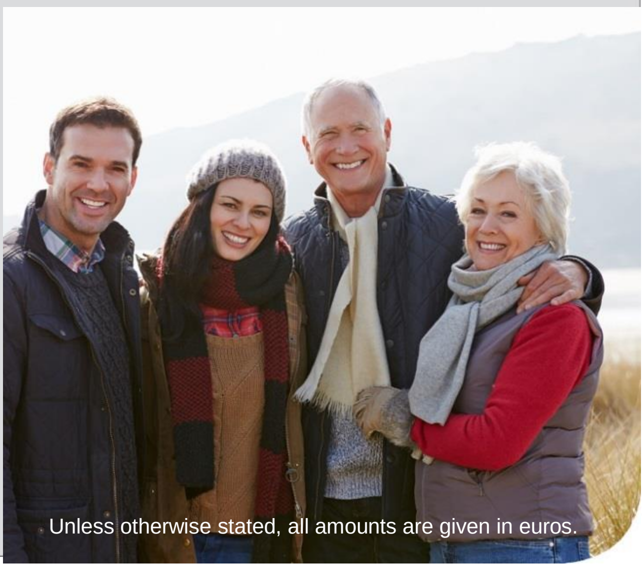
Statement of risk

- As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. Although KBC closely monitors and manages each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- At present, we consider a number of items to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to KBC. Increasing capital requirements are a dominant theme for the sector and regulatory initiatives are expected on such topics as risk models, floors on risk weighted assets, systemic and other capital buffers and minimum requirement of eligible liabilities and own funds (MREL). Besides these factors, the low interest rate environment remains a continuing challenge. If low rates were to be sustained, this would put material pressure on the long-term profitability of banks and especially insurers. Finally, operational risk and particularly cyber risk have become one of the main threats during the past few years, not just for the financial sector, but overall.
- Risk management data are provided in our annual reports, extended quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.
- As regards macroeconomic trends, the recovery in the advanced economies is expected to continue in the fourth quarter and lead to accelerating levels of growth in 2016 compared to 2015. The further recovery in the euro area will take place in a favourable inflation environment. Inflation will rise only modestly as a result of low and only marginally rising oil prices, a gradual further fall of European unemployment and the deprecation of the euro since 2014 being passed on through higher import prices. However, since headline inflation is still far below the ECB's target, the ECB made it clear in early October that all policy tools would be available at the December meeting to ease its policy stance further and so push up the inflation rate in the euro area.

  The much stronger-than-expected US labour market report for October would appear to fulfil the conditions referred to by the Fed for a rate hike in December. If this start to a Fed rate tightening cycle does not cause too much volatility and economic stress particularly in the emerging markets, we expect 2016 to be a year of higher growth for the euro area and the US, with higher but still modest inflation and moderately higher German bond yields. This will increase the bond yield spread between the US and Germany. As a result of expected monetary policy divergence, the euro will weaken further against the US dollar.

KBC Group

3Q2015 results by business unit



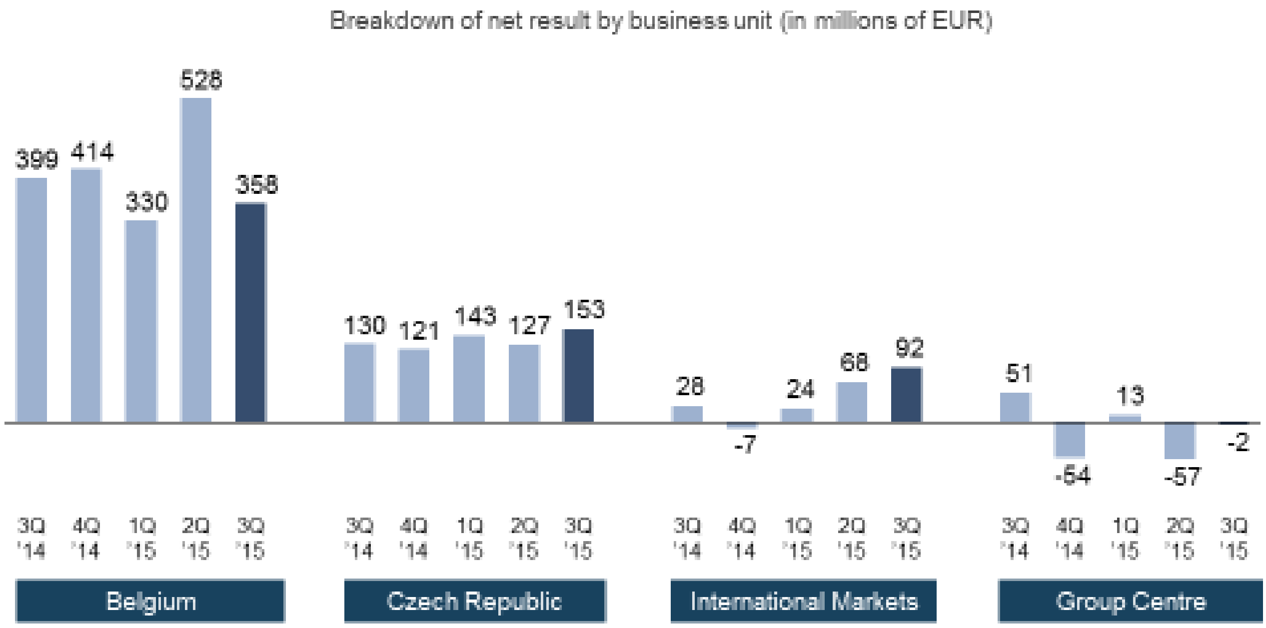
Unless otherwise stated, all amounts are given in euros.

Business unit overview

Our segments or business units

In our segment reporting presentation, the segments (or business units) are:

- the Belgium Business Unit: this 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.).
- the Czech Republic Business Unit: this unit groups together all of KBC's activities in the Czech Republic. It encompasses the ČSOB group (operating mainly under the brands ČSOB, Era, Postal Savings Bank, Hypotečni banka and ČMSS), the insurance company ČSOB Pojišťovna, ČSOB Asset Management and Patria.
- the International Markets Business Unit: this unit includes primarily 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, and CIBANK and DZI Insurance in Bulgaria), plus KBC Bank Ireland.
- the Group Centre: this entity includes the operating expenses of the group's holding-company activities, certain capital and liquidity management-related costs, costs related to the holding of participations, the results of the companies or activities that are earmarked for divestment or are in run-down, and the elimination of inter-segment transactions. It also includes the results of legacy businesses (CDOs & divestment results – both immaterial as of 2015) and the valuation of own credit risk.



Belgium Business Unit

- The net result amounted to 358 million in 3Q2015, below the exceptionally high 528 million recorded in the previous quarter and the 399 million in the year-earlier quarter, though for a large part due to lower trading and fair value income.
- Compared to the previous quarter, total income in 3Q2015 fell (-322 million or -23%). However, the largest part of this decrease is, as mentioned, located in trading and fair value income (down 168 million on its level of 2Q2015) and has to do with the combination of very weak level of dealing room income (34 million lower than in 2Q2015), a drop in the marked-to-market valuation of ALM derivatives (92 million lower than in 2Q2015) and a negative impact of market, credit and fair value adjustments (36 million lower than in 2Q2015). Changes in the other income items were less pronounced. As expected, net interest income was somewhat below the level of 2Q2015 (-27 million or -4%), due to the fact that the positive impact of lower customer funding costs and a number of volume increases (mortgage loans etc.) could not offset the decrease in upfront prepayment fees following the drop in home loan refinancing, the negative hedging effect related to the large amount of home loan refinancing of the previous quarters and decreasing reinvestment yields in general. Net fee and commission income was down on the very strong figure for 2Q2015 (-76 million or -21%), mainly because entry and management fees on mutual funds and unit-linked life products declined (fewer assets under management, a volatile investment climate, a different asset allocation in CPPI products, etc.). Other net income benefited from a number of positive one-off items and remained roughly in line with the average figure for the last four quarters. Dividend income decreased quarter-on-quarter, since the bulk of the dividends are received in the second quarter of the year (down 23 million on 2Q2015). Gains realised on the sale of bonds and shares were a little lower than in the previous quarter (-4 million). Finally, higher normal and major claims and the August storm impacted the technical income of our non-life insurance activities (earned premiums minus technical charges, including ceded reinsurance: -11 million compared to 2Q2015), while sales of life insurance products continued to suffer from the low yield environment (sales down by 22% on their 2Q2015 level).
- Volume growth showed a mixed picture in 3Q2015. The loan book expanded by 2% quarter-on-quarter (to 87 billion), while customer deposits decreased by 1% (to 113 billion; further growth in current and saving accounts was more than offset by maturing expensive term deposits). There was a 1% net inflow of assets under management (thanks to CPPI products and private mandates, among other things), but this was offset by a negative price effect (aggregate net impact of -2%, to 185 billion). Life reserves in Belgium stood at 27 billion, down 1% on the previous quarter's level.
- Costs were down on the previous quarter (-43 million or -7%), which had included an upfront special bank tax charge related to the deposit guarantee scheme. Excluding special bank taxes, costs went up slightly (+6 million or +1% compared to 2Q2015). The resulting cost/income ratio for 9M2015 stood at a very good 51% and the combined ratio for the non-life insurance activities for the same period amounted to an excellent 87%.
- Loan loss impairment was extremely low in the current quarter (-54 million or -80% compared to 2Q2015), with the improvement being located in both the retail and corporate loan books, and with an additional positive effect that the previous quarter had been impacted by IBNR parameter changes. Overall, this resulted in a fine credit cost ratio of 0.21% year-to-date. Impaired loans accounted for some 4% of the loan book at the end of September 2015.

Belgium Business Unit (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	744	762	714	720	694
Non-life insurance (before reinsurance)	113	77	131	121	103
Earned premiums	*244*	*243*	*243*	*247*	*250*
Technical charges	*-132*	*-166*	*-111*	*-126*	*-146*
Life insurance (before reinsurance)	-66	-56	-58	-60	-62
Earned premiums	*228*	*287*	*248*	*206*	*187*
Technical charges	*-293*	*-343*	*-306*	*-266*	*-249*
Ceded reinsurance result	-2	16	-7	-6	1
Dividend income	8	8	11	34	11
Net result from financial instr. at fair value through P/L	17	70	7	136	-32
Net realised result from available-for-sale assets	19	20	52	38	33
Net fee and commission income	294	301	360	363	287
Other net income	58	65	45	67	55
Total income	1 185	1 263	1 255	1 412	1 090
Operating expenses	-539	-573	-695	-584	-540
Impairment	-81	-96	-65	-77	-28
on loans and receivables	*-64*	*-73*	*-62*	*-67*	*-13*
on available-for-sale assets	*-5*	*-14*	*-3*	*-3*	*-15*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*-12*	*-8*	*0*	*-6*	*0*
Share in results of associated companies & joint ventures	0	0	-1	0	0
Result before tax	565	594	494	751	522
Income tax expense	-165	-179	-164	-223	-164
Result after tax	399	415	330	528	358
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**399**	**414**	**330**	**528**	**358**
Banking	*322*	*356*	*212*	*429*	*300*
Insurance	*78*	*58*	*117*	*99*	*58*
Risk-weighted assets, banking (end of period, Basel III)	42 235	42 919	44 310	40 262	40 582
Required capital, insurance (end of period, Solvency I)	859	868	866	872	884
Allocated capital (end of period)	5 939	6 026	6 168	5 753	5 808
Return on allocated capital (ROAC)	27%	28%	22%	35%	25%
Cost/income ratio, banking	47%	46%	61%	42%	51%
Combined ratio, non-life insurance	92%	100%	79%	89%	95%
Net interest margin, banking	2.01%	2.07%	1.96%	1.96%	1.86%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub-)totals and ratios) have been restated due to the application of IFRIC 21 (Levies).

Czech Republic Business Unit

- The net result amounted to an excellent 153 million in 3Q2015, up on the 127 million recorded in the previous quarter and on the 130 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2015 went up (+12 million, or +4%). It was underpinned by a good level of net interest income which was, notwithstanding the still low reinvestment climate, significantly up on the previous quarter (+8 million or +4% on its 2Q2015 level), thanks to recent cuts in interest rates on saving accounts, increased lending income (volume growth and fees on corporate loans repaid early, offsetting generally lower margins) and a positive FX effect (appreciation of the CZK). Total income also benefited from higher net gains from financial instruments (+5 million, or +26% compared to 2Q2015), thanks to buoyant trading income and the positive impact of various value adjustments (FVA, MVA). Insurance activities also contributed to income growth: the technical non-life insurance result went up (premiums minus charges and the effect of reinsurance: +2 million or +10% versus 2Q2015) and life insurance sales almost doubled quarter-on-quarter, thanks to successful sales of unit-linked insurance products. On the other hand, net fee and commission income was down on its strong level of 2Q2015 (-2 million or -3%), as both management and entry fees related to asset management activities fell somewhat, while other income also decreased a little (- 2 million compared to 2Q2015).
- Costs were reduced compared to the previous quarter (-10 million or -7%), thanks to a reversal of the contribution to the European Resolution Fund that had been booked previously (this will only be applicable as of 2016 in the Czech Republic). Excluding all special bank tax-related bookings and the FX effect, costs remained unchanged at their 2Q2015 level, with a number of items cancelling each other out. The resulting cost/income ratio for 9M2015 stood at a very good 47%, while the non-life insurance combined ratio for the same period amounted to 94%.
- Loan loss impairment in 3Q2015 was at a very low level, down even further on 2Q2015 (-11 million), which had been negatively impacted by changes made to IBNR parameters. The credit cost ratio for 9M2015 accordingly amounted to an excellent 0.15%. Impaired loans accounted for some 3.4% of the loan book at the end of September 2015.
- Generally speaking, 3Q2015 was another quarter of good volume growth. The loan book expanded by 2% quarter-on-quarter (to 18 billion), and customer deposits also went up by 2% (to 23 billion). Assets under management increased too, rising by 1% to 8.5 billion, thanks entirely to net inflows (especially CPPI and balanced funds). Life reserves stood at 0.9 billion, down 3% on their level at the end of the previous quarter.

Czech Republic Business Unit (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	211	211	212	208	215
Non-life insurance (before reinsurance)	19	21	18	19	21
Earned premiums	*42*	*43*	*41*	*44*	*45*
Technical charges	*-23*	*-22*	*-23*	*-25*	*-24*
Life insurance (before reinsurance)	6	7	6	6	7
Earned premiums	*51*	*37*	*30*	*41*	*76*
Technical charges	*-45*	*-30*	*-25*	*-34*	*-69*
Ceded reinsurance result	-2	-2	-2	-1	-2
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	20	18	26	20	26
Net realised result from available-for-sale assets	0	1	12	0	0
Net fee and commission income	50	51	50	50	49
Other net income	3	6	5	7	5
Total income	307	313	325	310	322
Operating expenses	-144	-156	-161	-150	-140
Impairment	-14	-19	-2	-15	-4
on loans and receivables	*-14*	*-16*	-2	-16	*-5*
on available-for-sale assets	*0*	*0*	0	0	*0*
on goodwill	*0*	*0*	0	0	*0*
Other	*0*	*-2*	0	0	*0*
Share in results of associated companies & joint ventures	5	5	6	7	5
Result before tax	154	143	169	151	183
Income tax expense	-24	-23	-25	-24	-30
Result after tax	130	121	143	127	153
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**130**	**121**	**143**	**127**	**153**
Banking	*123*	*113*	*138*	*121*	*144*
Insurance	*7*	*8*	*6*	*6*	*8*
Risk-weighted assets, banking (end of period, Basel III)	12 148	12 345	13 120	13 032	12 902
Required capital, insurance (end of period, Solvency I)	67	67	62	69	70
Allocated capital (end of period)	1 393	1 414	1 486	1 489	1 478
Return on allocated capital (ROAC)	36%	34%	40%	35%	40%
Cost/income ratio, banking	46%	49%	49%	48%	43%
Combined ratio, non-life insurance	95%	94%	96%	94%	93%
Net interest margin, banking	3.12%	3.11%	3.16%	3.00%	3.01%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

International Markets Business Unit

- The net result amounted to 92 million in 3Q2015, up on the 68 million recorded in the previous quarter and the 28 million posted in the year-earlier quarter.
- Compared to the previous quarter, total income increased in 3Q2015 (+17 million or +6%). With the exception of gains realised on the sale of bonds and shares (-5 million compared to 2Q2015, accounted for mainly by Hungary where the previous quarter had benefited from gains on the sale of government bonds) and net fee and commission income (a small drop of -1 million, or -3% compared to 2Q2015), all other income items went up. Net interest income, for instance, edged up (+1 million or +1%) due in part to the acquisition of a leasing company in Slovakia. The net result from financial instruments increased significantly (+7 million or +60% compared to 2Q2015) thanks mainly to the positive movement in the marked-to-market value of derivatives used for asset/liability management purposes. The technical non-life insurance result (earned premiums minus technical charges, including the impact of ceded reinsurance) went up too (+5 million on its 2Q2015 level, with the increase mainly in Hungary and Bulgaria) and sales of life insurance products increased (interest-guaranteed and unit-linked products combined were up by one-third on the level of sales in 2Q2015). Finally, other net income almost doubled (+9 million), since it included a positive impact related to a settlement in the K&H Equities fraud case and a partial release of the Curia provision in Hungary, as well as the release of provisions for a legal case in Slovakia following a positive ruling.
- Costs in the third quarter were slightly up on the previous quarter (+1 million, or +1%, including the effect of the acquisition of a leasing company in Slovakia). The resulting cost/income ratio for the entire business unit stood at 66% for 9M2015, while the combined ratio for the non-life insurance activities amounted to 95% for the same period.
- Loan loss impairment dropped significantly in the quarter under review (-17 million or -59% compared to 2Q2015, decrease located entirely in Hungary and Ireland). For the business unit as a whole, this resulted in a good credit cost ratio of 0.30% for 9M2015. Impaired loans accounted for a high 31% of the loan book at the end of September 2015 (due to Ireland).
- The overall loan book went up slightly by 0.4% quarter-on-quarter (to 21 billion; growth in Slovakia and Bulgaria, a slight contraction in Ireland and Hungary), and customer deposits increased by almost 3% (to 17 billion, with growth in all countries). Assets under management fell (by 4%), due to a combination of a price decrease and a decline in net entries. Life reserves stood at 0.6 billion, up 3% on the previous quarter.
- The net result of the International Markets Business Unit breaks down as follows: 24 million for Slovakia, 54 million for Hungary, 4 million for Bulgaria and 10 million for Ireland. A results table and brief comments for each country are provided on the following pages.

International Markets Business Unit (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	175	169	172	178	180
Non-life insurance (before reinsurance)	8	22	20	17	21
Earned premiums	*39*	*39*	*39*	*41*	*43*
Technical charges	*-31*	*-18*	*-20*	*-24*	*-22*
Life insurance (before reinsurance)	4	4	4	3	5
Earned premiums	*21*	*19*	*23*	*19*	*27*
Technical charges	*-17*	*-15*	*-19*	*-16*	*-22*
Ceded reinsurance result	7	-2	-2	-2	-1
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	17	14	27	12	20
Net realised result from available-for-sale assets	6	1	2	4	-1
Net fee and commission income	54	54	50	53	51
Other net income	3	-3	17	10	19
Total income	273	258	291	277	294
Operating expenses	-165	-191	-226	-170	-171
Impairment	-63	-72	-16	-28	-12
on loans and receivables	*-63*	*-62*	-16	-29	*-12*
on available-for-sale assets	*0*	*0*	0	0	*0*
on goodwill	*0*	*0*	0	0	*0*
other	*0*	*-10*	0	1	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	44	-5	49	79	111
Income tax expense	-16	-2	-25	-11	-18
Result after tax	28	-7	24	68	92
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**28**	**-7**	**24**	**68**	**92**
Banking	*24*	*-12*	*18*	*63*	*86*
Insurance	*4*	*5*	*6*	*5*	*6*
Risk-weighted assets, banking (end of period, Basel III)	18 342	18 425	18 833	18 467	18 627
Required capital, insurance (end of period, Solvency I)	44	44	44	45	46
Allocated capital (end of period)	2 003	2 011	2 054	2 018	2 037
Return on allocated capital (ROAC)	6%	-1%	5%	13%	18%
Cost/income ratio, banking	60%	74%	79%	61%	58%
Combined ratio, non-life insurance	105%	94%	88%	103%	94%
Net interest margin, banking	2.50%	2.44%	2.53%	2.60%	2.56%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Ireland

- The net result amounted to 10 million in 3Q2015, up on the 2 million recorded in the previous quarter and well up on the negative -35 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2015 went up (+5 million or +11%). This was due entirely to a higher net result from financial instruments (+8 million), which came about because of an increase in the market value of derivatives used for asset/liability management purposes. This more than offset the small drop in interest income (-2 million or -4%) and in net released gains on bonds and shares (-1 million).
- Costs in the second quarter were up slightly (+1 million or +3% versus 2Q2015). The resulting cost/income ratio for 9M2015 stood at 76%.
- Loan loss impairment was down significantly (-6 million, or -41% on its 2Q2015 level). Consequently, the credit cost ratio for 9M2015 amounted to just 0.30%. Impaired loans still accounted for a high 49% of the loan book at the end of September 2015.
- The Irish loan book contracted slightly, declining by less than 1% quarter-on-quarter (to 11 billion, due to the further deleveraging of the corporate loan portfolio, mortgage redemptions, etc.), but customer deposits continued to rise, going up by 4% on their level in the previous quarter (to 5 billion; growth mainly in retail deposits).

Ireland (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	39	41	46	53	51
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	-2	2	0	-6	3
Net realised result from available-for-sale assets	0	0	0	1	0
Net fee and commission income	0	-1	-1	0	0
Other net income	0	-2	0	0	0
Total income	37	40	44	48	53
Operating expenses	-32	-37	-39	-35	-36
Impairment	-47	-51	-7	-16	-9
on loans and receivables	*-47*	*-41*	*-7*	*-16*	*-9*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*-9*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-42	-48	-2	-3	8
Income tax expense	7	3	0	5	2
Result after tax	-35	-45	-2	2	10
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-35**	**-45**	**-2**	**2**	**10**
Banking	*-35*	*-45*	*-2*	*2*	*10*
Insurance	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets, banking (end of period, Basel III)	5 641	6 931	6 800	6 727	7 029
Required capital, insurance (end of period, Solvency I)	-	-	-	-	-
Allocated capital (end of period)	592	728	714	706	738
Return on allocated capital (ROAC)	-24%	-30%	-1%	1%	5%
Cost/income ratio, banking	85%	94%	87%	74%	68%
Combined ratio, non-life insurance	-	-	-	-	-

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Hungary

- The net result amounted to 54 million in 3Q2015, up on the 41 million recorded in the previous quarter and the 39 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2015 went up slightly (+2 million, or +1% compared to 2Q2015). This was the result of the combination of virtually unchanged net interest income, a higher technical result for the non-life insurance activities (earned premiums minus technical charges, and the ceded insurance result: +2 million), higher sales of life products (+14% compared to 2Q2015, thanks to increased sales of unit-linked products) and higher other net income (+4 million, positively impacted by the last out-of-court settlement for the K&H Equities fraud case and a partial release of the previously booked Curia provision). The combined impact of these income items more than offset the slight decreases in net fee and commission income (-1 million compared to 2Q2015), in the net result for financial instruments (-1 million) and in realised gains on the sales of bonds and shares (-3 million; the previous quarter had benefited from gains on the sale of government bonds).
- Costs were down on their level in the previous quarter (-2 million or -2% compared to 2Q2015), thanks to a number of smaller items. The resulting cost/income ratio for 9M2015 stood at 66%, while the non-life combined ratio for the same period amounted to 94%.
- Loan loss impairment made a positive contribution in 3Q2015 (5 million, compared to -6 million in 2Q2015), partly as a result of the effects of re-assessing the FX conversion and Curia rules on provision levels. As a result, the credit cost ratio for 9M2015 stood at a very good 0.19%. Impaired loans accounted for some 14% of the loan book at the end of September 2015.
- The Hungarian loan book contracted, in line with the market, by 2% quarter-on-quarter (to 3.6 billion; the increase in the retail loan book could not offset the decrease in the corporate loan book) while customer deposits increased by 1% (to 5.5 billion). Assets under management fell by 6% (to 3.7 billion), due to net outflows and a small price decrease. Life reserves stood at 0.3 billion, up 2% on the previous quarter.

Hungary (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	72	63	63	61	61
Non-life insurance (before reinsurance)	6	7	8	5	7
Earned premiums	*14*	*14*	*15*	*15*	*17*
Technical charges	*-8*	*-7*	*-8*	*-10*	*-9*
Life insurance (before reinsurance)	0	1	1	-1	1
Earned premiums	*3*	*4*	*4*	*4*	*4*
Technical charges	*-3*	*-3*	*-3*	*-4*	*-3*
Ceded reinsurance result	0	-1	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	14	8	18	16	15
Net realised result from available-for-sale assets	6	0	0	3	-1
Net fee and commission income	41	41	38	41	40
Other net income	1	0	16	9	13
Total income	140	119	143	135	136
Operating expenses	-73	-92	-127	-75	-73
Impairment	-11	-13	-6	-5	4
on loans and receivables	*-11*	*-13*	*-6*	*-6*	*5*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*1*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	56	14	10	55	68
Income tax expense	-17	1	-17	-14	-13
Result after tax	39	15	-6	41	54
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**39**	**15**	**-6**	**41**	**54**
Banking	*37*	*13*	*-9*	*40*	*52*
Insurance	*2*	*2*	*3*	*1*	*2*
Risk-weighted assets, banking (end of period, Basel III)	8 263	6 996	7 372	6 927	6 529
Required capital, insurance (end of period, Solvency I)	14	14	15	15	16
Allocated capital (end of period)	892	759	801	754	713
Return on allocated capital (ROAC)	18%	7%	-3%	22%	29%
Cost/income ratio, banking	52%	77%	90%	54%	53%
Combined ratio, non-life insurance	100%	105%	80%	112%	95%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Slovakia

- The net result amounted to 24 million in 3Q2015, up on the 17 million recorded in the previous quarter and the 20 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2015 went up (+8 million or +11%). This came about essentially because of higher net interest income (+3 million, or +6% compared to 2Q2015, though partly related to the acquisition of Volksbank Leasing), increased other net income (+4 million, thanks to a release of provisions for a legal case following a positive ruling), a somewhat higher contribution made by the Slovak non-life insurance activities (earned premiums minus technical charges and the ceded reinsurance result: +1 million on their 2Q2015 level), and significantly higher sales of life insurance products (+46% compared to 2Q2015, owing to higher sales of unit-linked products). These positive factors more than offset the drop in net fee and commission income (-1 million or -5% compared to 2Q2015, due to lower credit-related fees, lower fees on securities transactions etc.).
- Costs in the second quarter were up (+1 million or +3% on their 2Q2015 level). Excluding the impact of special bank taxes, costs went up by 3 million, or +6%, but this too was for a large part related to the acquisition of Volksbank Leasing. The resulting cost/income ratio for 9M2015 stood at 59%, while the non-life combined ratio for the same period amounted to an excellent 89%.
- Loan loss impairment remained in line with the low level recorded in the previous quarter. The credit cost ratio for 9M2015 remained at a favourable level of just 0.22%. Impaired loans accounted for some 4% of the loan book at the end of September 2015.
- The Slovak loan book continued to grow, expanding by 5% quarter-on-quarter (to 5.2 billion), and customer deposits increased too, going up by 3% (to 5.1 billion). Assets under management remained at the level of the previous quarter (the 4% growth in net entries being cancelled out by a 4% negative price effect). Life reserves stood at 0.2 billion, up 2% on the previous quarter.

Slovakia (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	53	53	52	52	55
Non-life insurance (before reinsurance)	5	6	5	4	5
Earned premiums	*7*	*7*	*7*	*7*	*7*
Technical charges	*-3*	*0*	*-2*	*-3*	*-3*
Life insurance (before reinsurance)	3	1	3	3	3
Earned premiums	*14*	*10*	*14*	*10*	*15*
Technical charges	*-11*	*-9*	*-11*	*-8*	*-12*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	3	4	9	2	2
Net realised result from available-for-sale assets	0	1	2	0	0
Net fee and commission income	12	12	12	12	12
Other net income	1	0	1	1	5
Total income	76	77	83	74	81
Operating expenses	-47	-47	-47	-46	-48
Impairment	-3	-5	-1	-4	-4
on loans and receivables	*-3*	*-5*	*-1*	*-4*	*-4*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
other	*0*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	26	25	35	23	30
Income tax expense	-6	-6	-9	-6	-6
Result after tax	20	19	27	17	24
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**20**	**19**	**27**	**17**	**24**
Banking	*18*	*17*	*25*	*15*	*22*
Insurance	*2*	*2*	*2*	*2*	*2*
Risk-weighted assets, banking (end of period, Basel III)	3 745	3 815	3 953	4 085	4 313
Required capital, insurance (end of period, Solvency I)	15	15	14	15	15
Allocated capital (end of period)	419	426	440	454	479
Return on allocated capital (ROAC)	19%	18%	25%	16%	21%
Cost/income ratio, banking	62%	61%	56%	63%	59%
Combined ratio, non-life insurance	97%	66%	84%	92%	90%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Bulgaria

- The net result amounted to 4 million in 3Q2015, down on the 7 million registered in the previous quarter, but up on the 3 million posted in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2015 was somewhat higher (+2 million or +10%), as it benefited from higher net fee and commission income, higher other net income and slightly higher net interest income, which when combined, more than offset the absence of gains on the sale of bonds and shares in the quarter under review.
- Costs in the second quarter edged up (+1 million or +4% on their 2Q2015 level). The resulting cost/income ratio for 9M2015 stood at 62%, while the combined ratio for the non-life insurance activities for the same period amounted to 98%.
- Loan loss impairment in 3Q2015 was comparable with the level recorded in the previous quarter. The credit cost ratio for 9M2015 stood at 1.29%. Impaired loans accounted for some 25% of the loan book at the end of September 2015.
- The Bulgarian loan book grew by over 3% quarter-on-quarter (to 0.7 billion), and customer deposits increased by almost 4% (to 0.7 billion). Life reserves stood at 0.04 billion, up 10% on the previous quarter.

Bulgaria (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	11	12	11	12	12
Non-life insurance (before reinsurance)	-3	8	8	8	9
Earned premiums	*18*	*18*	*17*	*19*	*19*
Technical charges	*-20*	*-10*	*-10*	*-11*	*-10*
Life insurance (before reinsurance)	1	1	1	1	1
Earned premiums	*3*	*5*	*6*	*5*	*8*
Technical charges	*-2*	*-4*	*-5*	*-4*	*-7*
Ceded reinsurance result	8	0	-1	-1	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	1	0	1	0	0
Net realised result from available-for-sale assets	0	0	0	1	0
Net fee and commission income	1	0	0	-1	0
Other net income	0	0	0	0	0
Total income	19	21	19	20	22
Operating expenses	-13	-14	-13	-13	-14
Impairment	-2	-3	-1	-3	-3
on loans and receivables	*-2*	*-3*	*-1*	*-3*	*-3*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	3	4	5	4	5
Income tax expense	0	0	0	4	-1
Result after tax	3	4	5	7	4
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**3**	**4**	**5**	**7**	**4**
Banking	*3*	*3*	*4*	*6*	*2*
Insurance	*0*	*1*	*1*	*1*	*2*
Risk-weighted assets, banking (end of period, Basel III)	680	671	690	710	739
Required capital, insurance (end of period, Solvency I)	15	15	14	15	16
Allocated capital (end of period)	98	96	98	101	105
Return on allocated capital (ROAC)	15%	17%	19%	29%	15%
Cost/income ratio, banking	60%	61%	63%	62%	61%
Combined ratio, non-life insurance	112%	95%	101%	100%	95%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Group Centre

The Group Centre's net result in 3Q2015 stood at -2 million, compared to -57 million in the previous quarter. A breakdown of this result into activities is provided in the table below.

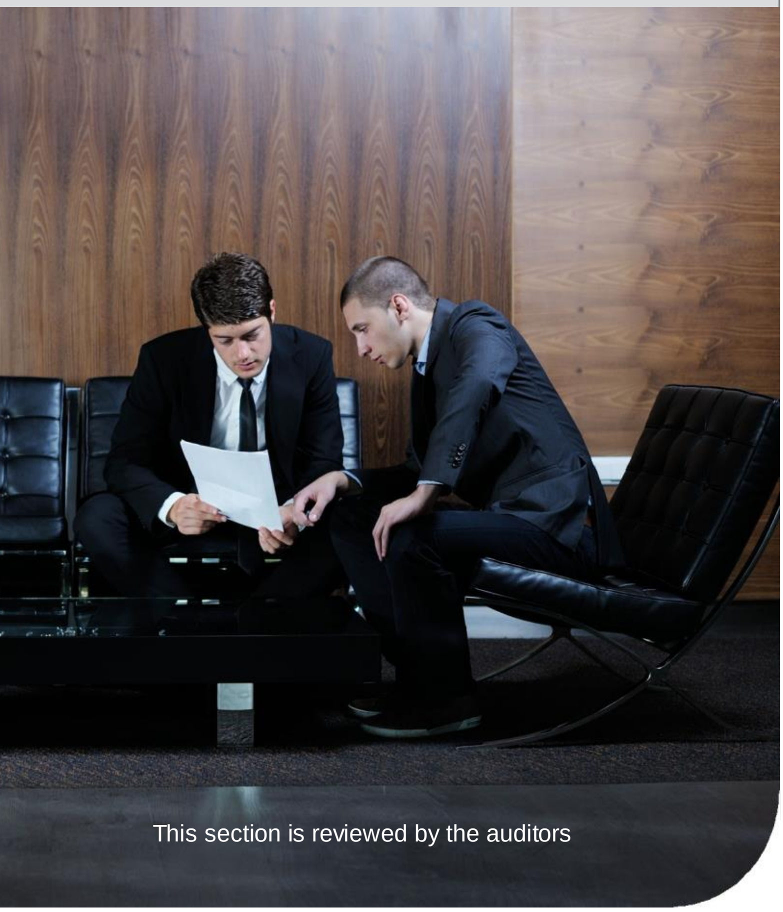
Compared to 2Q2015, most of the improvement in the result was due to a significant increase in the result contributed by the remaining companies in run-down (16 million in 3Q2015, -22 million in 2Q2015). This was largely thanks to significantly lower loan impairment charges for files at (the former) Antwerp Diamond Bank.

Group Centre: breakdown of net result (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Operating expenses of group activities	-7	-26	-19	-15	0
Capital and treasury management-related costs	-1	4	5	7	0
Costs related to the holding of participations	-34	-17	-17	-26	-18
Results of remaining companies earmarked for divestments or in run-down	-17	-4	2	-22	16
Other items	-4	8	41	-2	0
Legacy and own credit risk	114	-20	-	-	-
Total net result for the Group Centre	**51**	**-54**	**13**	**-57**	**-2**

Group Centre (in millions of EUR)	3Q2014	4Q2014	1Q2015	2Q2015	3Q2015
Net interest income	-10	-19	-7	-15	-26
Non-life insurance (before reinsurance)	-1	3	-2	-3	-4
Earned premiums	*-4*	*-3*	*-3*	*-5*	*-4*
Technical charges	*3*	*6*	*2*	*3*	*0*
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	0	-3	0	2	1
Dividend income	1	1	1	5	1
Net result from financial instr. at fair value through P/L	-19	7	-4	11	33
Net realised result from available-for-sale assets	3	0	14	-6	11
Net fee and commission income	4	4	-1	-1	-4
Other net income	9	0	-18	21	18
Total income	-13	-7	-17	15	30
Operating expenses	-49	-44	-43	-37	-10
Impairment	101	-7	6	-29	-4
on loans and receivables	*-49*	*-7*	*6*	*-26*	*-4*
on available-for-sale assets	*-1*	*0*	*0*	*-3*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*151*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	1	1	1	1	1
Result before tax	39	-56	-53	-51	17
Income tax expense	11	2	66	-6	-19
Result after tax	51	-54	13	-57	-2
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**51**	**-54**	**13**	**-57**	**-2**
of which related to legacy activities & own credit risk	114	-20	-	-	-
Banking	63	-37	44	-49	-6
Insurance	9	-1	-8	11	7
Group	-21	-17	-23	-19	-4
Risk-weighted assets, banking (end of period, Basel III)	7 256	6 650	6 728	5 712	5 280
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	11 068	10 897	9 047	9 133	9 133
Required capital, insurance (end of period, Solvency I)	2	1	1	1	1
Allocated capital (end of period)	766	701	709	602	556

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

KBC Group Consolidated financial statements according to IFRS 3Q 2015 and 9M 2015



This section is reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Net interest income	3	1 120	1 092	1 062	3 185	3 245
Interest income		2 010	1 804	1 770	5 911	5 425
Interest expense		- 890	- 712	- 708	- 2 726	- 2 179
Non-life insurance before reinsurance	9	139	155	142	389	464
Earned premiums Non-life		321	326	335	944	981
Technical charges Non-life		- 183	- 172	- 193	- 555	- 517
Life insurance before reinsurance	9	- 57	- 51	- 51	- 171	- 150
Earned premiums Life		299	265	289	904	856
Technical charges Life		- 355	- 316	- 340	- 1 075	- 1 006
Ceded reinsurance result	9	4	- 7	0	6	- 18
Dividend income		9	39	13	47	64
Net result from financial instruments at fair value through profit or loss	5	34	179	47	118	282
Net realised result from available-for-sale assets	6	28	36	44	128	160
Net fee and commission income	7	402	465	383	1 163	1 307
Fee and commission income		579	634	547	1 668	1 814
Fee and commission expense		- 177	- 169	- 164	- 505	- 507
Net other income	8	73	105	96	26	250
TOTAL INCOME		1 752	2 013	1 736	4 892	5 604
Operating expenses	12	- 897	- 941	- 862	- 2 854	- 2 928
Staff expenses		- 559	- 570	- 566	- 1 675	- 1 697
General administrative expenses		- 273	- 309	- 233	- 986	- 1 043
Depreciation and amortisation of fixed assets		- 65	- 62	- 63	- 193	- 188
Impairment	14	- 58	- 149	- 49	- 313	- 275
on loans and receivables		- 190	- 138	- 34	- 429	- 245
on available-for-sale assets		- 6	- 7	- 15	- 14	- 24
on goodwill		0	0	0	0	0
on other		139	- 5	0	130	- 6
Share in results of associated companies and joint ventures		6	8	6	19	20
RESULT BEFORE TAX		803	930	831	1 745	2 421
Income tax expense	16	- 194	- 264	- 231	- 455	- 644
RESULT AFTER TAX		608	666	600	1 289	1 776
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**608**	**666**	**600**	**1 289**	**1 776**
Earnings per share (in EUR)						
Basic		1.32	1.56	1.41	2.32	4.16
Diluted		1.32	1.56	1.41	2.32	4.16

Figures of 2014 have been restated due the application of IFRIC21: See note 1a for more information.

Consolidated statement of comprehensive income (condensed)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
RESULT AFTER TAX	608	666	600	1 289	1 776
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	608	666	600	1 289	1 776
Other comprehensive income - to be recycled to P&L					
Net change in revaluation reserve (AFS assets) - Equity	6	- 96	- 107	- 13	- 7
Net change in revaluation reserve (AFS assets) - Bonds	151	- 601	150	552	- 186
Net change in revaluation reserve (AFS assets) - Other	1	0	0	0	0
Net change in hedging reserve (cash flow hedge)	- 210	571	- 140	- 583	161
Net change in translation differences	67	- 31	- 6	67	86
Other movements	0	1	2	0	2
Other comprehensive income - not to be recycled to P&L					
Net change in defined benefit plans	- 67	159	- 40	- 110	111
TOTAL COMPREHENSIVE INCOME	555	668	458	1 201	1 943
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	555	668	458	1 201	1 943

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2014	30-09-2015
Cash and cash balances with central banks		5 771	5 344
Financial assets	18 - 26	231 421	244 470
Held for trading		12 182	11 030
Designated at fair value through profit or loss		18 163	23 832
Available for sale		32 390	33 331
Loans and receivables		135 784	142 522
Held to maturity		31 799	32 567
Hedging derivatives		1 104	1 188
Reinsurers' share in technical provisions		194	142
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		168	145
Tax assets		1 814	1 574
Current tax assets		88	88
Deferred tax assets		1 726	1 486
Non-current assets held for sale and assets associated with disposal groups		18	33
Investments in associated companies and joint ventures		204	202
Investment property		568	461
Property and equipment		2 278	2 280
Goodwill and other intangible assets		1 258	1 292
Other assets		1 480	1 689
TOTAL ASSETS		245 174	257 632

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	30-09-2015
Financial liabilities	18 - 26	205 644	216 907
Held for trading		8 449	7 464
Designated at fair value through profit or loss		23 908	25 390
Measured at amortised cost		169 796	180 485
Hedging derivatives		3 491	3 568
Technical provisions, before reinsurance		18 934	19 365
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		189	201
Tax liabilities		697	717
Current tax liabilities		98	153
Deferred tax liabilies		599	564
Provisions for risks and charges	36	560	320
Other liabilities		2 629	2 700
TOTAL LIABILITIES		228 652	240 210
Total equity	39	16 521	17 422
Parent shareholders' equity	39	13 125	14 022
Non-voting core-capital securities	39	2 000	2 000
Additional Tier-1 instruments included in equity	39	1 400	1 400
Minority interests		- 3	0
TOTAL LIABILITIES AND EQUITY		245 174	257 632

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	Retained earnings	Translation differences	Parent share-holders' equity	Non-voting core-capital securities	Additional Tier-1 instruments included in equity	Minority interests	Total equity
30-09-2014													
Balance at the beginning of the period (31-12-2013)	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
Net result for the period	0	0	0	0	0	0	1 289	0	1 289	0	0	0	1 289
Other comprehensive income for the period	0	0	0	538	- 583	- 110	0	67	- 88	0	0	0	- 88
Total comprehensive income	**0**	**0**	**0**	**538**	**- 583**	**- 110**	**1 289**	**67**	**1 201**	**0**	**0**	**0**	**1 201**
Dividends	0	0	0	0	0	0	- 28	0	- 28	0	0	0	- 28
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 167	0	- 167	- 333	0	0	- 500
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	0	- 6	0	- 6	0	1 400	0	1 394
Impact business combinations	0	0	0	0	0	0	- 2	0	- 2	0	0	0	- 2
Change in scope	0	0	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	**0**	**0**	**0**	**538**	**- 583**	**- 110**	**1 086**	**67**	**998**	**- 333**	**1 400**	**- 358**	**1 707**
Balance at the end of the period	**1 452**	**5 404**	**0**	**1 632**	**-1 080**	**- 45**	**5 734**	**- 273**	**12 824**	**2 000**	**1 400**	**- 3**	**16 221**
of which revaluation reserve for shares				309									
of which revaluation reserve for bonds				1 322									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to equity method				20	0	0		1	21				21
30-09-2015													
Balance at the beginning of the period (31-12-2014)	1 453	5 421	0	1 815	-1 368	- 133	6 197	- 261	13 125	2 000	1 400	- 3	16 521
Net result for the period	0	0	0	0	0	0	1 776	0	1 776	0	0	0	1 776
Other comprehensive income for the period	0	0	0	- 193	161	111	2	86	167	0	0	0	167
Total comprehensive income	**0**	**0**	**0**	**- 193**	**161**	**111**	**1 778**	**86**	**1 943**	**0**	**0**	**0**	**1 943**
Dividends	0	0	0	0	0	0	- 836	0	- 836	0	0	0	- 836
Coupon non-voting core-capital securities	0	0	0	0	0	0	- 171	0	- 171	0	0	0	- 171
Coupon additional Tier-1 instruments	0	0	0	0	0	0	- 39	0	- 39	0	0	0	- 39
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in scope	0	0	0	0	0	0	0	0	0	0	0	3	3
Total change	**0**	**0**	**0**	**- 193**	**161**	**111**	**733**	**86**	**898**	**0**	**0**	**3**	**901**
Balance at the end of the period	**1 453**	**5 421**	**0**	**1 622**	**-1 207**	**- 22**	**6 929**	**- 175**	**14 022**	**2 000**	**1 400**	**0**	**17 422**
of which revaluation reserve for shares				363									
of which revaluation reserve for bonds				1 259									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to equity method				22	0	0		3	25				25

In 9M 2015, revaluation reserves (AFS assets) decreased by 193 million euros (in 3Q 2015 a decrease of 42 million euros), mainly due to -186 million euros related to bonds (related to increased long term interest rates; increase of 150 million euros in 3Q 2015 related to lower interest rates).

In 9M 2015, a positive effect, also for a large part linked to increasing interest rates, of 161 million euros was noted on hedging reserves (cashflow hedges) (-140 million euros in 3Q 2015) and on defined benefit plans for an amount of +111 million euros (-40 million euros in 3Q 2015).

For 2014, after approval by the general meeting of shareholders on 7 May 2015, a dividend of 2 euros was paid out per share entitled to dividend (836 million euros in total). This also triggered a payment of a coupon on the core-capital securities to the Flemish Regional Government (171 million euros in total). Both were deducted from retained earnings and were accounted for in 2Q 2015.

Condensed consolidated cash flow statement

In millions of EUR	9M 2014	9M 2015
Cash and cash equivalents at the beginning of the period	8 691	6 518
Net cash from (used in) operating activities	10 198	12 300
Net cash from (used in) investing activities	540	- 992
Net cash from (used in) financing activities	- 6 461	- 906
Effects of exchange rate changes on opening cash and cash equivalents	- 22	90
Cash and cash equivalents at the end of the period	12 947	17 010

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2014)

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 2014.

Due to the application of IFRIC 21 (Levies) as from 1 January 2015, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The main consequence of the application of IFRIC 21 is that certain levies are taken upfront which has negatively impacted the half year results in 2015. For more information, see 'note 12 - Operating Expenses'.

Summary of significant accounting policies (note 1b in the annual accounts 2014)

A summary of the main accounting policies is provided in the Group's annual accounts as at 31 December 2014.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2014)

For a description on the management structure and linked reporting presentation, reference is made to note 2a in the annual accounts 2014.

As of 2015, the presentation of adjusted results is abolished following the completion of the divestment programme (the last file, Antwerp Diamond Bank, has been put in run-off as decided on 19 September 2014) and the fact that the CDO-exposure was brought down to nearly zero. The rationale for calculating an adjusted result - excluding these non-operating items - largely disappeared and as a consequence, KBC will no longer provide for adjusted figures (reference figures of 2014 restated accordingly).

Moreover, up until 2Q 2015 an additional correction to the IFRS accounts was done and related to trading activities. 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 result of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking were recognised under ‘net result from financial instruments at fair value’ until 2Q 2015, without any impact on net profit. This additional correction was, in 2Q 2015, also abolished (reference figures of 2014 restated accordingly).

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional 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 2014										
Net interest income	2 155	649	508	211	157	31	108	- 130	4	3 185
Non-life insurance before reinsurance	297	54	46	20	14	13	0	6	- 14	389
Earned premiums Non-life	721	122	114	41	20	52	0	2	- 14	944
Technical charges Non-life	- 423	- 68	- 68	- 22	- 7	- 40	0	4	0	- 555
Life insurance before reinsurance	- 196	17	9	- 3	9	3	0	1	- 2	- 171
Earned premiums Life	717	123	65	11	42	12	0	1	- 2	904
Technical charges Life	- 913	- 106	- 56	- 14	- 34	- 9	0	0	0	- 1 075
Ceded reinsurance result	3	- 5	3	- 2	- 1	6	0	5	0	6
Dividend income	41	0	0	0	0	0	0	6	0	47
Net result from financial instruments at fair value through profit or loss	- 26	44	59	54	11	1	- 8	42	0	118
Net realised result from available-for-sale assets	95	8	15	14	1	0	0	10	0	128
Net fee and commission income	851	143	154	119	34	1	- 2	17	- 2	1 163
Net other income	204	12	- 224	- 225	1	1	0	27	7	26
TOTAL INCOME	3 425	922	570	188	225	56	98	- 16	- 8	4 892
Operating expenses	- 1 708	- 437	- 549	- 276	- 139	- 38	- 95	- 167	8	- 2 854
Impairment	- 155	- 18	- 212	- 36	- 12	- 7	- 157	72	0	- 313
on loans and receivables	- 132	- 17	- 211	- 35	- 12	- 7	- 157	- 69	0	- 429
on available-for-sale assets	- 13	0	0	0	0	0	0	- 1	0	- 14
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 11	0	- 1	- 1	0	0	0	142	0	130
Share in results of associated companies and joint ventures	- 1	18	0	0	0	0	0	2	0	19
RESULT BEFORE TAX	1 561	485	- 191	- 124	74	11	- 154	- 109	0	1 745
Income tax expense	- 459	- 77	17	15	- 18	0	20	64	0	- 455
RESULT AFTER TAX	1 102	408	- 175	- 109	56	11	- 134	- 46	0	1 289
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
NET RESULT	1 102	408	- 175	- 109	56	11	- 134	- 46	0	1 289
9M 2015										
Net interest income	2 128	635	530	186	160	35	149	- 45	- 2	3 245
Non-life insurance before reinsurance	356	58	58	20	14	25	0	7	- 15	464
Earned premiums Non-life	739	130	123	47	21	55	0	3	- 15	981
Technical charges Non-life	- 383	- 72	- 65	- 27	- 8	- 31	0	4	0	- 517
Life insurance before reinsurance	- 180	19	12	1	8	3	0	1	- 2	- 150
Earned premiums Life	640	147	69	11	39	19	0	1	- 1	856
Technical charges Life	- 821	- 128	- 57	- 10	- 31	- 16	0	0	0	- 1 006
Ceded reinsurance result	- 12	- 5	- 4	- 1	- 1	- 2	0	3	0	- 18
Dividend income	56	0	0	0	0	0	0	7	0	64
Net result from financial instruments at fair value through profit or loss	111	72	59	48	13	1	- 4	40	0	282
Net realised result from available-for-sale assets	123	12	6	3	2	0	1	19	0	160
Net fee and commission income	1 010	150	154	118	36	- 1	- 2	- 8	1	1 307
Net other income	166	17	46	39	7	0	0	10	11	250
TOTAL INCOME	3 757	957	862	414	238	61	145	35	- 6	5 604
Operating expenses	- 1 819	- 451	- 568	- 275	- 141	- 40	- 110	- 97	6	- 2 928
Impairment	- 170	- 22	- 55	- 6	- 9	- 8	- 32	- 28	0	- 275
on loans and receivables	- 143	- 22	- 56	- 7	- 9	- 8	- 32	- 24	0	- 245
on available-for-sale assets	- 21	0	0	0	0	0	0	- 3	0	- 24
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 7	0	1	1	0	0	0	0	0	- 6
Share in results of associated companies and joint ventures	- 1	19	0	0	0	0	0	2	0	20
RESULT BEFORE TAX	1 767	502	239	133	88	13	3	- 87	0	2 421
Income tax expense	- 551	- 79	- 55	- 44	- 20	2	7	41	0	- 644
RESULT AFTER TAX	1 216	423	184	89	68	16	10	- 47	0	1 776
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
NET RESULT	1 216	423	184	89	68	16	10	- 47	0	1 776

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 Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2014									
Deposits from customers & debt certificates excl. repos	105 885	22 047	14 860	*5 220*	*4 856*	*600*	*4 185*	11 187	153 979
Loans & advances to customers excluding reverse repos	84 165	16 216	20 790	*3 771*	*4 578*	*666*	*11 776*	1 990	123 161
Term loans excl. Reverse repos	41 926	6 360	5 289	*1 915*	*1 527*	*284*	*1 562*	1 792	55 366
Mortgage loans	32 318	7 251	13 561	*1 320*	*1 807*	*239*	*10 195*	26	53 156
Current accounts advances	2 318	922	653	*312*	*329*	*0*	*12*	161	4 054
Finance leases	3 172	442	523	*92*	*425*	*0*	*6*	0	4 138
Consumer credit	1 088	1 028	654	*59*	*452*	*142*	*0*	0	2 770
Other	3 343	213	111	*72*	*38*	*0*	*0*	12	3 678
30-09-2015									
Deposits from customers & debt certificates excl. repos	112 539	23 323	16 503	*5 474*	*5 132*	*666*	*5 231*	9 540	161 906
Loans & advances to customers excluding reverse repos	87 308	17 618	20 942	*3 577*	*5 237*	*702*	*11 425*	764	126 633
Term loans excl. Reverse repos	43 045	6 959	5 090	*1 581*	*1 830*	*313*	*1 366*	716	55 810
Mortgage loans	33 092	7 839	13 649	*1 380*	*1 976*	*241*	*10 052*	27	54 607
Current accounts advances	2 756	1 067	705	*330*	*366*	*5*	*3*	5	4 532
Finance leases	3 243	497	674	*116*	*558*	*0*	*0*	0	4 414
Consumer credit	1 207	1 025	694	*70*	*477*	*143*	*4*	0	2 926
Other	3 965	231	131	*101*	*30*	*0*	*0*	16	4 344

Other notes

Net interest income (note 3 in the annual accounts 2014)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Total	1 120	1 092	1 062	3 185	3 245
Interest income	2 010	1 804	1 770	5 911	5 425
Available-for-sale assets	183	177	177	563	539
Loans and receivables	1 171	1 034	993	3 381	3 086
Held-to-maturity investments	271	242	238	765	707
Other assets not at fair value	8	11	9	13	30
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 633*	*1 464*	*1 418*	*4 722*	*4 363*
Financial assets held for trading	260	210	199	683	624
Hedging derivatives	77	91	89	348	277
Other financial assets at fair value through profit or loss	40	39	65	158	161
Interest expense	- 890	- 712	- 708	-2 726	-2 179
Financial liabilities measured at amortised cost	- 438	- 303	- 290	-1 331	- 932
Other	- 1	- 1	- 2	- 3	- 4
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 439*	*- 304*	*- 292*	*-1 334*	*- 936*
Financial liabilities held for trading	- 265	- 238	- 232	- 795	- 710
Hedging derivatives	- 161	- 142	- 149	- 491	- 443
Other financial liabilities at fair value through profit or loss	- 24	- 27	- 32	- 101	- 84
Net interest expense on defined benefit plans	- 1	- 1	- 2	- 5	- 6

Net result from financial instruments at fair value through profit or loss (note 5 in the annual accounts 2014)

In the first nine months of 2015, the result from financial instruments at fair value through profit or loss was influenced by MtM ALM derivatives, where fair value changes (due to marked-to-market accounting) of ALM hedging instruments (that are treated as held for trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. In 9M 2015, the net result from these financial instruments at fair value through profit or loss amounted to +89 million euros pre-tax (+2 million euros pre-tax in 3Q 2015; for 9M and 3Q 2014 respectively -195 and -46 million euros).

Net realised result from available-for-sale assets (note 6 in the annual accounts 2014)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Total	28	36	44	128	160
Breakdown by portfolio					
Fixed-income securities	17	4	6	56	49
Shares	11	33	38	72	111

Net fee and commission income (note 7 in the annual accounts 2014)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Total	402	465	383	1 163	1 307
Fee and commission income	579	634	547	1 668	1 814
Securities and asset management	302	363	297	870	1 006
Margin on deposit accounting (life insurance investment contracts w ithout DPF)	26	28	9	68	74
Commitment credit	61	70	62	180	202
Payments	133	130	136	390	393
Other	57	44	43	161	139
Fee and commission expense	- 177	- 169	- 164	- 505	- 507
Commission paid to intermediaries	- 75	- 79	- 86	- 219	- 242
Other	- 101	- 90	- 78	- 286	- 265

Net other income (note 8 in the annual accounts 2014)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Total	73	105	96	26	250
Of which net realised result following					
The sale of loans and receivables	1	- 1	2	3	1
The sale of held-to-maturity investments	0	3	0	0	5
The repurchase of financial liabilities measured at amortised cost	0	0	0	0	- 8
Other: of which:	72	103	94	23	252
Income concerning leasing at the KBC Lease-group	21	22	18	61	61
Income from Group VAB	16	18	16	51	51
Realised gains or losses on divestments	10	16	9	24	11
Legal settlement in 2Q14 of an old credit file	0	0	0	31	0
New law on retail loans (Hungary)	0	8	7	- 231	32
Deconsolidation real estate companies	0	18	0	0	18

Breakdown of the insurance results (note 9 in the annual accounts 2014)

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
9M 2014				
Earned premiums, insurance (before reinsurance)	906	958		1 865
Technical charges, insurance (before reinsurance)	- 1 075	- 555		- 1 630
Net fee and commission income	- 7	- 174		- 181
Ceded reinsurance result	- 1	8		6
Operating expenses	- 88	- 179		- 268
Internal costs claim paid	- 6	- 43		- 49
Administration costs related to acquisitions	- 21	- 56		- 77
Administration costs	- 62	- 80		- 141
Management costs investments	0	0		- 1
Technical result	- 265	58		- 208
Net interest income			507	507
Dividend income			34	34
Net result from financial instruments at fair value			42	42
Net realised result from AFS assets			81	81
Net other income			1	1
Impairments			- 15	- 15
Allocation to the technical accounts	486	81	- 566	0
Technical-financial result	220	139	83	443
Share in results of associated companies and joint ventures			2	2
RESULT BEFORE TAX	220	139	85	445
Income tax expense				- 124
RESULT AFTER TAX				321
attributable to minority interest				0
attributable to equity holders of the parent				320
9M 2015				
Earned premiums, insurance (before reinsurance)	858	996		1 854
Technical charges, insurance (before reinsurance)	- 1 006	- 517		- 1 523
Net fee and commission income	- 5	- 186		- 192
Ceded reinsurance result	- 1	- 17		- 18
Operating expenses	- 92	- 176		- 269
Internal costs claim paid	- 5	- 43		- 48
Administration costs related to acquisitions	- 22	- 58		- 80
Administration costs	- 65	- 75		- 140
Management costs investments	0	0		0
Technical result	- 247	99		- 148
Net interest income			482	482
Dividend income			45	45
Net result from financial instruments at fair value			- 1	- 1
Net realised result from AFS assets			82	82
Net other income			6	6
Impairments			- 22	- 22
Allocation to the technical accounts	443	85	- 528	0
Technical-financial result	195	185	65	445
Share in results of associated companies and joint ventures			2	2
RESULT BEFORE TAX	195	185	67	447
Income tax expense				- 125
RESULT AFTER TAX				322
attributable to minority interest				0
attributable to equity holders of the parent				322

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 2014 annual accounts).

Operating expenses – income statement (note 12 in the annual accounts 2014)

The operating expenses of 9M 2015 include 368 million euros related to bank (and insurance) levies (of which 264 million euros in 1Q 2015, 83 million euros in 2Q 2015 and 21 million euros in 3Q 2015).

As of 1 January 2015, IFRIC 21 (Levies) came into force. The main consequence of the application of IFRIC 21 is that certain levies are taken upfront in expense of the first quarter 2015 for a total of 222 million euros, of which 62 million euros related to the estimated contribution to the European Single Resolution Fund (ESRF). For all entities, except for K&H, the contribution to the ESRF is booked in 1Q 2015 at 70% (estimated actual cash out), whereas the remaining 30% will be considered as an irrevocable payment commitment (booked off-balance as a contingent liability). For K&H, the ESRF was booked at 100% due to local legislation.
In 2Q 2015, the contribution to the ESRF for ČSOB (Slovakia) was also booked at 100% due to local legislation. Based on European market practice, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 2Q 2015. As a result, the second quarter figures of 2015 include a 29 million euros charge related to the upfront recognition in Belgium.
In 3Q 2015, the provision for the estimated contribution to the ESRF in ČSOB (Czech Republic), booked upfront in 1Q 2015 (-12 million euros), has been released in 3Q 2015, as the Czech law, implementing the resolution fund mechanism, is only expected to come into force in 2016.

Except for the 2Q 2015 upfront recognition in Belgium, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The 9M 2014 results after restatement include in total 295 million euros of bank (and insurance) levies (respectively 198, 48 and 48 million euros in 1Q, 2Q and 3Q 2014). The above mentioned excluded recognition in Belgium would add 15 million euros to the 9M 2014 restated results.

Impairment – income statement (note 14 in the annual accounts 2014)

In millions of EUR	3Q 2014	2Q 2015	3Q 2015	9M 2014	9M 2015
Total	- 58	- 149	- 49	- 313	- 275
Impairment on loans and receivables	- 190	- 138	- 34	- 429	- 245
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 190	- 99	- 63	- 528	- 245
Provisions for off-balance-sheet credit commitments	5	- 4	1	23	6
Portfolio-based impairments	- 5	- 34	28	77	- 7
Breakdown by business unit					
Business unit Belgium	- 64	- 67	- 13	- 132	- 143
Business unit Czech Republic	- 14	- 16	- 5	- 17	- 22
Business unit International Markets	- 63	- 29	- 12	- 211	- 56
of which: Hungary	*- 11*	*- 6*	*5*	*- 35*	*- 7*
of which: Slovakia	*- 3*	*- 4*	*- 4*	*- 12*	*- 9*
of which: Bulgaria	*- 2*	*- 3*	*- 3*	*- 7*	*- 8*
of which: Ireland	*- 47*	*- 16*	*- 9*	*- 157*	*- 32*
Group Centre	- 49	- 26	- 4	- 69	- 24
Impairment on available-for-sale assets	- 6	- 7	- 15	- 14	- 24
Breakdown by type					
Shares	- 6	- 7	- 15	- 14	- 24
Other	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	139	- 5	0	130	- 6
Intangible assets, other than goodwill	0	- 1	0	0	- 1
Property and equipment and investment property	0	- 5	0	- 1	- 5
Held-to-maturity assets	0	0	0	1	0
Associated companies and joint ventures	0	0	0	0	0
Other	139	1	0	130	1

In 2Q 2015, adjustments to the emergence period were made to the IBNR-models based on annual back-testing. This resulted in an increase of portfolio-based impairments of approximately -34 million euros situated mainly in the Belgian and Czech Business Units.

Income tax expense – income statement (note 16 in the annual accounts 2014)

In 9M 2015, the income tax expenses were positively influenced by 49 million euros of Deferred Tax Assets (DTA) (fully booked in 1Q 2015). The high level of AFS reserves as result of the low interest rate levels triggered a review of the DTA position at KBC Credit Investments. It is unlikely that KBC Credit Investments will pay taxes on these AFS reserves and therefore, on the balance sheet Deferred Tax Liabilities (DTL) are offset by DTA. It is important to mention that the accounting treatment is asymmetrical as the recording of the DTA goes through profit and loss, and the DTL on the AFS reserves is directly recorded through equity.

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2014)

(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, 31-12-2014								
Loans and advances to credit institutions and investment firms [a]	141	1 636	0	10 812	-	-	-	12 590
Loans and advances to customers [b]	27	1 335	0	123 189	-	-	-	124 551
Excluding reverse repos	*20*	*101*	*0*	*123 040*	-	-	-	*123 161*
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 123	-	-	-	53 156
Term loans	7	1 303	0	55 446	-	-	-	56 755
Finance leasing	0	0	0	4 138	-	-	-	4 138
Current account advances	0	0	0	4 054	-	-	-	4 054
Securitised loans	0	0	0	0	-	-	-	0
Other	20	0	0	367	-	-	-	387
Equity instruments	303	3	1 826	-	-	-	-	2 132
Investment contracts (insurance)	-	13 425	-	-	-	-	-	13 425
Debt securities issued by	2 894	1 763	30 564	1 207	31 799	-	-	68 227
Public bodies	2 391	1 063	19 469	31	30 342	-	-	53 296
Credit institutions and investment firms	297	293	4 427	159	859	-	-	6 035
Corporates	206	407	6 667	1 018	598	-	-	8 896
Derivatives	8 814	-	-	-	-	1 104	-	9 918
Other	3	0	0	576	-	-	-	579
Total carrying value	12 182	18 163	32 390	135 784	31 799	1 104	0	231 421
[a] *Of which reverse repos*								*3 319*
[b] *Of which reverse repos*								*1 389*
FINANCIAL ASSETS, 30-09-2015								
Loans and advances to credit institutions and investment firms [a]	410	9 340	0	13 692	-	-	-	23 442
Loans and advances to customers [b]	234	252	0	126 485	-	-	-	126 971
Excluding reverse repos	*233*	*71*	*0*	*126 330*	-	-	-	*126 633*
Trade receivables	0	0	0	3 580	-	-	-	3 580
Consumer credit	0	0	0	2 926	-	-	-	2 926
Mortgage loans	0	27	0	54 580	-	-	-	54 607
Term loans	2	224	0	55 922	-	-	-	56 148
Finance leasing	0	0	0	4 414	-	-	-	4 414
Current account advances	0	0	0	4 532	-	-	-	4 532
Securitised loans	0	0	0	0	-	-	-	0
Other	233	0	0	531	-	-	-	764
Equity instruments	382	2	1 889	-	-	-	-	2 274
Investment contracts (insurance)	-	13 283	-	-	-	-	-	13 283
Debt securities issued by	2 731	955	31 441	1 146	32 567	-	-	68 841
Public bodies	2 228	360	19 733	29	30 942	-	-	53 293
Credit institutions and investment firms	254	189	5 005	158	998	-	-	6 603
Corporates	248	406	6 703	960	627	-	-	8 945
Derivatives	7 273	-	-	-	-	1 188	-	8 461
Other	0	0	0	1 198	0	0	0	1 199
Total carrying value	11 030	23 832	33 331	142 522	32 567	1 188	0	244 470
[a] *Of which reverse repos*								*13 757*
[b] *Of which reverse repos*								*338*

In 9M 2015, 0.5 billion euros worth of debt instruments were reclassified out of the ‘available for sale’ category and into the ‘held to maturity’ category.

(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, 31-12-2014								
Deposits from credit institutions and investment firms [a]	60	1 004	-	-	-	-	16 628	17 692
Deposits from customers and debt certificates [b]	367	10 352	-	-	-	-	151 064	161 783
Excluding repos	*367*	*3 058*	-	-	-	-	*150 554*	*153 979*
Deposits from customers	69	8 077	-	-	-	-	128 091	136 237
Demand deposits	0	35	-	-	-	-	47 011	47 046
Time deposits	69	8 028	-	-	-	-	31 425	39 523
Saving accounts	0	0	-	-	-	-	47 455	47 455
Special deposits	0	0	-	-	-	-	1 715	1 715
Other deposits	0	14	-	-	-	-	485	499
Debt certificates	298	2 275	-	-	-	-	22 973	25 546
Certificates of deposit	9	3	-	-	-	-	5 922	5 935
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 741	14 761
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	540	-	-	-	-	3 549	4 088
Liabilities under investment contracts	-	12 553	-	-	-	-	0	12 553
Derivatives	7 697	-	-	-	-	3 491	-	11 188
Short positions	325	0	-	-	-	-	-	325
in equity instruments	71	0	-	-	-	-	-	71
in debt instruments	254	0	-	-	-	-	-	254
Other	0	0	-	-	-	-	2 103	2 104
Total carrying value	8 449	23 908	-	-	-	3 491	169 796	205 644
[a] *Of which repos*								*1 315*
[b] *Of which repos*								*7 804*
FINANCIAL LIABILITIES, 30-09-2015								
Deposits from credit institutions and investment firms [a]	286	1 362	-	-	-	-	17 875	19 523
Deposits from customers and debt certificates [b]	563	11 606	-	-	-	-	159 243	171 412
Excluding repos	*388*	*2 623*	-	-	-	-	*158 895*	*161 906*
Deposits from customers	274	9 824	-	-	-	-	135 747	145 844
Demand deposits	0	0	-	-	-	-	57 078	57 078
Time deposits	274	9 824	-	-	-	-	26 876	36 973
Saving accounts	0	0	-	-	-	-	49 324	49 324
Special deposits	0	0	-	-	-	-	2 130	2 130
Other deposits	0	0	-	-	-	-	338	339
Debt certificates	289	1 782	-	-	-	-	23 496	25 567
Certificates of deposit	3	2	-	-	-	-	5 966	5 970
Customer savings certificates	0	0	-	-	-	-	696	696
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	286	1 488	-	-	-	-	13 284	15 059
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	292	-	-	-	-	3 550	3 842
Liabilities under investment contracts	-	12 422	-	-	-	-	0	12 422
Derivatives	6 178	0	-	-	-	3 568	-	9 746
Short positions	438	0	-	-	-	-	-	438
in equity instruments	33	0	-	-	-	-	-	33
in debt instruments	405	0	-	-	-	-	-	405
Other	1	0	-	-	-	-	3 367	3 367
Total carrying value	7 464	25 390	-	-	-	3 568	180 485	216 907
[a] *Of which repos*								*2 045*
[b] *Of which repos*								*9 506*

To make the breakdown by product more transparent, the saving deposits were renamed (as saving accounts) in 3Q 2015 and the definition was broadened (no longer limited to the Belgian regulatory saving deposits, but also including similar foreign products). The reference figures have been restated accordingly.

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-09-2014	31-12-2014	31-03-2015	30-06-2015	30-09-2015
Total customer loans excluding reverse repo					
Business unit Belgium	84 086	84 165	84 782	85 767	87 308
Business unit Czech Republic	15 899	16 216	16 610	17 188	17 618
Business unit International Markets	21 059	20 790	20 974	20 673	20 942
of which: Hungary	*4 023*	*3 771*	*3 934*	*3 632*	*3 577*
of which: Slovakia	*4 464*	*4 578*	*4 717*	*4 838*	*5 237*
of which: Bulgaria	*664*	*666*	*667*	*679*	*702*
of which: Ireland	*11 908*	*11 776*	*11 655*	*11 523*	*11 425*
Group Centre	2 157	1 990	1 931	1 705	764
KBC Group	123 202	123 161	124 297	125 332	126 633
Mortgage loans					
Business unit Belgium	31 518	32 318	32 400	32 790	33 092
Business unit Czech Republic	7 142	7 251	7 405	7 634	7 839
Business unit International Markets	13 715	13 561	13 635	13 597	13 649
of which: Hungary	*1 511*	*1 320*	*1 409*	*1 353*	*1 380*
of which: Slovakia	*1 740*	*1 807*	*1 844*	*1 900*	*1 976*
of which: Bulgaria	*243*	*239*	*241*	*245*	*241*
of which: Ireland	*10 221*	*10 195*	*10 141*	*10 098*	*10 052*
Group Centre	26	26	29	28	27
KBC Group	52 400	53 156	53 468	54 048	54 607
Customer deposits and debt certificates excl. repos					
Business unit Belgium	103 984	105 885	111 218	113 219	112 539
Business unit Czech Republic	21 385	22 047	22 216	22 765	23 323
Business unit International Markets	14 581	14 860	15 621	16 052	16 503
of which: Hungary	*5 298*	*5 220*	*5 475*	*5 403*	*5 474*
of which: Slovakia	*4 748*	*4 856*	*4 842*	*4 982*	*5 132*
of which: Bulgaria	*565*	*600*	*627*	*643*	*666*
of which: Ireland	*3 970*	*4 185*	*4 676*	*5 024*	*5 231*
Group Centre	11 448	11 187	10 255	9 706	9 540
KBC Group	151 399	153 979	159 310	161 743	161 906

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance	30-09-2014		31-12-2014		31-03-2015		30-06-2015		30-09-2015	
In millions of EUR	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 724	12 623	13 831	12 637	13 770	13 359	13 832	13 030	14 093	12 514
Business unit Czech Republic	517	502	491	483	491	473	491	451	492	423
Markets	218	300	214	305	214	346	208	333	209	346
of which: Hungary	*53*	*203*	*52*	*209*	*56*	*242*	*54*	*228*	*53*	*235*
of which: Slovakia	*129*	*96*	*126*	*96*	*120*	*103*	*116*	*105*	*113*	*111*
of which: Bulgaria	*36*	*1*	*36*	*1*	*38*	*1*	*39*	*1*	*43*	*0*
Group Centre	0	0	0	0	0	0	0	0	0	0
KBC Group	14 460	13 425	14 535	13 425	14 475	14 177	14 531	13 815	14 794	13 283

Financial assets and liabilities measured at fair value – fair value hierarchy (note 24 in the annual accounts 2014)

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 2014.

Fair value hierarchy	31-12-2014				30-09-2015			
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 292	7 306	2 584	12 182	2 095	6 872	2 063	11 030
Designated at fair value	14 551	3 250	363	18 163	13 477	9 989	366	23 832
Available for sale	27 782	3 051	1 557	32 390	27 852	4 109	1 370	33 331
Hedging derivatives	0	1 104	0	1 104	0	1 188	0	1 188
Total	44 624	14 711	4 503	63 839	43 424	22 158	3 799	69 381
Financial liabilities measured at fair value								
Held for trading	327	5 746	2 376	8 449	440	5 272	1 752	7 464
Designated at fair value	12 552	10 932	424	23 908	12 422	12 317	652	25 390
Hedging derivatives	0	3 491	0	3 491	0	3 568	0	3 568
Total	12 879	20 170	2 800	35 848	12 861	21 157	2 404	36 422

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 25 in the annual accounts 2014)

In 9M 2015, an approximate total amount of 0.3 billion euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred around 0.3 billion euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of mainly corporate bonds (from financial as well as non-financial counterparties).

Financial assets and liabilities measured at fair value – focus on level 3 (note 26 in the annual accounts 2014)

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 30-09-2015, 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 securities	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt securities	Equity instruments	Debt securities	Derivatives
Opening balance	0	0	0	263	2 321	26	0	0	337	393	1 163	0
Total gains/losses	0	0	0	5	- 582	2	2	0	- 28	- 6	32	0
in profit and loss*	0	0	0	5	- 582	2	0	0	- 28	- 5	0	0
in other comprehensive income	0	0	0	0	0	0	2	0	0	- 1	32	0
Acquisitions	0	0	0	36	233	0	0	0	22	26	201	0
Sales	0	0	0	- 39	- 2	0	- 2	0	- 18	- 48	- 42	0
Settlements	0	0	0	- 4	- 183	- 2	0	0	0	- 5	- 28	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	57	123	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	- 497	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	11	4	2	0	0	26	1	1	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	272	1 791	27	0	0	339	418	952	0
Total gains (positive figures) or losses (negative figures) included in profit or loss for assets held at the end of the reporting period	0	0		6	- 427	2			- 29	- 3		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	41	0	2 335	0	0	0	424	0	0	0
Total gains/losses	0	1	0	- 579	0	0	0	- 13	0	0	0
in profit and loss*	0	1	0	- 579	0	0	0	- 13	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	183	0	0	0	0	0	0	0
Repurchases	0	0	0	- 2	0	0	0	- 26	0	0	0
Settlements	0	- 42	0	- 189	0	0	0	- 126	0	0	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	4	0	0	0	0	0	16	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	378	0	0	0
Closing balance	0	3	0	1 749	0	0	0	652	0	0	0
Total gains (negative figures) or losses (positive figures) included in profit and loss for liabilities held at the end of the reporting period	0	0	0	- 441	0	0	0	- 20	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'.

Provisions for risks and charges (note 36 in the annual accounts 2014)

In 3Q 2015, KBC reached an agreement with regard to the cases on K&H Equities and Lehman Brothers (see note 36 annual accounts 2014 for more information), whereby the outstanding provisions were used to a large extent.

Parent shareholders' equity, non-voting core-capital securities and AT1 instruments (note 39 in the annual accounts 2014)

in number of shares	31-12-2014	30-09-2015
Ordinary shares	417 780 658	417 780 658
of which ordinary shares that entitle the holder to a dividend payment	*417 780 658*	*417 780 658*
of which treasury shares	*488*	*2*
Non-voting core-capital securities	67 796 608	67 796 608
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).

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 accounts 2014.
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 (0.6 billion euros in total). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.

Related-party transactions (note 42 in the annual accounts 2014)

A coupon on the core-capital securities to the Flemish Regional Government (171 million euros in total) was paid and accounted for in 2Q 2015.

Over 2015 results, KBC does not intend to pay a dividend on shares entitled to dividend nor a coupon on the remaining non-voting core capital securities.

Main changes in the scope of consolidation (note 45 in the annual accounts 2014)

In 3Q 2014:

- KBC sold its fully owned subsidiary KBC Bank Deutschland AG, and
- transformation fund Stabilita was deconsolidated.

Both changes in scope impact the comparison of the income statement.

In 3Q 2015:

- Volksbank Leasing Slovakia was consolidated for the first time: at the beginning of July 2015, KBC reached an agreement to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovatel'ska. The deal has no material impact on KBC group's earnings and capital (balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros), and

- KBC Bank NV merged with Antwerpse Diamantbank NV and KBC Lease Holding NV (no impact)

Post-balance sheet events (note 48 in the annual accounts 2014)

Significant non-adjusting events between the balance sheet date (30 September 2015) and the publication of this report (16 November 2015):

- At the beginning of October 2016, KBC reached an agreement to sell its stake in Union KBC Asset Management to Union Bank of India. The transaction, which is still subject to regulatory approval in India, will have no material impact on KBC's earnings and capital.

- KBC has decided to liquidate KBC Financial Holding Inc, as a final step in the strategic focus agreed with the European Commission in 2009 to run down or divest legacy activities in order to reduce KBC's risk profile. Belgian tax law provides that the loss in paid-up capital that KBC Bank sustains consequent on the liquidation of KBC Financial Holding Inc. is tax-deductible for the parent company. To this end, KBC had to submit at the beginning of September an application to the Office for Advanced Tax Rulings of the Federal Public Service – Finance, which granted its approval on 2 November 2015.
  On account of this tax loss and under IFRS, KBC Bank is required to recognise a gain in the form of a deferred tax asset in its income statement in the fourth quarter of 2015. The timing depends on when the competent American legal authorities takes its decision. Consequent on the liquidation, a foreign exchange loss on the capital of KBC Financial Holding Inc. also has to be recognised in the IFRS result. On balance, the post-tax impact on the result is 763 million euro (subject to USD/EUR rate at realisation). Initially, the recognition of the deferred tax asset will have only a limited positive impact of 0.16 percentage points (fully loaded CET1 ratio calculated under the Danish compromise method) on KBC's regulatory capital.

- On 26 October 2015, the National Bank of Belgium announced its new capital buffers for Belgian systemically important banks, including KBC's. These new buffers will be introduced in phases starting from 2016 and are on top of the minimum capital requirements (Joint Capital Decision) that the ECB imposes every year. The additional buffer for KBC will be 0.5% CET1 (phased in, under the Danish compromise) in 2016, and will gradually increase over a 3-year period, reaching 1.5% in 2018. As mentioned, this comes on top of the new ECB minimum capital requirement for 2016 which will be announced in November 2015. In 2015, this minimum requirement was 10.5% CET1 (fully loaded, under the Danish compromise). For further information see press release of 26 October 2015 on www.kbc.com.

Ernst & Young
Réviseurs d'Entreprises
Bedrijfsrevisoren
De Kleetlaan 2
B - 1831 Diegem

Tel: +32 (0)2 774 91 11
Fax: +32 (0)2 774 90 90
ey.com

Report of the statutory auditor to the shareholders of KBC Group NV on the review of the interim condensed consolidated financial statements as of 30 September 2015 and for the nine-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group and its subsidiaries (collectively referred to as "the Group") as at 30 September 2015 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed cash flow statement for the nine-month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 257.632 million and a consolidated profit (share of the group) for the nine-month period then ended of € 1.776 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 in accordance 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 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.

Building a better
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Report of the statutory auditor to the shareholders of KBC Group NV on the review of the interim condensed consolidated financial statements as of 30 September 2015 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 2015, 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, 13 November 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Weymeersch

Christel Weymeersch*
Partner
*Acting on behalf of a BVBA/SPRL

Jean-François Hubin*
Partner
*Acting on behalf of a BVBA/SPRL

16CW0136

KBC Group Risk and capital management 3Q 2015 and 9M 2015

This section is not reviewed by the auditors

Credit risk

Snapshot of the credit portfolio (banking activities)

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. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2014)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2014	30-09-2015
Amount granted	166	173
Amount outstanding[1]	139	141
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	64%
Czech Republic	14%	14%
International Markets	18%	18%
Group Centre	4%	4%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	41.9%	42.2%
Finance and insurance	5.7%	5.9%
Authorities	3.6%	3.4%
Corporates	48.8%	48.5%
services	*10.9%*	*11.1%*
distibution	*7.9%*	*7.8%*
real estate	*7.3%*	*7.0%*
building & construction	*4.1%*	*4.4%*
agriculture, farming, fishing	*2.8%*	*2.9%*
automotive	*2.0%*	*2.2%*
electricity	*1.7%*	*1.5%*
metals	*1.5%*	*1.3%*
food producers	*1.3%*	*1.3%*
chemicals	*1.1%*	*1.0%*
machinery & heavy equipment	*1.0%*	*1.0%*
shipping	*0.9%*	*1.0%*
Hotels, bars & restaurants	*0.9%*	*0.9%*
traders	*1.0%*	*0.7%*
oil, gas & other fuels	*0.7%*	*0.5%*
electrotechnics	*0.5%*	*0.5%*
other[2]	*3.3%*	*3.2%*
Total outstanding loan portfolio geographical breakdown		
Home countries	87.2%	88.0%
Belgium	*56.7%*	*56.7%*
Czech Republic	*12.4%*	*13.5%*
Ireland	*10.3%*	*9.9%*
Slovakia	*3.8%*	*4.3%*
Hungary	*3.5%*	*3.1%*
Bulgaria	*0.6%*	*0.6%*
Rest of Western Europe	8.2%	7.4%
France	*1.9%*	*1.7%*
Netherlands	*1.7%*	*1.6%*
Great Britain	*1.3%*	*1.3%*
Spain	*0.9%*	*0.8%*
Luxemburg	*0.6%*	*0.6%*
Germany	*0.6%*	*0.5%*
other	*1.2%*	*0.9%*
Rest of Central Europe	0.9%	0.6%
o/w Russia	*0.2%*	*0.2%*
other	*0.6%*	*0.5%*
North America	1.3%	1.3%
USA	*1.2%*	*1.2%*
Canada	*0.1%*	*0.1%*
Asia	1.0%	0.9%
China	*0.4%*	*0.4%*
Hong Kong	*0.3%*	*0.3%*
Singapore	*0.2%*	*0.2%*
other	*0.1%*	*0.1%*
Rest of the world	1.5%	1.8%

Impaired loans (in millions of EUR or %)		
Amount outstanding	13 692	12 772
of which: more than 90 days past due	7 676	7 321
Ratio of impaired loans, per business unit		
Belgium	4.3%	4.0%
Czech Republic	3.8%	3.4%
International Markets	34.1%	31.4%
Group Centre	8.6%	10.4%
Total	9.9%	9.0%
of which: more than 90 days past due	5.5%	5.2%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 709	5 610
of which: more than 90 days past due	4 384	4 241
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	42%	44%
of which: more than 90 days past due	57%	58%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	51%	53%
of which: more than 90 days past due	70%	66%
Credit cost, by business unit (%)[3]		
Belgium	0.23%	0.21%
Czech Republic	0.18%	0.15%
International Markets	1.06%	0.30%
Slovakia	0.36%	0.22%
Hungary	0.94%	0.19%
Bulgaria	1.30%	1.29%
Ireland	1.33%	0.30%
Group Centre	1.17%	0.59%
Total	0.41%	0.23%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees
2. Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors.
3. Annualized credit cost

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10+11+12 (see annual accounts FY 2014 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the (new) definition used by EBA.

Credit portfolio per business unit (banking activities)

Legend:

- ***ind. LTV - Indexed Loan To Value:*** *current outstanding loan / current value of property*
- ***Impaired loans:*** *loans for which full (re)payment is deemed unlikely (coincides with KBC's PD-classes 10, 11 or 12)*
- ***Impaired loans that are more than 90 days past due:*** *loans that are more than 90 days overdue (coincides with KBC's PD-classes 11+12)*
- ***Portfolio based impairments:*** *impairments for non-impaired exposure (i.e. exposure with PD < PD 10)*
- ***Specific impairments:*** *loan loss impairments for impaired exposure (i.e. exposure with PD 10, 11 or 12)*
- ***Cover ratio impaired loans:*** *specific impairments / impaired loans*

Loan portfolio Business Unit Belgium

30-09-2015, in millions of EUR	**Belgium (1)**			**Foreign branches**			**Total Business Unit Belgium**		
Total outstanding amount	**85 237**			**5 537**			**90 774**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	23 461	27.5%		5 537	100.0%		28 998	31.9%	
retail	61 776	72.5%		0	0.0%		61 776	68.1%	
o/w private	34 164	40.1%		0	0.0%		34 164	37.6%	
o/w companies	27 611	32.4%		0	0.0%		27 611	30.4%	
Mortgage loans (2)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33 060	38.8%	59%	0	0.0%	-	33 060	36.4%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w vintage 2007 and 2008	1 009	1.2%	-	0	0.0%	-	1 009	1.1%	
o/w ind. LTV > 100%	1 399	1.6%	-	0	0.0%	-	1 399	1.5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	65 060	76.3%		3 361	60.7%		68 421	75.4%	
medium risk (pd 5-7; 0.80%-6.40%)	14 944	17.5%		1 497	27.0%		16 441	18.1%	
high risk (pd 8-9; 6.40%-100.00%)	2 156	2.5%		131	2.4%		2 287	2.5%	
impaired loans (pd 10 - 12)	3 069	3.6%		546	9.9%		3 616	4.0%	
unrated	8	0.0%		2	0.0%		10	0.0%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	3 069	1 328	43.3%	546	261	47.9%	3 616	1 590	44.0%
o/w pd 10 impaired loans	1 093	250	22.8%	337	104	31.0%	1 430	354	24.8%
o/w more than 90 days past due (pd 11+12)	1 976	1 079	54.6%	209	157	75.0%	2 186	1 236	56.5%
all impairments (specific + portfolio based)	n.a.			n.a.			1 666		
o/w portfolio based impairments	n.a.			n.a.			77		
o/w specific impairments	1 328			261			1 590		
2014 Credit cost ratio (CCR)	n.a.			n.a.			0.23%		
YTD 2015 CCR	n.a.			n.a.			0.21%		

Remarks

(1) Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, KBC Commercial Finance

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

Loan portfolio Business Unit Czech Republic

30-09-2015, in millions of EUR

				For information: ČMSS[3] *(consolidated via equity method since 1Q14)*		
Total outstanding amount	**20 307**			**2 509**		
Counterparty break down		% outst.			% outst.	
SME / corporate	7 419	36.5%		73	2.9%	
retail	12 888	63.5%		2 436	97.1%	
o/w private	9 010	44.4%		2 422	96.5%	
o/w companies	3 878	19.1%		14	0.6%	
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV
total	8 230	40.5%	60%	1 897	75.6%	66%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w vintage 2007 and 2008	1 143	5.6%	-	212	8.5%	-
o/w ind. LTV > 100%	387	1.9%	-	148	5.9%	-
Probability of default (PD)		% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	14 084	69.4%		1 633	65.1%	
medium risk (pd 5-7; 0.80%-6.40%)	4 724	23.3%		621	24.7%	
high risk (pd 8-9; 6.40%-100.00%)	752	3.7%		178	7.1%	
impaired loans (pd 10 - 12)	692	3.4%		77	3.1%	
unrated	56	0.3%		0	0.0%	
Overall risk indicators (2)		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	692	375	54.2%	77	33	42.9%
o/w pd 10 impaired loans	193	41	21.1%	20	2	9.8%
o/w more than 90 days past due (pd 11+12)	498	334	67.1%	57	31	54.7%
all impairments (specific + portfolio based)	412			38		
o/w portfolio based impairments	37			5		
o/w specific impairments	375			33		
2014 Credit cost ratio (CCR)	0.18%			n/a		
YTD 2015 CCR	0.15%			n/a		

(1) mortgage loans: only to private persons (as opposed to the accounting figures)
(2) individual CCR in local currency
(3) ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

Loan portfolio Business Unit International Markets 30-09-2015, in millions of EUR	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**14 076**			**5 818**			**4 527**			**834**			**25 255**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	2 313	16.4%		2 484	42.7%		2 257	49.9%		341	41.0%		7 396	29.3%	
retail	11 763	83.6%		3 334	57.3%		2 270	50.1%		492	59.0%		17 858	70.7%	
o/w private	11 749	83.5%		2 709	46.6%		1 751	38.7%		303	36.3%		16 512	65.4%	
o/w companies	14	0.1%		625	10.7%		519	11.5%		189	22.7%		1 347	5.3%	
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11 741	83.4%	94%	2 127	36.6%	65%	1 600	35.3%	86%	151	18.2%	68%	15 620	61.8%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	14	0.3%	140%	68	8.1%	68%	82	0.3%	
o/w vintage 2007 and 2008	3 977	28.3%	-	134	2.3%	-	748	16.5%	-	32	3.8%	-	4 890	19.4%	
o/w ind. LTV > 100%	4 553	32.3%	-	43	0.7%	-	502	11.1%	-	8	1.0%	-	5 106	20.2%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	588	4.2%		3 937	67.7%		1 940	42.8%		157	18.9%		6 622	26.2%	
medium risk (pd 5-7; 0.80%-6.40%)	5 344	38.0%		1 295	22.3%		1 643	36.3%		348	41.8%		8 629	34.2%	
high risk (pd 8-9; 6.40%-100.00%)	1 291	9.2%		292	5.0%		287	6.3%		103	12.4%		1 973	7.8%	
impaired loans (pd 10 - 12)	6 853	48.7%		219	3.8%		652	14.4%		212	25.4%		7 936	31.4%	
unrated	0	0.0%		76	1.3%		6	0.1%		13	1.5%		95	0.4%	
Overall risk indicators (2)		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	6 853	2 742	40.0%	219	119	54.1%	652	360	55.2%	212	89	41.9%	7 936	3 309	41.7%
o/w pd 10 impaired loans	3 393	835	24.6%	44	15	34.9%	159	56	35.6%	39	11	28.0%	3 634	918	25.3%
o/w more than 90 days past due (pd 11+12)	3460	1 907	55.1%	176	103	58.9%	493	303	61.5%	173	78	45.1%	4302	2 391	55.6%
all impairments (specific + portfolio based)	2816			131			373			92			3412		
o/w portfolio based impairments	74			13			13			3			103		
o/w specific impairments	2742			119			360			89			3309		
2014 Credit cost ratio (CCR)	1.33%			0.36%			0.94%			1.30%			1.06%		
YTD 2015 CCR	0.30%			0.22%			0.19%			1.29%			0.30%		

Remarks

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

(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

30-09-2015, in millions of EUR

	Total Group Centre (mainly KBC Finance Ireland, KBC Credit Investments and ex-Antwerp Diamond Bank (in wind-down))		
Total outstanding amount	**5 061**		
Counterparty break down		% outst.	
SME / corporate	5 061	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans (1)		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w vintage 2007 and 2008	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (pd 1-4; 0.00%-0.80%)	2 552	50.4%	
medium risk (pd 5-7; 0.80%-6.40%)	1 562	30.9%	
high risk (pd 8-9; 6.40%-100.00%)	392	7.7%	
impaired loans (pd 10 - 12)	529	10.4%	
unrated	26	0.5%	
Overall risk indicators (2)		spec. Imp.	% cover
outstanding impaired loans	529	336	63.6%
o/w pd 10 impaired loans	193	56	29.3%
o/w more than 90 days past due (pd 11+12)	335	280	83.4%
all impairments (specific + portfolio based)	346		
o/w portfolio based impairments	10		
o/w specific impairments	336		
2014 Credit cost ratio (CCR)	1.17%		
YTD 2015 CCR	0.59%		

Remarks

Total Group Centre = KBC Finance Ireland, KBC Credit Investments (legacy & and part of non-legacy portfolio assigned to BU Group), ex-Antwerp Diamond Bank (in wind-down), KBC FP (ex-Atomium assets), KBC Lease UK, KBC Bank part Group

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

(2) individual CCR in local currency

Solvency

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 competent regulator.

Solvency KBC Group

Under Basel III (CRDIV/CRR), which is the applicable guideline as from 1 January 2014 onward, for group solvency the insurance participation is to be deducted from common equity at KBC Group level, unless the competent authority grants the permission to apply a risk weighting instead. KBC received this permission from the National Bank of Belgium (NBB) and allocates a 370% weighting to the holdings of own funds instruments of the insurance company, after having deconsolidated KBC Insurance from the KBC Group consolidated figures. This is the so-called 'Danish compromise'.

The NBB has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under CRDIV until the end of 2017.

In addition to the solvency ratios under CRD IV/CRR, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). Previously, KBC Group NV – still considered as a financial holding company – reported on one solvency calculation at group level, the 'building block' method at the request of the NBB. KBC meets the FICOD requirement by aligning the building block method with method 1 (the accounting consolidation method) under FICOD. This implies that available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectoral rules, which are CRR/CRD IV for the banking business and Solvency I for the insurance business. The capital requirement for the insurance business based on Solvency I is multiplied by 12.5 to obtain a risk weighted asset equivalent.

Mid-March 2015, KBC received its new solvency target from the European Central Bank (ECB), which had assumed responsibility from the NBB in November 2014 for supervising KBC under the Single Supervisory Mechanism (SSM). Consequently, KBC is required to maintain a minimum fully loaded common equity ratio (including latent gains on available-for-sale securities) of 10.5% under both Solvency tests.

As at the end of September 2015 , KBC's fully loaded common equity ratio (including latent gains on available-for-sale securities) under Basel III (CRDIV/CRR) stood at 17.4% which represents a capital buffer of 6.0 billion euros relative to the targeted 10.5%. At the same time, the fully loaded common equity ratio (under FICOD) was 17.2% , which represented a capital buffer of 6.0 billion euros relative to the targeted 10.5%.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 81% of the weighted credit risks, of which approx. 74% according to Advanced and approx. 7% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 19%) are calculated according to the Standardised approach. 12% of the latter, under the Danish Compromise, are the 370% risk-weighted holdings of own funds instruments of the insurance company.

In 2012 the NBB granted permission to KBC to use the IRB-Advanced approach to calculate own funds requirements for credit risk. This decision was accompanied with a set of terms and conditions imposed by NBB, including a number of additional margins of conservatism with impact on RWA. The NBB has now acknowledged the significant progress made and has concluded that these terms and conditions have been fulfilled by KBC. As a result the regulatory imposed additional levels of conservatism are not applicable anymore as of June 2015, resulting in a 3.8 billion euros decrease in credit RWA in 2Q 2015.

On 26 October 2015, the National Bank of Belgium announced its new capital buffers for Belgian systemically important banks, including KBC's. These new buffers will be introduced in phases starting from 2016 and are on top of the minimum capital requirements (Joint Capital Decision) that the ECB imposes every year. The additional buffer for KBC will be 0.5% CET1 (phased in, under the Danish compromise) in 2016, and will gradually increase over a 3-year period, reaching 1.5% in 2018. As mentioned, this comes on top of the new ECB minimum capital requirement for 2016 which will be announced in November 2015. In 2015, this minimum requirement was 10.5% CET1 (fully loaded, under the Danish compromise). For further information see press release of 26 October 2015 on www.kbc.com.

In millions of EUR		31-12-2014		30-09-2015
Danish compromise	**Fully loaded**	**Phased-in**	**Fully loaded**	**Phased-in**
Total regulatory capital, KBC Group (after profit appropriation)	16 688	16 723	18 811	18 737
Tier-1 capital	14 476	14 136	16 473	16 087
Common equity	13 076	12 684	15 073	14 635
Parent shareholders' equity (after deconsolidating KBC Insurance)	12 592	12 592	13 585	13 585
Non-voting core capital securities	2 000	2 000	2 000	2 000
Intangible fixed assets (incl deferred tax impact) (-)	- 334	- 334	- 355	- 355
Goodwill on consolidation (incl deferred tax impact) (-)	- 769	- 769	- 791	- 791
Minority interests	- 3	- 3	0	0
AFS revaluation reserve shares (-)		- 116		0
AFS revaluation reserve sovereign bonds (-)		- 613		- 579
AFS revaluation reserve other bonds(-)		50		44
AFS revaluation reserve other (-)		0		0
Hedging reserve (cash flow hedges) (-)	1 391	1 391	1 225	1 225
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 21	- 21	- 19	- 19
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 43	- 87	- 53
Equalization reserve (-)				
Dividend payout (-)	- 836	- 836	0	0
Renumeration of government securities (-)	- 171	- 171	0	0
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 159	- 159	- 139	- 139
IRB provision shortfall (-)	- 225	- 225	- 171	- 171
Deferred tax assets on losses carried forward (-)	- 297	- 59	- 173	- 109
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 400	1 452	1 400	1 451
Grandfathered innovative hybrid tier-1 instruments	0	52	0	51
Grandfathered non-innovative hybrid tier-1 instruments	0	0	0	0
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 212	2 587	2 338	2 650
IRB provision excess (+)	375	357	362	353
Subordinated liabilities	1 837	2 230	1 976	2 297
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Capital requirement				
Total weighted risk volume	91 236	88 382	86 524	85 035
Banking	80 232	77 379	77 207	75 718
Insurance[1]	10 897	10 897	9 133	9 133
Holding activities	191	191	223	223
Elimination of intercompany transactions	- 85	- 85	- 40	- 40
Solvency ratios				
Common equity ratio	14.33%	14.35%	17.42%	17.21%
Tier-1 ratio	15.87%	15.99%	19.04%	18.92%
CAD ratio	18.29%	18.92%	21.74%	22.03%
Capital buffer				
Common equity capital	13 076		15 073	
Required pillar 2 capital (10.5%)	9 580		9 085	
Capital buffer vs pillar 2 target	3 497		5 988	

1. The decrease in RWA contribution by Insurance is mainly attributable to the replacement of shareholder capital by an intra-group Tier-2 loan in the amount of 500 million euros subscribed by KBC Group in 1Q 2015. For more information see the press release of 18 December 2014 on www.kbc.com.

In millions of EUR

FICOD - Fully loaded	31-12-2014	30-09-2015
Common Equity	13 528	15 442
IFRS Parent shareholders equity KBC Group (consolidated)	13 125	14 022
+ Yield Enhanced Securities (YES)	2 000	2 000
- Dividend, coupon YES, coupon AT1	-1 008	-2
+ Eligible own funds elements CRR/CRD IV (banking)	-508	-510
+ Eligible own funds elements Solvency I (Insurance)	-80	-69
Total weighted risk volume	92 596	89 900
Banking	80 232	77 207
Insurance	12 257	12 509
Holding activities	191	223
Elimination of intercompany transactions	-85	-40
Solvency ratio		
Common equity ratio	14.61%	17.18%
Capital buffer		
Buffer vs. 10.5% CET1	3 806	6 002

Following table groups the solvency on the level of KBC according to different methodologies and calculation methods.

Overview of KBC Group's capital ratios - In millions of EUR - 30-09-2015

		numerator (common equity)	denominator (Total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	14 635	85 035	17.21%
	Fully loaded	15 073	86 524	17.42%
Deduction Method	Fully loaded	14 112	81 159	17.39%
Financial Conglomerates Directive*				
	Fully loaded	15 442	89 900	17.18%

* KBC aligned the building block method with method 1 (the accounting consolidation method) under FICOD

Leverage ratio KBC Group

In millions of EUR Leverage ratio KBC Group (Basel III fully loaded)	31-12-2014	30-09-2015
Tier-1 capital (Danish compromise)	14 476	16 473
Total exposures	226 669	239 591
Total Assets	245 174	257 632
Deconsolidation KBC Insurance	-27 708	-31 484
Adjustment for derivatives	-3 246	-2 003
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 559	- 510
Adjustment for securities financing transaction exposures	266	657
Off-balance sheet exposures	13 742	15 299
Leverage ratio	6.39%	6.88%

The increase in 9M 2015 is fully attributable to the higher Tier-1 capital (an overview of Tier-1 capital can be found above).

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel III (CRD IV/CRR) 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 31-12-2014 can be found in their annual accounts and in the KBC Risk Report on www.kbc.com.

Solvency, KBC Bank consolidated (in millions of EUR) - Fully loaded	31-12-2014	30-09-2015
Total regulatory capital, after profit appropriation	14 154	15 128
Tier-1 capital	11 132	11 426
Of which common equity	9 727	10 021
Tier-2 capital	3 021	3 701
Total weighted risks	80 232	77 207
Credit risk	67 197	63 694
Market risk	2 424	2 902
Operational risk	10 611	10 611
Solvency ratios		
Common equity ratio	12.1%	13.0%
Tier-1 ratio	13.9%	14.8%
CAD ratio	17.6%	19.6%
Solvency, KBC Insurance consolidated (in millions of EUR)	**31-12-2014**	**30-09-2015**
Available capital	3 166	2 758
Required solvency margin	981	1 001
Solvency ratio and surplus		
Solvency ratio (%)	323%	276%
Solvency surplus (in millions of EUR)	2 185	1 758