3Q2016

KBC Group Extended Quarterly Report

KBC

Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

See separate section at the end of this report.

Investor Relations contact details

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

Visit www.kbc.com

Content

Report for 3Q2016 and 9M2016

- Summary 5
- The core of our strategy 6
- Highlights in the quarter under review 6
- Overview of our results and balance sheet 7
- Analysis of the quarter 8
- Analysis of the year-to-date period 10
- Statement of risk 10
- Views and guidance 11

3Q2016 results by business unit

- Breakdown by business unit 13
- Belgium Business Unit 14
- Czech Republic Business Unit 15
- International Markets Business Unit 16
- Group Centre 21

Consolidated financial statements according to IFRS

- Consolidated income statement 23
- Consolidated statement of comprehensive income (condensed) 24
- Consolidated balance sheet 25
- Consolidated statement of changes in equity 26
- Consolidated cash flow statement 27
- Notes on statement of compliance and changes in accounting policies 27
- Notes on segment reporting 28
- Other notes 29

Risk and capital management

- Credit risk 41
- Solvency 47

Glossary

- Details of ratios and terms 51

KBC Group

Report for 3Q2016 and 9M2016

This report contains information that is subject to transparency regulations for listed companies.
Date of release: 17 November 2016

Summary: Strong third-quarter profit of 629 million euros.

Against a background of persisting low interest rates, modest economic growth in Belgium and firmer growth in Central Europe and Ireland, KBC posted a strong net profit figure of 629 million euros in the third quarter of 2016, compared to the 721 million euros recorded in the preceding quarter (which had been boosted by a one-off positive impact of 84 million euros (after tax) resulting from the sale of Visa Europe shares) and the 600 million euros returned in the third quarter of 2015. Our lending volumes in the third quarter continued to grow, both quarter-on-quarter and year-on-year. Excluding the effect of the sale of Visa Europe shares in the previous quarter, our third-quarter income fell slightly by 3%. Added to the 392 million euros in net profit realised in the first quarter and the 721 million euros in the second, this brings our result for the first nine months of the year to a fine 1 742 million euros, compared to 1 776 million euros for the same period a year ago. Our already solid solvency and liquidity positions strengthened further. As previously announced, we will pay an interim dividend of 1 euro per share on 18 November 2016 for the current financial year, as an advance on the total dividend for 2016.

Financial highlights for the third quarter of 2016, compared with the previous quarter:

- Both our banking and insurance franchises in our core markets and core activities continued to perform well.
- Lending to our clients was up by 0.4%, with volumes going up in almost all countries. Deposits from our customers fell by 2%, as increased deposits in the Czech Republic, Slovakia and Bulgaria could not fully offset the decreases in Belgium (maturing term deposits), Ireland and Hungary.
- Net interest income – our main source of income – was only marginally lower (less than 1%), thanks to support from lower funding costs, increased investments and credit volume growth. Our average net interest margin stood at 1.90% in the third quarter, down 4 basis points quarter-on-quarter.
- The premium income we earned on our non-life insurance products increased by 2%, while claims fell by 7%. Consequently, the non-life combined ratio for the first nine months of the year ended up at a good 94%. However, following a strong second quarter, sales of life insurance products declined by 20%.
- Our total assets under management stood at 209 billion euros, slightly up (+1%) on the level of the previous quarter, thanks to a positive price performance. Our net fee and commission income went up again, rising by 2% mainly on account of higher management fees.
- Our operating expenses were down 1% on the previous quarter, due to lower bank taxes in the third quarter. The resulting cost/income ratio for the first nine months of the year stood at 57%.
- The cost of credit in the first nine months of the year amounted to an excellent, but still unsustainably low 0.07% of our loan portfolio.
- Our liquidity position remained solid, and our capital base – with a common equity ratio of 15.1% (phased-in, Danish compromise) – remained well above the regulators' target of 10.25% for 2016.

Johan Thijs, our group CEO, adds:

'The persisting uncertainty on the financial markets together with the continuing low level of interest rates represent an increasingly unusual challenge for all financial institutions. In these uncommon circumstances, we continue to be the bank-insurer that puts its clients centre stage. They are continuing to entrust their deposits to us and count on us to help them realise and protect their projects. This quarter, lending increased again, as did the premium income earned in our non-life insurance business. We are grateful for the confidence our clients place in us and this yet again illustrates the success of our bank-insurance model.

The third quarter was characterised by an attractive level of net interest income and net fee and commission income, stable operating expenses and the continuing low cost of credit. We continue to invest in the future and are pro-actively rolling out our digitisation plans further in order to serve clients even better, while also keeping an eye on our cost/income ratio. Overall, we managed to generate a strong result of 629 million euros in this quarter.

Besides this performance, the already solid solvency and liquidity positions of our group strengthened further during the quarter, and our capital position allows us, as announced earlier, to pay an interim dividend of 1 euro per share on 18 November 2016 for the current financial year. This forms part of our new dividend policy for KBC Group, in which we will – barring exceptional or unforeseen circumstances – pay an interim dividend of 1 euro in November of each accounting year, as well as a final dividend after the Annual Meeting of Shareholders. This a reassuring signal to all the stakeholders that have put their trust in us.'

Overview KBC Group (consolidated)	3Q2015	2Q2016	3Q2016	9M2015	9M2016
Net result, IFRS (in millions of EUR)	600	721	629	1 776	1 742
Basic earnings per share, IFRS (in EUR)*	1.41	1.69	1.47	4.16	4.07
Breakdown of the net result, IFRS, by business unit (in millions of EUR)					
Belgium	358	371	414	1 216	993
Czech Republic	153	191	145	423	465
International Markets	92	123	106	184	289
Group Centre	-2	37	-36	-47	-5
Parent shareholders' equity per share (in EUR, end of period)	33.6	35.5	36.2	33.6	36.2

* Note: if a coupon were paid on the core-capital securities sold to the Flemish Regional Government (in 2015) 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 had to be paid on the core-capital securities (in 2015), it will likewise be deducted.

The core of our strategy

- 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.
- Established in a number of different countries, we are a group of some 36 000 talented individuals who work together and share a common culture. Our culture is paramount to building our strategy, which consists of four interacting cornerstones:

  We strive to offer our clients a unique bank-insurance experience.

  We develop our group with a long-term perspective in order to achieve sustainable and profitable growth.

  We put our clients' interests at the heart of what we do and strive to offer them high quality service and relevant solutions at all times.

  We take our responsibility towards society and local economies very seriously and aim to reflect that in our everyday activities.
- We are convinced that our strategy – powered by our culture and the efforts of our people – helps us earn, keep and grow trust day by day and, therefore, gives us the capacity to become the reference in our core markets.

Highlights in the quarter under review

- In September, we revamped our group-wide sustainability framework by setting clear and more refined guiding principles for sustainability themes. In redefining our strategy towards sustainability, we are clearly communicating how we deal with a number of social and sustainability themes. This extended policy is embedded in our business strategy, since we seek at all times to achieve the right balance between business objectives and sustainability targets. We mainly use guiding principles and codes of conduct when it comes to the environment, human rights, company values and other socially sensitive issues: we have renewed the KBC Energy Policy, renewed and tightened our Credit Risk Standards on Sustainable & Responsible Lending Policies and drawn up a new KBC Policy on Controversial Regimes and KBC Human Rights Policy.
- We are continuing to pro-actively roll-out our financial technology plans so we can serve our clients even better going forward.

  In September, we entered into a new digital partnership in Ireland with MyHome.ie to allow house hunters to take a virtual tour of properties that are up for sale. This is the first time a bank has given prospective buyers in the Irish property market the chance to 'view' a house up close from their personal device.

  Also in September, we launched KBC K'Ching in Belgium, a free smartphone app made specifically for young people that lets them carry out financial transactions, while combining a high fun factor and attractive new look. It helps young people aged between 12 and 25 to become more financially literate and confident in managing their banking business. We are the first bank in Belgium and Europe to develop and launch an app especially for teenagers and young adults.

  In the same month, we also enabled clients in Slovakia to log in to their ČSOB SmartBanking app with their fingerprint thanks to the Touch ID function, a modern, very convenient and safe way for users to identify themselves. Biometric signatures and contactless payment options have also been substantially expanded in the Czech Republic through ATMs and stickers.

  Again in September, we launched KBC DriveSafe in Belgium, an app that monitors the driving style of young drivers who have just obtained their driving licence. In doing so, KBC also aims to contribute towards prevention in the broad sense of the word.

  In October, KBC Securities launched KBC Match'it, a digital platform where buyers and companies that are looking to be taken over can meet each other. We are the first financial institution in Europe to offer such a platform, which allows us to provide guidance and solutions in every phase of these companies' life cycle.

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.

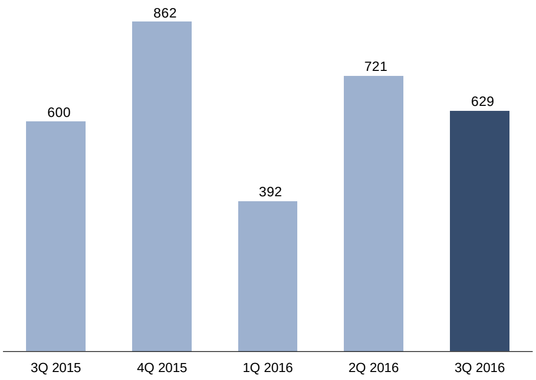
Consolidated income statement, IFRS KBC Group (in millions of EUR)	3Q 2015	4Q 2015	1Q 2016	2Q2016	3Q2016	9M2015	9M2016
Net interest income	1 062	1 066	1 067	1 070	1 064	3 245	3 201
Interest income	1 770	1 725	1 720	1 654	1 673	5 425	5 048
Interest expense	-708	-659	-653	-585	-609	-2 179	-1 847
Non-life insurance (before reinsurance)	142	147	145	141	164	464	450
Earned premiums	*335*	*338*	*341*	*349*	*357*	*981*	*1 047*
Technical charges	*-193*	*-191*	*-196*	*-208*	*-193*	*-517*	*-597*
Life insurance (before reinsurance)	-51	-51	-35	-38	-34	-150	-107
Earned premiums	*289*	*445*	*426*	*402*	*336*	*856*	*1 163*
Technical charges	*-340*	*-496*	*-461*	*-440*	*-370*	*-1 006*	*-1 271*
Ceded reinsurance result	0	-10	-8	-13	-1	-18	-23
Dividend income	13	12	10	36	12	64	58
Net result from financial instruments at fair value through P&L	47	-68	93	154	69	282	317
Net realised result from available-for-sale assets	44	30	27	128	26	160	181
Net fee and commission income	383	371	346	360	368	1 307	1 074
Fee and commission income	547	533	507	517	525	1 814	1 549
Fee and commission expense	-164	-162	-161	-157	-157	-507	-475
Other net income	96	47	51	47	59	250	157
Total income	1 736	1 543	1 697	1 885	1 727	5 604	5 308
Operating expenses	-862	-962	-1 186	-904	-895	-2 928	-2 985
Impairment	-49	-472	-28	-71	-28	-275	-127
on loans and receivables	-34	-78	-4	-50	-18	-245	-71
on available-for-sale assets	-15	-21	-24	-20	-7	-24	-51
on goodwill	0	-344	0	0	0	0	0
other	0	-29	-1	-1	-3	-6	-5
Share in results of associated companies and joint ventures	6	5	7	6	9	20	22
Result before tax	831	114	489	916	814	2 421	2 218
Income tax expense	-231	749	-97	-194	-184	-644	-476
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	600	863	392	721	629	1 776	1 742
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**600**	**862**	**392**	**721**	**629**	**1 776**	**1 742**
Basic earnings per share (EUR)*	1.41	-0.36	0.91	1.69	1.47	4.16	4.07
Diluted earnings per share (EUR)*	1.41	-0.36	0.91	1.69	1.47	4.16	4.07

* Note: if a coupon were paid on the core-capital securities sold to the Flemish Regional Government (in 2015) 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 had to be paid on the core-capital securities (in 2015), it will likewise be deducted.

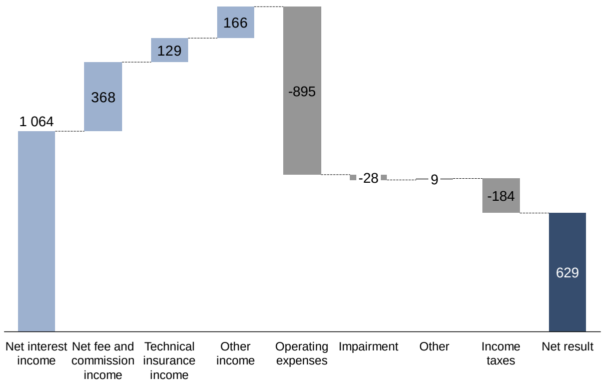
Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-09-2015	31-12-2015	31-03-2016	30-06-2016	30-09-2016
Total assets	257 632	252 356	261 551	265 681	266 016
Loans and advances to customers	126 971	128 223	129 703	131 383	131 973
Securities (equity and debt instruments)	71 115	72 623	72 860	73 494	72 774
Deposits from customers and debt certificates	171 412	170 109	173 646	175 870	170 425
Technical provisions, before reinsurance	19 365	19 532	19 619	19 724	19 745
Liabilities under investment contracts, insurance	12 422	12 387	12 508	12 427	12 506
Parent shareholders' equity	14 022	14 411	14 335	14 834	15 135
Non-voting core-capital securities	2 000	0	0	0	0

Analysis of the quarter (3Q2016)

Net result (in millions of EUR)



Breakdown of net result for 3Q2016 (in millions of EUR)



The net result for the quarter under review amounted to 629 million euros, compared to 721 million euros quarter-on-quarter and 600 million euros year-on-year.

Total income down 8% quarter-on-quarter, as the previous quarter included a one-off gain on the sale of Visa Europe shares. Excluding this gain, total income fell by just 3%.

- Our net interest income in the quarter under review (1 064 million euros) was only marginally down on the level recorded in the previous quarter (less than 1%) and the year-earlier quarter (0%), as the impact of low interest rates is weighing on the reinvestment yields of the investment book. In addition, the increased margin pressure on lending activities, together with the funding losses on previous prepayments on mortgage loans, have exerted pressure on net interest income. The impact of these items was almost entirely offset by lower funding costs, increased volumes in the investment book and credit volume growth (see below). As a result, our net interest margin came to 1.90% for the quarter under review, 4 basis points down on the level of the previous quarter, and 9 basis points lower than the level of the year-earlier quarter. As mentioned, interest income continued to be supported by credit volume growth: our total lending volume went up both quarter-on-quarter (by 0.4%) and year-on-year (by almost 4%). The volume of deposits, on the other hand, fell by 2% quarter-on-quarter (due in part to maturing debt certificates and a further reduction in retail term deposits), but was up 3% year-on-year.

- Technical income from our non-life and life insurance activities (gross earned premiums less gross technical charges and the ceded reinsurance result, which came to 129 million euros) was up 43% on its quarter-earlier level and 42% on its year-earlier level.

  Non-life insurance activities contributed 163 million euros to technical insurance income, up 27% on the previous quarter and 15% on the year-earlier quarter. For the group as a whole, the earned premiums from non-life insurance activities rose by 2% quarter-on-quarter and 7% year-on-year, while non-life insurance claims were lower quarter-on-quarter (-7%) but in line with the year-earlier figure. As a result, our combined ratio amounted to 94% for the first nine months of the year.

  Life insurance activities contributed -34 million euros to technical insurance income, compared to -38 million euros the previous quarter and -51 million euros in the year-earlier quarter. Following a relatively strong second quarter, sales of our life insurance products (both interest-guaranteed and unit-linked) fell by 20%. However, life insurance sales were up year-on-year (+17%), thanks mainly to increased sales of interest-guaranteed products.

  During the third quarter of 2016, investment income derived from insurance activities was down 10% on its level of the previous quarter, and down 4% on the year-earlier quarter. The quarter-on-quarter deterioration was driven primarily by seasonally lower dividend income (the bulk of dividends is received in the second quarter), as well as by lower realised gains on shares. The year-on-year decline was due chiefly to the lower net result from financial instruments at fair value and the lower net realised result from available-for-sale assets.

- In the quarter under review, persisting market uncertainty continues to create hesitancy among investors. Even in such a climate, our total assets under management increased slightly quarter-on-quarter (+1% to 209 billion euros), driven mainly by a positive price performance. Our total assets under management were up 4% year-on-year, again thanks primarily to a positive price performance, coupled with a small volume increase. Asset management services are one of the main contributors to our net fee and commission income, which continued to improve (up 2% quarter-on-quarter to 368 million euros), owing to a pick-up in management fees resulting from the increase in assets under management and to a less risk-averse asset allocation. However, net fee and commission income was still down 4% year-on-year, due to the lower level of management fees.

- The net result from financial instruments at fair value stood at 69 million euros in the third quarter of 2016, compared to 154 million euros in the previous quarter and 47 million euros in the year-earlier quarter. The quarter-on-quarter decrease was due mainly to changes in our valuation adjustment models (CVA/MVA/FVA).
- All other income items amounted to an aggregate 97 million euros, 114 million euros less than in the previous quarter and 56 million euros less than in the year-earlier quarter. It should be noted that the previous quarter had benefitted from 99 million euros (pre-tax) in gains resulting from the sale of Visa Europe shares and from seasonally high dividend income.

Operating expenses down 1% quarter-on-quarter, but up 4% year-on-year

- Our operating expenses amounted to 895 million euros in the quarter under review, which is marginally lower than the previous quarter. It includes offsetting items such as lower bank taxes, lower ICT expenses, higher professional fees and timing differences. Year-on-year, costs went up 4% as a result of a number of elements, including higher IT expenses, professional fees and general administrative expenses (partly to timing differences), despite lower staff expenses. As a result, the cost/income ratio of our banking activities stood at 57% in the first nine months of the year, compared to 55% for 2015 as a whole.

Loan impairment charges: continuing very low credit cost ratio of 0.07% year-to-date

- Loan loss impairment charges stood at an extremely low 18 million euros in the quarter under review, a further improvement on the 50 million euros recorded in the previous quarter and on the 34 million euros recorded a year earlier. Broken down by country, loan loss impairment in the third quarter of 2016 came to 33 million euros in Belgium (including KBC Bank's limited branch network abroad), 2 million euros in the Czech Republic, 1 million euros in Slovakia, 1 million euros in Bulgaria, 20 million euros in the Group Centre. This was offset by a net release (with a positive impact) in both Hungary (11 million euros) and Ireland (28 million euros). For the entire group, loan loss impairment in the first nine months of 2016 accounted for a very low 0.07% the total loan portfolio. At the end of September 2016, some 7.6% of our loan book was classified as impaired (4.2% was impaired and more than 90 days past due); in both cases, this is a gradual improvement on the situation at the beginning of the year (8.6% and 4.8%, respectively).
- Impairment on assets other than loans stood at 10 million euros, an improvement on the quarter-earlier figure of 21 million euros and the year-earlier figure of 15 million euros. For the third quarter of 2016, it primarily related to shares in the insurance investment portfolio.

Results per business unit

- Our quarterly profit of 629 million euros breaks down into 414 million euros for the Belgium Business Unit, 145 million euros for the Czech Republic Business Unit, 106 million euros for the International Markets Business Unit and -36 million euros for the Group Centre. A full results table and a short analysis per business unit are 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 2016, our total equity (including our additional tier-1 issues) stood at 16.5 billion euros, up 0.7 billion euros on its level at the beginning of the year. The change during the first nine months of 2016 resulted from the inclusion of the profit for that period (+1.7 billion euros), changes in the valuation of cash flow and available-for-sale reserves (-0.2 billion euros), the decision to pay an interim dividend (-0.4 billion euros) and remeasurements of defined benefit plans (-0.3 billion euros).
- Our solvency ratios continue to comfortably exceed the regulators' joint solvency targets for 2016 (a minimum of 10.25%, Basel III, phased-in under the Danish compromise). At 30 September 2016, our common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.1% (phased-in) or 15.3% (fully loaded), while our leverage ratio (Basel III, fully loaded) came to 6.2%. Although impacted by a cap imposed by the Belgian regulator, the solvency ratio for KBC Insurance under the new Solvency II framework was a sound 170% at 30 September 2016 (and 198% without this cap).
- Our liquidity position remained at an excellent level, as reflected in an LCR ratio of 137% and an NSFR ratio of 123% at the end of September 2016.

Analysis of the year-to-date period (9M2016)

Our aggregate result for the first nine months of the year now stands at 1 742 million euros, compared to 1 776 million euros a year earlier.

Compared to the first nine months of 2015, the result for the first nine months of 2016 was characterised by:

- Slightly lower net interest income (-1% to 3 201 million euros), due primarily to the current low interest rate environment, the negative impact of losses on prepaid mortgages and lower level of dealing room interest income, but partly offset by lower funding costs and higher interest income from lending activities. The deposit volume increased (+3%), as did the lending volume (+4%). The net interest margin for the first nine months of 2016 amounted to 1.94%, down 11 basis points year-on-year.
- A higher contribution made by technical insurance results (gross earned premiums less gross technical charges and the ceded reinsurance result: +8% to 320 million euros), due to higher earned premiums both in the life and non-life segments though somewhat mitigated by higher claims levels. In non-life insurance, the resulting year-to-date combined ratio stood at 94%. In life insurance, sales were up by almost 27%, thanks to both interest-guaranteed and unit-linked products.
- Lower net fee and commission income (-18% to 1 074 million euros), due to substantially lower entry charges on investment products, lower management fees (driven by the asset mix) and lower securities-related fees. At the end of September 2016, total assets under management stood at 209 billion euros, a 4% year-on-year increase resulting from a 1% net inflow and a 3% average price increase.
- Higher net result from financial instruments at fair value (+12% to 317 million euros), thanks to a substantially higher level of dealing room income, improved value adjustments (CVA, MVA, FVA) and despite a lower valuation of ALM derivative instruments.
- A decrease in all other income items (-16% to an aggregate 396 million euros). This includes higher net realised gains from available-for-sale assets (+13% to 181 million euros, thanks to a gain on the sale of Visa Europe shares in the second quarter), somewhat lower dividend income (-8% to 58 million euros) and lower other net income (-37% to 157 million euros, since the first nine months of 2015 has benefitted from a number of positive one-off items.
- Slightly higher operating expenses (+2% to 2 985 million euros), owing essentially to higher bank taxes (up 11%). Excluding these taxes, operating expenses were up just 1% on their year-earlier level. As a result, the year-to-date cost/income ratio came to 57%
- Significantly lower loan loss impairment charges (-71% to 71 million euros). As a result, the credit cost ratio for the whole group remained at an excellent but unsustainable 0.07%.

Selected ratios for the KBC group (consolidated)	FY2015	9M2016
Profitability and efficiency		
Return on equity	22%	18%
Cost/income ratio, banking	55%	57%
Combined ratio, non-life insurance	91%	94%
Solvency		
Common equity ratio according to Basel III Danish Compromise method (phased-in)	15.2%	15.1%
Common equity ratio according to Basel III Danish Compromise method (fully loaded)	14.9%	15.3%
Common equity ratio according to FICOD method (fully loaded)	14.0%	13.6%
Leverage ratio according to Basel III (fully loaded)	6.3%	6.2%
Credit risk		
Credit cost ratio	0.23%	0.07%
Impaired loans ratio	8.6%	7.6%
for loans more than 90 days overdue	4.8%	4.2%
Liquidity		
Net stable funding ratio (NSFR)	121%	123%
Liquidity coverage ratio (LCR)	127%	137%

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, market 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 we closely monitor and manage 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.

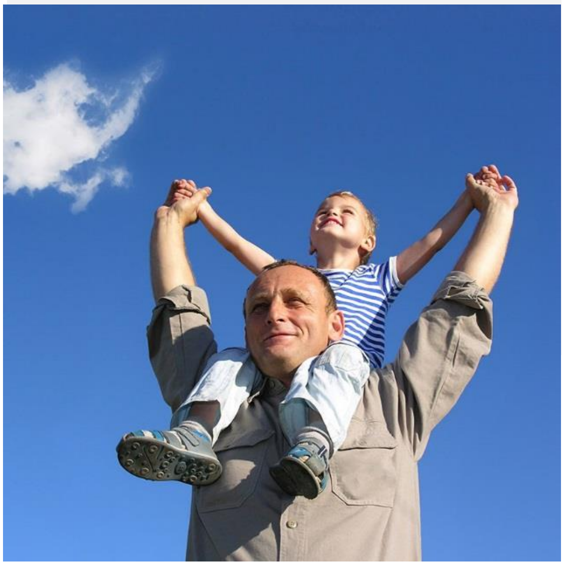
- At present, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to us. Regulatory uncertainty regarding capital requirements is a dominant theme for the sector. Other major current regulatory initiatives relate to capital charges for credit risk, operational risk, trading risk, ALM risk and enhanced consumer protection. Another continuous challenge remains the low interest rate environment. If low rates were to persist, this would put considerable pressure on the long-term profitability of banks and especially insurers. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit or concerns about the banking sector in some countries. The risk radar screens of financial institutions show that financial technology is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.
- On the macroeconomic front, economic growth in the third quarter was favourable. At 0.3%, growth in the euro area was stable quarter-on quarter. This moderate growth rate, which is broadly in line with the euro area's potential rate, was based on a combination of higher private consumption and slightly improving investment growth. However, the euro area unemployment rate stabilised at 10.1% in the third quarter after falling for several quarters, highlighting again the ongoing need for structural reforms. Somewhat surprisingly given the Brexit decision, third-quarter growth was quite solid in the UK (0.5%). The British export sector has benefitted from the substantial depreciation of the pound, while consumer spending is also growing rapidly. The uncertainty about the upcoming Brexit negotiations has clearly not weighed on economic sentiment so far. In the US, growth was significantly stronger in the third quarter than in Europe. Quarterly growth accelerated to 0.7% (not annualised), driven mainly by higher private consumption and, to a lesser extent, by increased net exports. Consumption growth continued to be supported by the solid increase in net employment and slowly-but-steadily rising wage growth, which more than offset the relatively high US household savings rate. In the third quarter, headline inflation edged up, mainly as a result of rising year-on-year comparison of energy prices. In the euro area, it rose from 0.1% in July to 0.4% in September, while underlying core inflation (excluding energy and food) remained broadly stable at just below 1%. This rate is still only half of the inflation target set by the European Central Bank (2%). The underlying reasons for that include the still high unemployment rate, subdued nominal wage growth and negative import price inflation. In the US, where inflation has already reached more 'normal' levels, headline inflation in the third quarter also picked up, rising from 0.9% in July to 1.5% in September. Underlying core inflation was broadly stable at approximately 2.2%. Unlike the euro area, this is in line with the Fed's inflation target.
- Risk management data is provided in our annual reports, extended quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.

Views and guidance

- Our view on interest rates and foreign exchange rates: In the US, the unemployment rate of 4.9% is close to a level consistent with full employment, while inflation is in line with the Fed's target. Hence, the Fed is close to achieving its dual objective of price stability and maximum sustainable employment. Therefore, we are working on the assumption that the Fed will take another step towards normalising its policy rate by raising its target range by 25 basis points in December 2016. In 2017, we expect two more rate hikes of 25 basis points each. In the meantime, after its December policy meeting, the ECB is likely to give some guidance about the form its QE programme will take after March 2017. The details are still highly uncertain, but given the low level of euro area inflation, we expect the programme to be extended and some form of 'tapering' to occur in the course of 2017, before the programme is ended sometime in 2018. In line with the ECB's communication, its deposit rate will probably only be raised for the first time well after the end of its QE programme, i.e. probably in 2019. The expected further economic expansion, particularly in the US, together with the anticipated rate hikes by the Fed in 2016 and 2017, should lead to a modest rise in US bond yields. This will also pull up German rates to some extent given the global integration of the main bond markets. The expected divergence of policy between the Fed and the ECB will probably cause the euro to weaken moderately against the US dollar in the course of 2017, as well. At present, it is still too early to assess the extent of the macroeconomic impact of the US elections, although there has been a recent increase in interest rates.
- Our view on economic growth: In line with reassuring third-quarter growth, we expect sustained economic growth in both the euro area and the US for the rest of 2016 and in 2017. The fundamental reasons are the resilience of domestic demand, in particular private consumption, somewhat accommodating fiscal policy, and resuming investment growth, especially in the US. In addition, international trade is expected to contribute modestly to economic growth. As a result, we expect the dynamic of economic growth in the euro area and the US to strengthen gradually in the remainder of 2016 and in 2017. However, the robust first-quarter growth in the euro area in 2016 will not be repeated in 2017, implying that the average growth rate in 2017 will be slightly lower than in 2016. We remain cautiously positive about growth in Belgium, although the figures for 2016 and 2017 are likely to remain below euro area levels, given the continuing fiscal austerity. In Central Europe, average real GDP growth is expected to ease for the whole of 2016, as the impulse provided by European cohesion funds for government investment has been dissipating. In 2017, we expect growth to pick up again throughout the region.
- Our guidance on KBC's results: The updated guidance for Irish loan impairment charges is for a release of 10-50 million euros for the full year.

KBC Group

3Q2016 results by business unit



Unless otherwise stated, all amounts are given in euros.

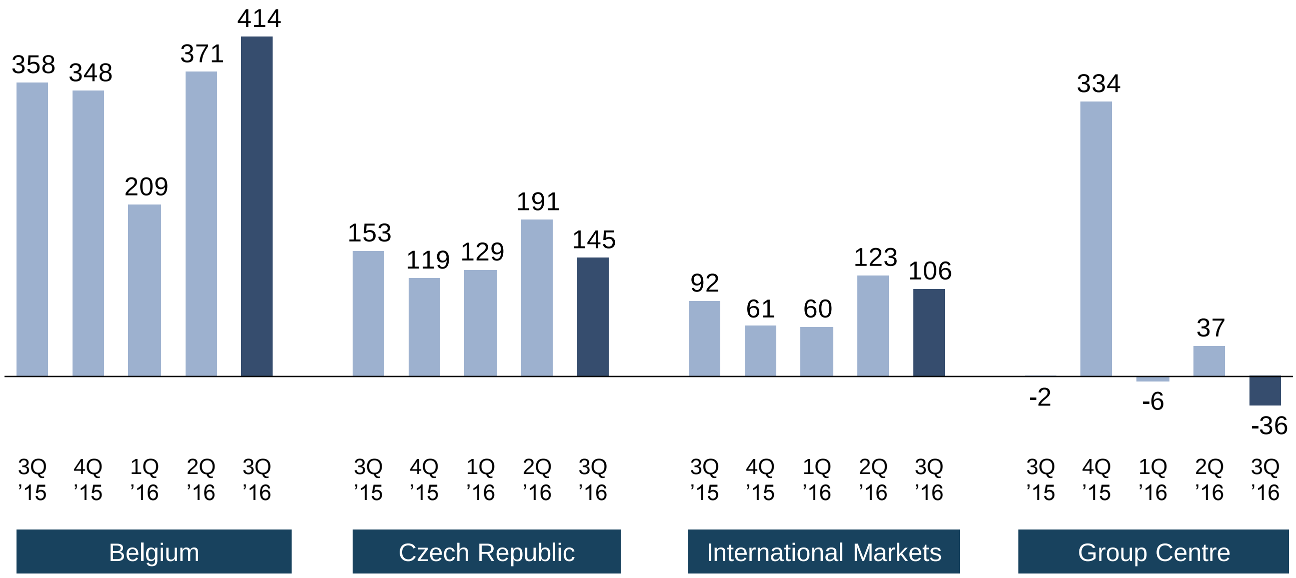
Business unit overview

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, etc.). Note that Group Re was moved to the Group Centre as of 1Q2016 (with limited impact).
- 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, ČMSS and Patria), the insurance company ČSOB Pojišťovna and ČSOB Asset Management.
- 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.

Breakdown of net result by business unit (in millions of EUR)



Belgium Business Unit

- The business unit's net result amounted to 414 million in 3Q2016, up on the 371 million recorded in 2Q2016 (which moreover had benefitted from 20 million euros related to the sale of Visa Europe shares) and on the 358 million posted in 3Q2015.
- Total income in 3Q2016 was slightly up on its quarter-earlier level (+8 million or +1%). *Net interest income* (-3 million or -0%) continued to be adversely impacted by low interest rates, which lead to lower reinvestment yields, and by a lower level of prepayment fees following a decrease in home loan prepayments. However, these items were almost entirely offset by other items such as lower funding costs, the positive effect of the enhanced ALM management and a higher contribution to interest income by the dealing room. *Net fee and commission income* was again slightly up quarter-on-quarter (+7 million or +3%), thanks largely to higher asset management-related fees (resulting from, among other things, changes in the asset allocation of some funds). Notwithstanding the negative impact of various – mostly model-related – market value adjustments, *trading and fair value income* was still slightly up (+2 million or +4%) thanks to the better performance of the dealing room and an increase in the value of derivatives used for asset/liability management purposes. *Realised gains on available-for-sale assets* were clearly down (-37 million) as the previous quarter had benefitted from 20 million in gains on the sale of Visa Europe shares. *Dividend income* was down too (-17 million; largely seasonal as the bulk of dividends is received in the second quarter) while *other net income* rose (+9 million or +20%, thanks to gains on the sale of real estate). Our *non-life insurance activities* turned in a solid technical performance in the quarter under review: earned premiums minus technical charges, plus the impact of ceded reinsurance, increased by no less than 42 million (+48%) on the level recorded in the previous quarter, thanks to the combination of increased premium income, a significantly lower level of claims and relatively high reinsurance recoveries. On the other hand, sales of *life insurance* products, both unit-linked and interest-guaranteed, were down (-22% combined) on their relatively strong performance of the previous quarter.
- Volume growth showed a mixed picture in 3Q2016. The loan book on the balance sheet increased slightly by 0.2% quarter-on-quarter to 91 billion (due in part to mortgage loan growth), while customer deposits decreased by 3% to 116 billion (though largely related to a drop in debt certificate volume and retail term deposits). There was also a small 1% increase in total assets under management (to 194 billion), as the volume outflow (less than 1%) was more than offset by the positive price performance (almost 2%) in the quarter under review. Life reserves in Belgium stood at 26.8 billion, up 1% on the level of the previous quarter.
- Costs were down on the previous quarter (-44 million or -8%). This is accounted for by the fact that the previous quarter had been negatively impacted to the tune of 32 million by the reorganisation of the various Belgian bank taxes, and a number of smaller items (including lower ICT expenses). The resulting cost/income ratio for 9M2016 stood at 57% (or 56% excluding a number of exceptional items) compared to 50% for FY2015 (or 53% excluding exceptional items). The combined ratio for non-life insurance stood at a very good 92% in 9M2016 (FY2015: 90%).
- At 33 million, loan loss impairment remained very low, though it was up slightly on the 28 million registered in the previous quarter, due to a few large corporate loans. Overall, this still resulted in a very favourable credit cost ratio of 0.09% in 9M2016. Impaired loans fell to 3.5% of the loan book at the end of September 2016. Impairment on available-for-sale assets (mainly in the insurance investment portfolio) stood at 7 million, down 13 million on its level in 2Q2016.

Belgium Business Unit (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	694	691	688	682	680
Non-life insurance (before reinsurance)	103	104	107	94	118
Earned premiums	*250*	*250*	*248*	*251*	*256*
Technical charges	*-146*	*-146*	*-141*	*-158*	*-138*
Life insurance (before reinsurance)	-62	-63	-49	-50	-47
Earned premiums	*187*	*329*	*335*	*327*	*257*
Technical charges	*-249*	*-391*	*-384*	*-377*	*-304*
Ceded reinsurance result	1	-8	-8	-7	11
Dividend income	11	9	8	27	10
Net result from financial instr. at fair value through P/L	-32	51	20	66	69
Net realised result from available-for-sale assets	33	26	23	49	12
Net fee and commission income	287	270	255	264	272
Other net income	55	41	46	44	53
Total income	1 090	1 121	1 090	1 169	1 177
Operating expenses	-540	-554	-774	-573	-529
Impairment	-28	-52	-30	-48	-41
on loans and receivables	*-13*	*-34*	*-6*	*-28*	*-33*
on available-for-sale assets	*-15*	*-18*	*-24*	*-20*	*-7*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*-1*
Share in results of associated companies & joint ventures	0	0	-1	0	1
Result before tax	522	515	286	548	608
Income tax expense	-164	-166	-77	-177	-193
Result after tax	358	349	209	371	414
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**358**	**348**	**209**	**371**	**414**
Banking	*300*	*288*	*176*	*303*	*330*
Insurance	*58*	*60*	*33*	*68*	*84*
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '15, phased-in as of '16)	40 582	42 157	43 112	42 697	42 537
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	884	891	1 652	1 639	1 782
Allocated capital (end of period)	5 808	5 985	6 071	6 016	6 142
Return on allocated capital (ROAC)	25%	24%	14%	25%	28%
Cost/income ratio, banking	51%	50%	74%	50%	47%
Combined ratio, non-life insurance	95%	98%	92%	100%	86%
Net interest margin, banking	1.86%	1.85%	1.86%	1.84%	1.78%

Czech Republic Business Unit

- The business unit's net result amounted to 145 million in 3Q2016, down on the 191 million recorded in the previous quarter (mainly because that quarter had benefitted from 39 million euros related to the sale of Visa Europe shares) and down slightly on the 153 million posted in the year-earlier quarter.
- Total income fell in 3Q2016 (-64 million or -17% compared to 2Q2016) but this was – as mentioned before – caused primarily by the fact that the previous quarter had benefitted from 48 million (or 39 million after tax) in gains realised on the sale of Visa Europe shares recorded under *net realised gains from available-for-sale assets*. Changes in the other income lines were less pronounced. Notwithstanding the negative impact of continuing low interest rates, *net interest income*, for instance, was even slightly up on its level of the previous quarter (+2 million or +1%), thanks in part to the positive effects of a past cut in the savings account rate and to higher lending-related income. *Net fee and commission income* was down somewhat on the previous quarter (-3 million or -7%, due to lower payment-services-related fees, among other things). The *net result from financial instruments at fair value* declined too (-21 million or -52%), mainly as a result of the lower level of dealing room income and valuation adjustments (MVA/FVA/CVA). The contribution to income growth made *by non-life insurance activities* (premiums minus charges, plus the effect of reinsurance) improved (+3 million quarter-on-quarter), with increased premium income and reinsurance recoveries more than offsetting the higher level of claims (impacted by storms and large fire claims). *Life insurance sales* were up by 15% quarter-on-quarter, thanks to higher sales of unit-linked products (Maximal Invest).
- Generally speaking, 3Q2016 was another quarter of solid lending and deposit growth. The loan book on the balance sheet expanded by 1% quarter-on-quarter to 19 billion (thanks, among other things, to mortgage loans). Customer deposits also went up, increasing by almost 2% to 25 billion. Total assets under management were up, too, though only marginally (+0.2% to 8.6 billion, resulting from a 0.4% increase in net entries and a -0.1% price performance). Life reserves stood at roughly 1 billion, down 2% on their level at the end of the previous quarter.
- Costs were more or less in line with the previous quarter (+1 million or +1%) with higher ICT expenses and administrative expenses being offset by lower marketing expenses and variable staff remuneration costs. The resulting cost/income ratio for 9M2016 remained at an excellent 44% (45% excluding a number of exceptional items), compared to 48% for FY2015 (likewise 48% excluding exceptional items). The non-life insurance combined ratio for 9M2016 amounted to 97% (FY2015: 94%).
- At 2 million, loan loss impairment in 3Q2016 remained very low, declining further on the 9 million registered in the previous quarter, thanks to the combination of the generally very low level of new impairment provisions and the various impairment releases relating to SME and corporate loans. The credit cost ratio for 9M2016 consequently amounted to a very favourable 0.07%. Impaired loans declined further to just 2.7% of the loan book at the end of September 2016.

Czech Republic Business Unit (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	215	210	211	210	213
Non-life insurance (before reinsurance)	21	23	20	17	17
Earned premiums	*45*	*47*	*45*	*46*	*49*
Technical charges	*-24*	*-24*	*-25*	*-29*	*-32*
Life insurance (before reinsurance)	7	7	8	8	10
Earned premiums	*76*	*95*	*67*	*51*	*59*
Technical charges	*-69*	*-88*	*-59*	*-43*	*-49*
Ceded reinsurance result	-2	-3	-2	-1	2
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	26	26	32	41	20
Net realised result from available-for-sale assets	0	0	0	48	0
Net fee and commission income	49	52	46	49	46
Other net income	5	6	5	4	7
Total income	322	320	318	378	314
Operating expenses	-140	-166	-170	-143	-144
Impairment	-4	-20	-1	-10	-2
on loans and receivables	*-5*	*-14*	*-1*	*-9*	*-2*
on available-for-sale assets	*0*	*-4*	*0*	*0*	*0*
on goodwill	*0*	*-2*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*-1*	*0*
Share in results of associated companies & joint ventures	5	4	6	5	8
Result before tax	183	138	154	231	175
Income tax expense	-30	-19	-25	-40	-30
Result after tax	153	119	129	191	145
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**153**	**119**	**129**	**191**	**145**
Banking	*144*	*113*	*123*	*186*	*137*
Insurance	*8*	*6*	*6*	*5*	*8*
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '15, phased-in as of '16)	12 902	12 919	13 238	13 571	13 921
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	70	72	80	84	90
Allocated capital (end of period)	1 478	1 482	1 437	1 475	1 517
Return on allocated capital (ROAC)	40%	32%	37%	54%	41%
Cost/income ratio, banking	43%	52%	53%	36%	45%
Combined ratio, non-life insurance	93%	92%	95%	100%	96%
Net interest margin, banking	3.01%	2.95%	3.00%	2.91%	2.91%

International Markets Business Unit

- The business unit's net result amounted to 106 million in 3Q2016, down somewhat on the 123 million recorded in the previous quarter (which had benefitted from 25 million euros related to the sale of Visa Europe shares) but up on the 92 million posted in the year-earlier quarter.
- Total income fell quarter-on-quarter (-47 million or -15%), which was due primarily – as mentioned before – to the fact that the previous quarter had benefitted from 31 million (25 million after tax) in gains realised on the sale of Visa Europe shares, recorded under *net realised gains from available-for-sale assets*. The most important quarter-on-quarter changes in the other income lines were an increase in *net interest income* (+5 million or +3%, with the largest increase in Ireland, thanks essentially to lower funding and liquidity costs) and a decrease in the *net result from financial instruments* (-19 million or -63%, due in part to model-related market value adjustments in Ireland). The *technical non-life insurance result* (earned premiums minus technical charges, including the impact of ceded reinsurance) remained more or less unchanged on its quarter-earlier level, and *sales of life insurance* products were down (-38%) on the high level recorded in the previous quarter (mainly caused by the drop in the sale of unit-linked insurance products in Hungary).
- The overall loan book on the balance sheet (21 billion) was up 1% quarter-on-quarter, with growth in all countries except Ireland (-1%). Customer deposits (18 billion) were down 1% on the previous quarter's level, with the increases in Slovakia and Bulgaria being more than offset by a decrease in Hungary and Ireland (see below). Total assets under management went up by 4% to 5.8 billion, due essentially to the average asset price increase. Life reserves stood at 0.6 billion, up 2% on the previous quarter.
- Costs in the third quarter were up on the previous quarter (+8 million, or +5%), with increases being recorded in all countries except Bulgaria. The resulting cost/income ratio for the entire business unit stood at 65% for 9M2016 (66% excluding a number of exceptional items) in line with the 66% recorded for FY2015 (likewise 66% excluding exceptional items). The combined ratio for the non-life insurance activities amounted to an excellent 92% for the same period (FY2015: 95%).
- There was a net release of 37 million in loan loss impairment charges in the quarter under review, compared to a 6 million net addition in the previous quarter. The net release in 3Q2016 was largely attributable to Hungary and Ireland. For the business unit as a whole, this resulted in an excellent credit cost ratio of -0.18% for 9M2016 (as a negative figure indicates a net release of impairment, the impact on the results was a positive one). Impaired loans fell further to (a still high) 26.9% of the loan book at the end of September 2016 (elevated figure caused by the high, but improving figure for Ireland – see below).
- The 3Q2016 net result of the International Markets Business Unit breaks down as follows: 20 million for Slovakia, 42 million for Hungary, 8 million for Bulgaria and 37 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)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	180	181	178	179	184
Non-life insurance (before reinsurance)	21	23	20	24	24
Earned premiums	*43*	*46*	*46*	*49*	*50*
Technical charges	*-22*	*-23*	*-26*	*-25*	*-27*
Life insurance (before reinsurance)	5	5	6	4	3
Earned premiums	*27*	*21*	*24*	*24*	*20*
Technical charges	*-22*	*-16*	*-18*	*-19*	*-17*
Ceded reinsurance result	-1	-2	0	-2	-2
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	20	16	23	31	11
Net realised result from available-for-sale assets	-1	0	4	32	0
Net fee and commission income	51	51	48	51	52
Other net income	19	5	1	-2	-2
Total income	294	279	280	317	271
Operating expenses	-171	-184	-208	-172	-180
Impairment	-12	-28	2	-6	35
on loans and receivables	*-12*	*-26*	*3*	*-6*	*37*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*-3*	*-1*	*0*	*-2*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	111	66	74	139	125
Income tax expense	-18	-5	-14	-16	-19
Result after tax	92	61	60	123	106
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**92**	**61**	**60**	**123**	**106**
Banking	*86*	*58*	*52*	*119*	*99*
Insurance	*6*	*3*	*7*	*4*	*7*
Risk-weighted assets, banking (end of period, BaselIII, fully loaded in '15, phased-in as of '16)	18 627	19 424	17 928	17 406	17 642
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	46	48	106	98	91
Allocated capital (end of period)	2 037	2 123	1 944	1 882	1 899
Return on allocated capital (ROAC)	18%	12%	13%	26%	22%
Cost/income ratio, banking	58%	65%	75%	53%	67%
Combined ratio, non-life insurance	94%	97%	88%	93%	97%
Net interest margin, banking	2.56%	2.50%	2.47%	2.48%	2.52%

Ireland

- Ireland's net result amounted to 37 million in 3Q2016, a further increase on the 30 million recorded in the previous quarter and on the 10 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 3Q2016 fell (-16 million or -25%), as increased net interest income (+3 million, thanks to lower funding and liquidity costs, among other things) could not fully offset the drop in trading and fair value income (due mainly to model-related market value adjustments) and the decrease in other net income (one-off).
- The Irish loan book on the balance sheet continued to decline, contracting by 1% quarter-on-quarter (due to further deleveraging of the corporate loan book and a decline in the retail loan book, as mortgage redemptions outpaced new production). Customer deposits declined almost 5% quarter-on-quarter, the decrease being accounted for primarily by corporate customers (and replaced by intragroup TLTRO funding).
- Costs in the second quarter were up on their quarter-earlier level (+3 million or +8%), due to a variety of factors including higher consultancy fees and a one-off sanction provision. The resulting cost/income ratio for 9M2016 stood at 69% (FY2015: 75%).
- Loan loss impairment in 3Q2016 was a positive 28 million (indicating a net release of impairment), compared to a positive 1 million in the previous quarter. The net release of impairment in 3Q2016 was driven mainly by an improved non-performing portfolio performance, the positive impact of the higher house price index and an improved arrears position in the retail portfolio. The credit cost ratio for 9M2016 stood at an excellent -0.32% (a negative figure implies a net release of impairment). Impaired loans – though still high – continue their downward trend and stood at 44.7% of the loan book at the end of September 2016.

Ireland (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	51	53	55	59	61
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	3	1	2	6	-9
Net realised result from available-for-sale assets	0	0	0	0	0
Net fee and commission income	0	-2	0	0	0
Other net income	0	0	0	0	-4
Total income	53	53	57	65	49
Operating expenses	-36	-39	-39	-37	-40
Impairment	-9	-16	3	1	27
on loans and receivables	*-9*	*-16*	*3*	*1*	*28*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*-1*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	8	-2	21	28	35
Income tax expense	2	5	2	1	1
Result after tax	10	3	23	30	37
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**10**	**3**	**23**	**30**	**37**
Banking	*10*	*3*	*23*	*30*	*37*
Insurance	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '15, phased-in as of '16)	7 029	7 449	7 095	6 810	6 787
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	-	-	-	-	-
Allocated capital (end of period)	738	782	727	698	696
Return on allocated capital (ROAC)	5%	2%	13%	16%	20%
Cost/income ratio, banking	68%	74%	69%	58%	83%
Combined ratio, non-life insurance	-	-	-	-	-

Hungary

- Hungary's net result amounted to 42 million in 3Q2016, down on the 53 million recorded in the previous quarter (which had benefitted from 12 million euros related to the sale of Visa Europe shares) and on the 54 million in the year-earlier quarter (which had included some positive one-off items).
- Compared to the previous quarter, total income in 3Q2016 was down (-15 million, or -11%), as the previous quarter had benefitted from the 15 million (12 million after tax) gain on the sale of Visa Europe shares. Changes in other income items were limited compared to the previous quarter (slightly higher net interest income and trading and fair value income, slightly lower net fee and commission income and other net income, and a decreased contribution from technical insurance income). As regards the latter, the technical result for the non-life insurance activities (earned premiums minus technical charges, plus the ceded insurance result) decreased by 9% due to higher claims and charges, while sales of life insurance products went down more than half compared to their high level recorded in the previous quarter (with its high sales of unit-linked products).
- The Hungarian loan book on the balance sheet increased by 3% in the quarter under review. Deposit volumes, on the other hand, decreased by 2% (mainly in corporate deposits). Assets under management went up by 4% to 3.6 billion, thanks largely to asset price increases. Life reserves stood at 0.3 billion, up 4% on the previous quarter.
- Costs were up on their level in the previous quarter (+3 million or +4%), due largely to increased staff costs (filled vacancies, among other things) and a slightly higher bank tax cost. The resulting cost/income ratio for 9M2016 stood at 67% (likewise 67% excluding a number of exceptional items) compared to 65% in FY2015 (likewise 65% excluding exceptional items). The non-life combined ratio for the same period amounted to a very good 91% (FY2015: 97%).
- Loan loss impairment was a positive 11 million (indicating a net release of loan loss provisions) compared to a positive 1 million in the previous quarter. The release in 3Q2016 was due mainly to changes in the retail portfolio impairment model and a number of releases relating to corporate loans. As a result, the credit cost ratio for 9M2016 stood at an excellent -0.41% (a negative figure implies a net release of impairment). Impaired loans accounted for some 10% of the loan book at the end of September 2016.

Hungary (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	61	61	58	57	58
Non-life insurance (before reinsurance)	7	7	8	8	8
Earned premiums	*17*	*18*	*19*	*20*	*21*
Technical charges	*-9*	*-11*	*-11*	*-11*	*-13*
Life insurance (before reinsurance)	1	1	1	0	-1
Earned premiums	*4*	*4*	*4*	*4*	*4*
Technical charges	*-3*	*-2*	*-3*	*-3*	*-5*
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	15	12	16	17	18
Net realised result from available-for-sale assets	-1	0	3	15	0
Net fee and commission income	40	42	38	40	40
Other net income	13	3	-1	1	1
Total income	136	125	123	137	122
Operating expenses	-73	-78	-103	-75	-78
Impairment	4	-1	1	0	10
on loans and receivables	*5*	*1*	*2*	*1*	*11*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*-2*	*-1*	*0*	*-1*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	68	46	22	63	55
Income tax expense	-13	-4	-9	-10	-13
Result after tax	54	42	12	53	42
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**54**	**42**	**12**	**53**	**42**
Banking	*52*	*42*	*9*	*50*	*40*
Insurance	*2*	*0*	*3*	*3*	*2*
Risk-weighted assets, banking (end of period, BaselIII, fully loaded in '15, phased-in as of '16)	6 529	6 858	5 515	5 197	5 562
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	16	16	23	26	29
Allocated capital (end of period)	713	749	589	558	599
Return on allocated capital (ROAC)	29%	23%	8%	35%	28%
Cost/income ratio, banking	53%	61%	85%	55%	63%
Combined ratio, non-life insurance	95%	108%	83%	92%	101%

Slovakia

- Slovakia's net result amounted to 20 million in 3Q2016, down on the 37 million recorded in the previous quarter (which had benefitted from 11 million euros related to the sale of Visa Europe shares) and on the 24 million in the year-earlier quarter.
- Compared to the previous quarter, total income was down (-18 million or -19%), though this was due largely to the fact that the previous quarter had benefitted from 14 million (11 million after tax) in gains realised on the sale of Visa Europe shares and to a drop in trading and fair value income (-5 million), which had been high in the previous quarter. Differences in the other income line items were limited. The technical result of the non-life and life insurance activities (earned premiums minus technical charges, plus the ceded insurance result) remained in line with the previous quarter's level, and sales of life insurance products rose by 8%, owing to an increase in the sale of unit-linked products.
- The Slovak loan book on the balance sheet continued to grow, expanding by no less than 3% quarter-on-quarter (thanks in part to strong mortgage loan growth), while customer deposits increased too, by 1%. Assets under management were down slightly on their level of the previous quarter (-1% to 0.6 billion), due mainly to a decrease in average asset prices. Life reserves stood at 0.2 billion, up 2% on the previous quarter.
- Costs in the quarter under review were up (+4 million or +8%) on their level in the previous quarter, due to higher special bank taxes and a number of smaller items (including higher expense for professional fees and staff). Consequently, the cost/income ratio for 9M2016 stood at 58% (or 62% excluding a number of exceptional items) compared to 60% in FY2015 (likewise 60% excluding exceptional items). The non-life combined ratio for the same period amounted to an excellent 87% (FY2015: 88%).
- Loan loss impairment was a very low 1 million, a further decline on the 6 million registered in the previous quarter, thanks to the absence of any new, large problem loans and a number of impairment recoveries. Consequently, the credit cost ratio for 9H2016 stood at a favourable level of just 0.17%. Impaired loans accounted for some 3.2% of the loan book at the end of September 2016.

Slovakia (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	55	55	54	52	53
Non-life insurance (before reinsurance)	5	6	5	5	5
Earned premiums	*7*	*8*	*8*	*8*	*8*
Technical charges	*-3*	*-2*	*-3*	*-3*	*-3*
Life insurance (before reinsurance)	3	2	3	3	3
Earned premiums	*15*	*12*	*14*	*12*	*13*
Technical charges	*-12*	*-10*	*-10*	*-10*	*-10*
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	3	4	7	2
Net realised result from available-for-sale assets	0	0	0	14	0
Net fee and commission income	12	11	11	11	12
Other net income	5	2	1	1	1
Total income	81	78	79	94	76
Operating expenses	-48	-50	-51	-45	-48
Impairment	-4	-9	-1	-6	-1
on loans and receivables	*-4*	*-9*	*-1*	*-6*	*-1*
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	30	20	26	43	26
Income tax expense	-6	-6	-6	-6	-6
Result after tax	24	14	20	37	20
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**24**	**14**	**20**	**37**	**20**
Banking	*22*	*12*	*17*	*35*	*17*
Insurance	*2*	*1*	*3*	*2*	*3*
Risk-weighted assets, banking (end of period, BaselIII, fully loaded in '15, phased-in as of '16)	4 313	4 350	4 522	4 592	4 480
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	15	15	20	22	25
Allocated capital (end of period)	479	483	484	493	484
Return on allocated capital (ROAC)	21%	11%	18%	32%	17%
Cost/income ratio, banking	59%	62%	67%	46%	65%
Combined ratio, non-life insurance	90%	87%	85%	89%	87%

Bulgaria

- Bulgaria's net result amounted to 8 million in 3Q2016, up on the figure registered in the previous and year-earlier quarters.
- Compared to the previous quarter, total income in 3Q2016 was up (+2 million or +11%), notwithstanding the fact that the previous quarter had included 2 million related to gains on the sale of Visa Europe shares. The income increase was accounted for mainly by an increase in other net income (due to a one-off item in 2Q2016). The technical result of the non-life insurance activities (earned premiums minus technical charges, plus the ceded insurance result) rose thanks essentially to a lower level of technical charges. Sales of life insurance products went down by half on their relatively high level of the previous quarter.
- The Bulgarian loan book on the balance sheet grew by 1% quarter-on-quarter, while customer deposits went up by 8% thanks to some large corporate tickets. Life reserves stood at 0.04 billion, down 7% on the previous quarter.
- Costs in the quarter under review were down (-1 million or -10%) on their 2Q2016 level mainly as a result of lower bank taxes. The resulting cost/income ratio for 9M2016 stood at 59% (60% excluding a number of exceptional items) compared to 65% in FY2015 (likewise 65% excluding exceptional items). The combined ratio for the non-life insurance activities for the same period amounted to 97% (FY2015: likewise 97%).
- At 1 million, the level of loan loss impairment remained relatively low in 3Q2016. The credit cost ratio for 9H2016 stood at 0.64%. Impaired loans decreased further, dropping to 18% of the loan book at the end of September 2016.

Bulgaria (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	12	12	12	12	12
Non-life insurance (before reinsurance)	9	10	7	10	10
Earned premiums	*19*	*20*	*20*	*21*	*21*
Technical charges	*-10*	*-11*	*-12*	*-11*	*-11*
Life insurance (before reinsurance)	1	1	1	1	1
Earned premiums	*8*	*5*	*6*	*8*	*3*
Technical charges	*-7*	*-4*	*-5*	*-6*	*-2*
Ceded reinsurance result	0	0	1	-1	-1
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	0	0	0	0	0
Net realised result from available-for-sale assets	0	0	0	3	0
Net fee and commission income	0	-1	-1	-1	-1
Other net income	0	0	-1	-4	0
Total income	22	22	20	21	23
Operating expenses	-14	-16	-14	-14	-13
Impairment	-3	-2	-1	-1	-1
on loans and receivables	*-3*	*-2*	*-1*	*-1*	*-1*
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	5	3	5	5	9
Income tax expense	-1	0	0	-1	-1
Result after tax	4	3	4	4	8
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**4**	**3**	**4**	**4**	**8**
Banking	*2*	*1*	*3*	*5*	*5*
Insurance	*2*	*1*	*1*	*-1*	*2*
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '15, phased-in as of '16)	739	750	779	792	799
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)	16	16	63	50	37
Allocated capital (end of period)	105	108	142	131	119
Return on allocated capital (ROAC)	15%	10%	14%	12%	22%
Cost/income ratio, banking	61%	74%	67%	58%	53%
Combined ratio, non-life insurance	95%	92%	97%	96%	97%

Group Centre

The Group Centre's net result in 3Q2016 stood at -36 million, as opposed to a positive 37 million in the previous quarter and -2 million in the year-earlier quarter. The quarter under review included weaker income (especially trading and fair value income), higher operating expenses (which are not charged through to the other business units), increased loan loss impairment and higher (one-off) positive tax effects. A breakdown of the net result by activity is provided in the table below.

Group Centre: breakdown of net result (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Operating expenses of group activities[1]	0	-62	-18	-7	-21
Capital and treasury management-related costs	0	0	1	1	-4
Costs related to the holding of participations	-18	-15	-17	-9	-13
Results of remaining companies earmarked for divestments or in run-down[2]	16	756	-8	10	17
Other items[3]	0	-346	36	41	-14
Total net result for the Group Centre	**-2**	**334**	**-6**	**37**	**-36**

1 4Q2015 includes impairment on the Hungarian Data Centre (-20 million).
2 4Q2015 includes the impact of the liquidation of KBC Financial Holding Inc. (765 million).
3 4Q2015 includes the write-down of goodwill on a number of participations (-341 million); 1Q2016 and 2Q2016 include the impact of a deferred tax asset relating to Credit Investments (18 and 47 million, respectively).

Group Centre (in millions of EUR)	3Q2015	4Q2015	1Q2016	2Q2016	3Q2016
Net interest income	-26	-16	-10	-2	-13
Non-life insurance (before reinsurance)	-4	-2	-2	6	5
Earned premiums	*-4*	*-4*	*2*	*3*	*2*
Technical charges	*0*	*2*	*-4*	*4*	*3*
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	1	3	2	-4	-12
Dividend income	1	2	1	9	2
Net result from financial instr. at fair value through P/L	33	-161	19	16	-31
Net realised result from available-for-sale assets	11	4	0	-1	13
Net fee and commission income	-4	-2	-3	-4	-2
Other net income	18	-5	0	1	2
Total income	30	-177	8	20	-35
Operating expenses	-10	-59	-34	-16	-41
Impairment	-4	-371	0	-7	-20
on loans and receivables	*-4*	*-4*	*0*	*-7*	*-20*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*-342*	*0*	*0*	*0*
Other	*0*	*-25*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	1	1	1	1	1
Result before tax	17	-606	-24	-2	-95
Income tax expense	-19	939	19	39	59
Result after tax	-2	334	-6	37	-36
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-2**	**334**	**-6**	**37**	**-36**
Banking	-6	443	7	35	-14
Insurance	7	-36	2	-1	-4
Group	-4	-73	-14	2	-17
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '15, phased-in as of	5 280	5 433	5 438	5 341	4 921
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period, Solv.I in '15, Solv.II as of '16)*	1	0	-20	-35	-18
Allocated capital (end of period)	556	571	537	513	487

* Including diversification effect

KBC Group Consolidated financial statements according to IFRS 3Q 2016 and 9M 2016

This section is reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Net interest income	3	1 062	1 070	1 064	3 245	3 201
Interest income		1 770	1 654	1 673	5 425	5 048
Interest expense		- 708	- 585	- 609	- 2 179	- 1 847
Non-life insurance before reinsurance	9	142	141	164	464	450
Earned premiums Non-life		335	349	357	981	1 047
Technical charges Non-life		- 193	- 208	- 193	- 517	- 597
Life insurance before reinsurance	9	- 51	- 38	- 34	- 150	- 107
Earned premiums Life		289	402	336	856	1 163
Technical charges Life		- 340	- 440	- 370	- 1 006	- 1 271
Ceded reinsurance result	9	0	- 13	- 1	- 18	- 23
Dividend income		13	36	12	64	58
Net result from financial instruments at fair value through profit or loss	5	47	154	69	282	317
Net realised result from available-for-sale assets	6	44	128	26	160	181
Net fee and commission income	7	383	360	368	1 307	1 074
Fee and commission income		547	517	525	1 814	1 549
Fee and commission expense		- 164	- 157	- 157	- 507	- 475
Net other income	8	96	47	59	250	157
TOTAL INCOME		1 736	1 885	1 727	5 604	5 308
Operating expenses	12	- 862	- 904	- 895	- 2 928	- 2 985
Staff expenses		- 566	- 555	- 560	- 1 697	- 1 671
General administrative expenses		- 233	- 288	- 272	- 1 043	- 1 131
Depreciation and amortisation of fixed assets		- 63	- 61	- 62	- 188	- 183
Impairment	14	- 49	- 71	- 28	- 275	- 127
on loans and receivables		- 34	- 50	- 18	- 245	- 71
on available-for-sale assets		- 15	- 20	- 7	- 24	- 51
on goodwill		0	0	0	0	0
on other		0	- 1	- 3	- 6	- 5
Share in results of associated companies and joint ventures		6	6	9	20	22
RESULT BEFORE TAX		831	916	814	2 421	2 218
Income tax expense	16	- 231	- 194	- 184	- 644	- 476
RESULT AFTER TAX		600	721	629	1 776	1 742
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**600**	**721**	**629**	**1 776**	**1 742**
Earnings per share (in EUR)						
Basic		1.41	1.69	1.47	4.16	4.07
Diluted		1.41	1.69	1.47	4.16	4.07

Consolidated statement of comprehensive income (condensed)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
RESULT AFTER TAX	600	721	629	1 776	1 742
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	600	721	629	1 776	1 742
Other comprehensive income - to be recycled to P&L	- 102	- 166	168	56	- 250
Net change in revaluation reserve (AFS assets) - Equity	- 107	- 98	62	- 7	- 142
Net change in revaluation reserve (AFS assets) - Bonds	150	75	129	- 185	401
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	- 140	- 140	- 35	161	- 506
Net change in translation differences	- 6	- 4	- 4	83	- 18
Net change related to associated companies & joint ventures	- 1	0	3	2	3
Other movements	2	0	12	2	11
Other comprehensive income - not to be recycled to P&L	- 40	- 43	- 65	111	- 312
Net change in defined benefit plans	- 40	- 43	- 65	111	- 312
Net change related to associated companies & joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	458	512	732	1 943	1 181
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	458	512	732	1 943	1 181

For more information on amendments to IAS 1, triggering a presentation change of the above table, see note 1a.

The largest movements in other comprehensive income (9M 2016 vs 9M 2015):

- Net change in revaluation reserve (AFS assets) – Equity: the -142 million euros in 9M 2016 can be explained for a large part by the realisation of Visa Europe Limited shares (following the public offering of Visa Inc.)
- Net change in revaluation reserve (AFS assets) – Bonds: from -185 million euros for 9M 2015 (due to e.g. approaching maturities of AFS bonds with positive AFS reserves and realisation of gains) to 401 million euros for 9M 2016 (mainly explained by a decrease in long-term interest rates)
- Net change in hedging reserve (cash flow hedge): from 161 million euros for 9M 2015 (due to e.g. transfer to net result), to -506 million euros for 9M 2016 (mainly explained by a decrease in long-term interest rates)
- Net change in defined benefit plans: from 111 million euro for 9M 2015 (due to an increase in the discount rate at that time) to -312 million euro for 9M 2016 (due to a decrease in discount rate).

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2015	30-09-2016
Cash and cash balances with central banks		7 038	13 329
Financial assets	18 - 26	237 346	243 976
Held for trading		10 385	10 448
Designated at fair value through profit or loss		16 514	15 494
Available for sale		35 670	36 931
Loans and receivables		141 305	148 148
Held to maturity		32 958	32 487
Hedging derivatives		514	469
Reinsurers' share in technical provisions		127	126
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		105	414
Tax assets		2 336	2 437
Current tax assets		107	56
Deferred tax assets		2 228	2 381
Non-current assets held for sale and assets associated with disposal groups		15	3
Investments in associated companies and joint ventures		207	207
Investment property		438	426
Property and equipment		2 299	2 392
Goodwill and other intangible assets		959	988
Other assets		1 487	1 720
TOTAL ASSETS		252 356	266 016

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2015	30-09-2016
Financial liabilities	18 - 26	213 333	225 201
Held for trading		8 334	8 244
Designated at fair value through profit or loss		24 426	23 824
Measured at amortised cost		178 383	191 034
Hedging derivatives		2 191	2 100
Technical provisions, before reinsurance		19 532	19 745
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		171	300
Tax liabilities		658	788
Current tax liabilities		109	176
Deferred tax liabilies		549	612
Provisions for risks and charges		310	242
Other liabilities		2 541	3 206
TOTAL LIABILITIES		236 545	249 481
Total equity	39	15 811	16 534
Parent shareholders' equity	39	14 411	15 135
Additional Tier-1 instruments included in equity	39	1 400	1 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		252 356	266 016

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remea-surement 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
30-09-2015												
Balance at the beginning of the period (01-01-2015)	1 453	5 421	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	1 776	0	1 776	0	0	0	1 776
Other comprehensive income for the period	0	0	- 193	161	111	2	86	167	0	0	0	167
Total comprehensive income	**0**	**0**	**- 193**	**161**	**111**	**1 778**	**86**	**1 943**	**0**	**0**	**0**	**1 943**
Dividends	0	0	0	0	0	- 836	0	- 836	0	0	0	- 836
Coupon non-voting core-capital securities	0	0	0	0	0	- 171	0	- 171	0	0	0	- 171
Coupon additional Tier-1 instruments	0	0	0	0	0	- 39	0	- 39	0	0	0	- 39
Change in scope	0	0	0	0	0	0	0	0	0	0	3	3
Total change	**0**	**0**	**- 193**	**161**	**111**	**733**	**86**	**898**	**0**	**0**	**3**	**901**
Balance at the end of the period	**1 453**	**5 421**	**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 non-current assets held for sale and disposal groups			0	0	0	0	0	0				0
of which relating to equity method			22	0	0	0	3	25				25
30-09-2016												
Balance at the beginning of the period (01-01-2016)	1 454	5 437	1 782	- 1 146	94	6 779	11	14 411	0	1 400	0	15 811
Net result for the period	0	0	0	0	0	1 742	0	1 742	0	0	0	1 742
Other comprehensive income for the period	0	0	263	- 506	- 312	11	- 18	- 561	0	0	0	- 561
Total comprehensive income	**0**	**0**	**263**	**- 506**	**- 312**	**1 754**	**- 18**	**1 181**	**0**	**0**	**0**	**1 181**
Dividends	0	0	0	0	0	- 418	0	- 418	0	0	0	- 418
Coupon additional Tier-1 instruments	0	0	0	0	0	- 39	0	- 39	0	0	0	- 39
Total change	**0**	**0**	**263**	**- 506**	**- 312**	**1 296**	**- 18**	**723**	**0**	**0**	**0**	**723**
Balance at the end of the period	**1 454**	**5 437**	**2 045**	**- 1 652**	**- 218**	**8 075**	**- 7**	**15 135**	**0**	**1 400**	**0**	**16 534**
of which revaluation reserve for shares			405									
of which revaluation reserve for bonds			1 640									
of which revaluation reserve for other assets than bonds and shares			0									
of which relating to non-current assets held for sale and disposal groups			0	0	0	0	0	0				0
of which relating to equity method			25	0	0	0	7	32				32

As an advance payment of the total 2016 dividend, KBC decided to distribute an interim dividend of 1 euro per share (418 million euros in total), payable on 18 November 2016 (already deducted from retained earnings).

Condensed consolidated cash flow statement

In millions of EUR	9M 2015	9M 2016
Cash and cash equivalents at the beginning of the period	6 518	10 987
Net cash from (used in) operating activities	12 300	9 413
Net cash from (used in) investing activities	- 992	345
Net cash from (used in) financing activities	- 906	- 1 259
Effects of exchange rate changes on opening cash and cash equivalents	90	10
Cash and cash equivalents at the end of the period	17 010	19 496

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2015)

The condensed interim financial statements of the KBC Group for the third quarter ended 30 September 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS'). The same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements, except for the following item:

An amendment to IAS 1 (presentation of financial statement) requiring the aggregate share in 'other comprehensive income' of associated companies and joint ventures to be recognised separately was issued but not yet mandatory at year-end 2015. It also has to be grouped according to whether or not it is recycled to profit or loss. As a consequence, the amounts presented in the other items of 'other comprehensive income' exclude the share in results of associated companies and joint ventures. KBC had decided to apply the new standard with effect from 2016. The reference figures have been adjusted accordingly.

Summary of significant accounting policies (note 1b in the annual accounts 2015)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2015.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2015)

For a description on the management structure and linked reporting presentation, reference is made to note 2a in the annual accounts 2015.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
9M 2015									
Net interest income	2 128	635	530	*186*	*160*	*35*	*149*	- 48	3 245
Non-life insurance before reinsurance	356	58	58	*20*	*14*	*25*	*0*	- 8	464
Earned premiums Non-life	739	130	123	*47*	*21*	*55*	*0*	- 12	981
Technical charges Non-life	- 383	- 72	- 65	*- 27*	*- 8*	*- 31*	*0*	4	- 517
Life insurance before reinsurance	- 180	19	12	*1*	*8*	*3*	*0*	0	- 150
Earned premiums Life	640	147	69	*11*	*39*	*19*	*0*	0	856
Technical charges Life	- 821	- 128	- 57	*- 10*	*- 31*	*- 16*	*0*	0	- 1 006
Ceded reinsurance result	- 12	- 5	- 4	*- 1*	*- 1*	*- 2*	*0*	3	- 18
Dividend income	56	0	0	*0*	*0*	*0*	*0*	7	64
Net result from financial instruments at fair value through profit or loss	111	72	59	*48*	*13*	*1*	*- 4*	40	282
Net realised result from available-for-sale assets	123	12	6	*3*	*2*	*0*	*1*	19	160
Net fee and commission income	1 010	150	154	*118*	*36*	*- 1*	*- 2*	- 7	1 307
Net other income	166	17	46	*39*	*7*	*0*	*0*	21	250
TOTAL INCOME	3 757	957	862	*414*	*238*	*61*	*145*	28	5 604
Operating expenses	- 1 819	- 451	- 568	*- 275*	*- 141*	*- 40*	*- 110*	- 90	- 2 928
Impairment	- 170	- 22	- 55	*- 6*	*- 9*	*- 8*	*- 32*	- 28	- 275
on loans and receivables	- 143	- 22	- 56	*- 7*	*- 9*	*- 8*	*- 32*	- 24	- 245
on available-for-sale assets	- 21	0	0	*0*	*0*	*0*	*0*	- 3	- 24
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 7	0	1	*1*	*0*	*0*	*0*	0	- 6
Share in results of associated companies and joint ventures	- 1	19	0	*0*	*0*	*0*	*0*	2	20
RESULT BEFORE TAX	1 767	502	239	*133*	*88*	*13*	*3*	- 87	2 421
Income tax expense	- 551	- 79	- 55	*- 44*	*- 20*	*2*	*7*	41	- 644
RESULT AFTER TAX	1 216	423	184	*89*	*68*	*16*	*10*	- 47	1 776
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	1 216	423	184	*89*	*68*	*16*	*10*	- 47	1 776
9M 2016									
Net interest income	2 050	634	542	*172*	*160*	*36*	*174*	- 25	3 201
Non-life insurance before reinsurance	319	55	68	*24*	*15*	*28*	*0*	9	450
Earned premiums Non-life	755	140	146	*61*	*24*	*61*	*0*	7	1 047
Technical charges Non-life	- 436	- 85	- 78	*- 36*	*- 9*	*- 34*	*0*	3	- 597
Life insurance before reinsurance	- 146	26	13	*1*	*9*	*3*	*0*	0	- 107
Earned premiums Life	919	177	68	*12*	*39*	*17*	*0*	0	1 163
Technical charges Life	- 1 065	- 151	- 54	*- 11*	*- 30*	*- 14*	*0*	0	- 1 271
Ceded reinsurance result	- 3	- 1	- 4	*- 1*	*- 1*	*- 1*	*0*	- 15	- 23
Dividend income	46	0	0	*0*	*0*	*0*	*0*	12	58
Net result from financial instruments at fair value through profit or loss	155	93	65	*51*	*13*	*1*	*0*	4	317
Net realised result from available-for-sale assets	84	48	36	*18*	*15*	*3*	*0*	13	181
Net fee and commission income	790	141	151	*117*	*34*	*- 3*	*0*	- 8	1 074
Net other income	142	16	- 3	*0*	*3*	*- 4*	*- 3*	3	157
TOTAL INCOME	3 437	1 011	868	*383*	*248*	*64*	*171*	- 7	5 308
Operating expenses	- 1 876	- 457	- 561	*- 256*	*- 144*	*- 41*	*- 117*	- 91	- 2 985
Impairment	- 119	- 13	31	*12*	*- 8*	*- 4*	*31*	- 27	- 127
on loans and receivables	- 67	- 12	34	*14*	*- 8*	*- 4*	*32*	- 27	- 71
on available-for-sale assets	- 51	0	0	*0*	*0*	*0*	*0*	0	- 51
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 1	- 1	- 3	*- 2*	*0*	*0*	*- 1*	0	- 5
Share in results of associated companies and joint ventures	0	19	0	*0*	*0*	*0*	*0*	3	22
RESULT BEFORE TAX	1 442	560	338	*139*	*95*	*18*	*85*	- 121	2 218
Income tax expense	- 448	- 95	- 49	*- 32*	*- 19*	*- 2*	*4*	117	- 476
RESULT AFTER TAX	994	465	289	*106*	*76*	*16*	*89*	- 5	1 742
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	993	465	289	*106*	*76*	*16*	*89*	- 5	1 742

Other notes

Net interest income (note 3 in the annual accounts 2015)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Total	1 062	1 070	1 064	3 245	3 201
Interest income	1 770	1 679	1 673	5 425	5 048
Available-for-sale assets	177	176	180	539	532
Loans and receivables	993	968	949	3 086	2 869
Held-to-maturity investments	238	243	243	707	732
Other assets not at fair value	9	22	21	30	61
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 418*	*1 409*	*1 393*	*4 363*	*4 193*
Financial assets held for trading	199	166	168	624	520
Hedging derivatives	89	76	67	277	220
Other financial assets at fair value through profit or loss	65	28	44	161	116
Interest expense	- 708	- 609	- 609	-2 179	-1 847
Financial liabilities measured at amortised cost	- 290	- 217	- 221	- 932	- 674
Other	- 2	- 1	- 8	- 4	- 12
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 292*	*- 218*	*- 228*	*- 936*	*- 686*
Financial liabilities held for trading	- 232	- 197	- 191	- 710	- 596
Hedging derivatives	- 149	- 144	- 141	- 443	- 432
Other financial liabilities at fair value through profit or loss	- 32	- 49	- 47	- 84	- 128
Net interest expense on defined benefit plans	- 2	- 1	- 1	- 6	- 4

The interest income of ‘loans and receivables’, interest expense of ‘financial liabilities measured at amortised cost’, ‘financial liabilities held for trading’ and ‘net interest expense on defined benefit plans’ were adjusted for 2Q 2016 triggering a shift of respectively +25 million euro, -25 million euros, -3 million and +3 million euros without impact on net interest income itself.

Net result from financial instruments at fair value through profit or loss (note 5 in the annual accounts 2015)

The result from financial instruments at fair value through profit or loss in 3Q 2016 is 85 million euros lower compared to 2Q 2016. The relatively strong quarter-on-quarter decrease is due largely to changes in market value adjustments (combined effect of market evolutions and model changes).
Compared to 3Q 2015, the result from financial instruments at fair value through profit or loss is 23 million euros higher, chiefly due to a higher level of dealing room income in 3Q 2016.
On a year-to-date basis, the result from financial instruments at fair value through profit or loss is 34 million euros higher, mainly thanks to a higher dealing room income and less negative market value adjustments, partly offset by a lower MtM ALM derivatives.

Net realised result from available-for-sale assets (note 6 in the annual accounts 2015)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Total	44	128	26	160	181
Breakdown by portfolio					
Fixed-income securities	6	1	14	49	21
Shares	38	127	11	111	159

The realised gains on available-for-sale shares in 2Q 2016 include the realised gain related to the takeover of Visa Europe by Visa Inc. on the basis of the market value as at 22 June 2016 (99 million euros pre-tax, 84 million euros after tax).

Net fee and commission income (note 7 in the annual accounts 2015)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Total	383	360	368	1 307	1 074
Fee and commission income	547	517	525	1 814	1 549
Securities and asset management	297	271	277	1 006	812
Margin on deposit accounting (life insurance investment contracts without DPF)	9	13	11	74	36
Commitment credit	62	67	62	202	188
Payments	136	139	146	393	420
Other	43	27	27	139	93
Fee and commission expense	- 164	- 157	- 157	- 507	- 475

Net other income (note 8 in the annual accounts 2015)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Total	96	47	59	250	157
Of which net realised result following					
The sale of loans and receivables	2	0	1	1	1
The sale of held-to-maturity investments	0	0	2	5	3
The repurchase of financial liabilities measured at amortised cost	0	- 7	0	- 8	- 7
Other: of which:	94	54	57	252	161
Income concerning leasing at the KBC Lease-group	18	19	20	61	59
Income from Group VAB	16	19	15	51	53
Realised gains or losses on divestments	9	0	0	11	0
New law on retail loans (Hungary)	7	0	0	32	0
Deconsolidation real estate companies	0	0	0	18	0

Breakdown of the insurance results (note 9 in the annual accounts 2015)

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
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	0	- 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	0
Technical result	- 247	99	0	- 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
9M 2016				
Earned premiums, insurance (before reinsurance)	1 165	1 062		2 227
Technical charges, insurance (before reinsurance)	- 1 271	- 597		- 1 868
Net fee and commission income	- 25	- 202		- 227
Ceded reinsurance result	- 1	- 22		- 23
Operating expenses	- 102	- 183	- 2	- 287
Internal costs claim paid	- 6	- 43		- 49
Administration costs related to acquisitions	- 24	- 62		- 86
Administration costs	- 72	- 78		- 150
Management costs investments	0	0	- 2	- 2
Technical result	- 234	58	- 2	- 178
Net interest income			467	467
Dividend income			39	39
Net result from financial instruments at fair value			- 10	- 10
Net realised result from AFS assets			50	50
Net other income			0	0
Impairments			- 52	- 52
Allocation to the technical accounts	415	53	- 468	0
Technical-financial result	181	111	24	316
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	181	111	27	319
Income tax expense				- 103
RESULT AFTER TAX				216
attributable to minority interest				0
attributable to equity holders of the parent				217

Note: Figures for premiums 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 2015 annual accounts).

The technical result non-life of the first quarter 2016 was negatively impacted by the terrorist attacks in Brussels (-30 million euros before tax, which corresponds to the maximal exposure of KBC through the Terrorism Reinsurance and Insurance Pool (TRIP)). In 2Q 2016, 10 million euros before tax of this provision were reversed since the estimate of the total damage was decreased.

Operating expenses – income statement (note 12 in the annual accounts 2015)

The operating expenses of 9M 2016 include 410 million euros related to bank (and insurance) levies (24 million euros in 3Q 2016; respectively 368 and 21 million euros in 9M 2015 and 3Q 2015). Application of IFRIC 21 (Levies; in force as of 1 January 2015) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year. The bank levies of 2Q 2016 include an impact of -38 million euros due to the reorganisation of the Belgian Banking taxes (one new banking tax replacing the four existing banking taxes), which is partly compensated by the agreement to register 15% of the contribution to the ESRF in some countries (+9 million euros) as an irrevocable payment commitment (booked off-balance as a contingent liability).

Impairment – income statement (note 14 in the annual accounts 2015)

In millions of EUR	3Q 2015	2Q 2016	3Q 2016	9M 2015	9M 2016
Total	- 49	- 71	- 28	- 275	- 127
Impairment on loans and receivables	- 34	- 50	- 18	- 245	- 71
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 63	- 24	3	- 245	- 30
Provisions for off-balance-sheet credit commitments	1	- 1	- 3	6	4
Portfolio-based impairments	28	- 25	- 18	- 7	- 45
Breakdown by business unit					
Business unit Belgium	- 13	- 28	- 33	- 143	- 67
Business unit Czech Republic	- 5	- 9	- 2	- 22	- 12
Business unit International Markets	- 12	- 6	37	- 56	34
of which: Hungary	*5*	*1*	*11*	*- 7*	*14*
of which: Slovakia	*- 4*	*- 6*	*- 1*	*- 9*	*- 8*
of which: Bulgaria	*- 3*	*- 1*	*- 1*	*- 8*	*- 4*
of which: Ireland	*- 9*	*1*	*28*	*- 32*	*32*
Group Centre	- 4	- 7	- 20	- 24	- 27
Impairment on available-for-sale assets	- 15	- 20	- 7	- 24	- 51
Breakdown by type					
Shares	- 15	- 20	- 7	- 24	- 51
Other	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	0	- 1	- 3	- 6	- 5
Intangible assets, other than goodwill	0	- 1	0	- 1	- 1
Property and equipment and investment property	0	0	- 2	- 5	- 2
Held-to-maturity assets	0	0	0	0	- 1
Associated companies and joint ventures	0	0	0	0	0
Other	0	0	- 1	1	- 1

Income tax expense – income statement (note 16 in the annual accounts 2015)

In 1Q 2016, the income tax expenses were positively influenced by 18 million euros of Deferred Tax Assets (DTA) at KBC Credit Investments.

In 2Q 2016, an additional +27 million euro DTA was booked: (i) +47 million euros at KBC Credit Investments and (ii) -20 million euros at KBC Securities.

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2015)

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, 31-12-2015								
Loans and advances to credit institutions and investment firms [a]	0	2 107	0	11 524	-	-	-	13 631
Loans and advances to customers [b]	0	394	0	127 829	-	-	-	128 223
Excluding reverse repos	*0*	*71*	*0*	*127 650*	-	-	-	*127 721*
Trade receivables	0	0	0	3 729	-	-	-	3 729
Consumer credit	0	0	0	2 928	-	-	-	2 928
Mortgage loans	0	28	0	55 050	-	-	-	55 078
Term loans	0	366	0	56 997	-	-	-	57 363
Finance leasing	0	0	0	4 512	-	-	-	4 512
Current account advances	0	0	0	4 026	-	-	-	4 026
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	587	-	-	-	587
Equity instruments	411	2	2 071	-	-	-	-	2 485
Investment contracts (insurance)	-	13 330	-	-	-	-	-	13 330
Debt securities issued by	1 785	681	33 598	1 117	32 958	-	-	70 138
Public bodies	1 408	120	21 892	22	31 353	-	-	54 796
Credit institutions and investment firms	192	104	4 893	158	984	-	-	6 330
Corporates	184	456	6 813	937	622	-	-	9 013
Derivatives	8 188	-	-	-	-	514	-	8 702
Other	1	0	0	835	-	-	-	836
Total carrying value	10 385	16 514	35 670	141 305	32 958	514	0	237 346
[a] *Of which reverse repos*								*5 012*
[b] *Of which reverse repos*								*502*
FINANCIAL ASSETS, 30-09-2016								
Loans and advances to credit institutions and investment firms [a]	402	1 268	0	14 998	-	-	-	16 668
Loans and advances to customers [b]	21	481	0	131 472	-	-	-	131 973
Excluding reverse repos	*20*	*68*	*0*	*131 321*	-	-	-	*131 410*
Trade receivables	0	0	0	3 436	-	-	-	3 436
Consumer credit	0	0	0	3 272	-	-	-	3 272
Mortgage loans	0	27	0	56 749	-	-	-	56 776
Term loans	18	454	0	57 510	-	-	-	57 982
Finance leasing	0	0	0	4 832	-	-	-	4 832
Current account advances	0	0	0	5 172	-	-	-	5 172
Securitised loans	0	0	0	0	-	-	-	0
Other	3	0	0	501	-	-	-	504
Equity instruments	438	2	1 659	-	-	-	-	2 099
Investment contracts (insurance)	-	13 471	-	-	-	-	-	13 471
Debt securities issued by	1 618	272	35 271	1 027	32 487	-	-	70 676
Public bodies	1 315	74	23 103	22	30 919	-	-	55 434
Credit institutions and investment firms	161	3	5 056	147	931	-	-	6 298
Corporates	143	194	7 112	858	637	-	-	8 944
Derivatives	7 969	-	-	-	-	469	-	8 438
Other	0	0	0	652	0	0	0	652
Total carrying value	10 448	15 494	36 931	148 148	32 487	469	0	243 976
[a] *Of which reverse repos*								*9 821*
[b] *Of which reverse repos*								*563*

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, 31-12-2015								
Deposits from credit institutions and investment firms [a]	1	1 123	-	-	-	-	17 828	18 953
Deposits from customers and debt certificates [b]	431	10 916	-	-	-	-	158 762	170 109
Excluding repos	*431*	*2 349*	-	-	-	-	*158 762*	*161 542*
Deposits from customers	57	9 360	-	-	-	-	135 414	144 831
Demand deposits	0	0	-	-	-	-	55 148	55 148
Time deposits	57	9 360	-	-	-	-	27 724	37 141
Saving accounts	0	0	-	-	-	-	50 075	50 075
Special deposits	0	0	-	-	-	-	1 983	1 983
Other deposits	0	0	-	-	-	-	484	484
Debt certificates	374	1 555	-	-	-	-	23 349	25 278
Certificates of deposit	0	10	-	-	-	-	6 159	6 168
Customer savings certificates	0	0	-	-	-	-	1 092	1 092
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	374	1 253	-	-	-	-	12 576	14 203
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	293	-	-	-	-	3 522	3 815
Liabilities under investment contracts	-	12 387	-	-	-	-	0	12 387
Derivatives	7 487	-	-	-	-	2 191	-	9 677
Short positions	415	0	-	-	-	-	-	415
in equity instruments	58	0	-	-	-	-	-	58
in debt instruments	357	0	-	-	-	-	-	357
Other	0	0	-	-	-	-	1 792	1 792
Total carrying value	8 334	24 426	-	-	-	2 191	178 383	213 333
[a] *Of which repos*								*1 128*
[b] *Of which repos*								*8 567*
FINANCIAL LIABILITIES, 30-09-2016								
Deposits from credit institutions and investment firms [a]	154	6 787	-	-	-	-	23 177	30 118
Deposits from customers and debt certificates [b]	577	4 530	-	-	-	-	165 317	170 425
Excluding repos	*577*	*1 995*	-	-	-	-	*164 962*	*167 534*
Deposits from customers	182	3 464	-	-	-	-	139 768	143 414
Demand deposits	0	0	-	-	-	-	61 775	61 775
Time deposits	182	3 464	-	-	-	-	22 619	26 265
Saving accounts	0	0	-	-	-	-	52 649	52 649
Special deposits	0	0	-	-	-	-	2 133	2 133
Other deposits	0	0	-	-	-	-	593	593
Debt certificates	395	1 066	-	-	-	-	25 550	27 011
Certificates of deposit	0	4	-	-	-	-	8 506	8 510
Customer savings certificates	0	0	-	-	-	-	1 714	1 714
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	395	782	-	-	-	-	12 188	13 365
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	280	-	-	-	-	3 142	3 421
Liabilities under investment contracts	-	12 506	-	-	-	-	0	12 506
Derivatives	7 029	0	-	-	-	2 100	-	9 129
Short positions	469	0	-	-	-	-	-	469
in equity instruments	48	0	-	-	-	-	-	48
in debt instruments	420	0	-	-	-	-	-	420
Other	15	0	-	-	-	-	2 539	2 554
Total carrying value	8 244	23 824	-	-	-	2 100	191 034	225 201
[a] *Of which repos*								*7 245*
[b] *Of which repos*								*2 890*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-09-2015	31-12-2015	31-03-2016	30-06-2016	30-09-2016
Total customer loans excluding reverse repos					
Business unit Belgium	87 308	88 017	88 881	90 218	90 605
Business unit Czech Republic	17 618	18 005	18 600	18 983	19 269
Business unit International Markets	20 942	21 035	21 022	21 020	21 268
of which: Hungary	*3 577*	*3 552*	*3 592*	*3 556*	*3 727*
of which: Slovakia	*5 237*	*5 462*	*5 584*	*5 756*	*5 910*
of which: Bulgaria	*702*	*725*	*741*	*762*	*773*
of which: Ireland	*11 425*	*11 295*	*11 105*	*10 945*	*10 859*
Group Centre	764	664	620	501	268
KBC Group	126 633	127 721	129 123	130 722	131 410
Mortgage loans					
Business unit Belgium	33 092	33 341	33 394	33 784	34 079
Business unit Czech Republic	7 839	8 079	8 281	8 503	8 799
Business unit International Markets	13 649	13 657	13 643	13 716	13 897
of which: Hungary	*1 380*	*1 369*	*1 375*	*1 379*	*1 441*
of which: Slovakia	*1 976*	*2 072*	*2 146*	*2 316*	*2 491*
of which: Bulgaria	*241*	*242*	*245*	*237*	*235*
of which: Ireland	*10 052*	*9 975*	*9 877*	*9 784*	*9 731*
Group Centre	27	0	0	0	0
KBC Group	54 607	55 078	55 318	56 003	56 776
Customer deposits and debt certificates excl. repos					
Business unit Belgium	112 539	111 136	114 557	120 067	116 489
Business unit Czech Republic	23 323	24 075	24 328	24 888	25 403
Business unit International Markets	16 503	17 089	17 615	18 117	18 018
of which: Hungary	*5 474*	*5 862*	*5 879*	*6 054*	*6 096*
of which: Slovakia	*5 132*	*5 263*	*5 559*	*5 773*	*5 840*
of which: Bulgaria	*666*	*692*	*688*	*694*	*750*
of which: Ireland	*5 231*	*5 272*	*5 489*	*5 597*	*5 333*
Group Centre	9 540	9 241	8 251	8 368	7 624
KBC Group	161 906	161 542	164 750	171 440	167 534

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance	30-09-2015		31-12-2015		31-03-2016		30-06-2016		30-09-2016	
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	14 093	12 514	14 237	12 490	14 102	12 605	14 183	12 525	14 233	12 609
Business unit Czech Republic	492	423	495	480	494	488	492	483	493	460
Business unit International Markets	209	346	200	360	202	368	203	383	197	402
of which: Hungary	*53*	*235*	*51*	*245*	*51*	*254*	*51*	*267*	*49*	*280*
of which: Slovakia	*113*	*111*	*107*	*115*	*107*	*113*	*107*	*116*	*107*	*121*
of which: Bulgaria	*43*	*0*	*42*	*0*	*44*	*0*	*46*	*0*	*42*	*1*
KBC Group	14 794	13 283	14 932	13 330	14 798	13 461	14 877	13 391	14 923	13 471

Financial assets and liabilities measured at fair value – fair value hierarchy (note 24 in the annual accounts 2015)

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 2015.

Fair value hierarchy				31-12-2015				30-09-2016
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	1 510	6 532	2 342	10 385	1 468	6 833	2 147	10 448
Designated at fair value	13 305	2 797	411	16 514	13 204	2 110	179	15 494
Available for sale	30 456	3 505	1 709	35 670	31 706	3 560	1 665	36 931
Hedging derivatives	0	514	0	514	0	469	0	469
Total	45 271	13 348	4 462	63 082	46 378	12 972	3 991	63 341
Financial liabilities measured at fair value								
Held for trading	415	5 859	2 060	8 334	469	5 895	1 880	8 244
Designated at fair value	12 386	11 445	594	24 426	12 506	10 733	585	23 824
Hedging derivatives	0	2 191	0	2 191	0	2 100	0	2 100
Total	12 801	19 495	2 654	34 950	12 975	18 728	2 464	34 167

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 25 in the annual accounts 2015)

In the first 9 months of 2016, a total amount of 226 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 153 million euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of corporate, covered and regional government bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 26 in the annual accounts 2015)

In the first 9 months of 2016 the following material movements are observed with respect to instruments classified in level 3 of the fair value level hierarchy:

- In the financial assets held for trading category, the fair value of derivatives decreased by 211 million euros, which is mainly due to maturing deals, partly compensated by new deals. The same holds true for the financial liabilities held for trading category for which the fair value of derivatives decreased by 190 million euros due maturing deals, partly compensated by new deals.
- In the financial assets designated at fair value category, the fair value decreased by 232 million euros, which is mainly due to the expiry of a CDO note in January 2016.
- In the available for sale category, a total net amount of about 230 million euros was transferred out of level 3. The majority of the transfers is due to changed liquidity of corporate and regional government bonds. This was partly compensated by an increase in fair value by 187 million euros due to mainly the net impact of acquiring, selling and maturing of positions.

Parent shareholders' equity and AT1 instruments (note 39 in the annual accounts 2015)

in number of shares	31-12-2015	30-09-2016
Ordinary shares	418 087 058	418 087 058
of which ordinary shares that entitle the holder to a dividend payment	*418 087 058*	*418 087 058*
of which treasury shares	*2*	*2*
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).

Main changes in the scope of consolidation (note 45 in the annual accounts 2015)

In 2015:

- Volksbank Leasing Slovakia was consolidated for the first time in 3Q 2015: 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 in 3Q 2015 (no impact), and

- KBC Bank liquidated KBC Financial Holding Inc. in 4Q 2015

In 9M 2016:

- No material changes.

Post-balance sheet events (note 48 in the annual accounts 2015)

Significant non-adjusting events between the balance sheet date (30 September 2016) and the publication of this report (17 November 2016):

On 10 November 2016 KBC decided that, in accordance with the Collective Labour Agreement (CLA) on Employment 2016-2017, it intends to make individual offers to a select group of employees in Belgium. KBC will make these offers under its Pre-Retirement Exemption from Work scheme, with set, predefined conditions.
This has not had an impact on KBC's third-quarter results. However, KBC will set aside a provision of 28 million euros in the fourth quarter of this year.
For more information see the press release of 10 November 2016 on www.kbc.com.

pwc

REPORT OF THE ACCREDITED AUDITOR TO THE SHAREHOLDERS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2016 AND FOR THE NINE-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 September 2016 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the nine-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the nine-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 266.016 million and a consolidated profit (share of the group) for the nine-month period then ended of EUR 1.742 million.

The Board of Directors 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 with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing 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.

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

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 2016, 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.

Sint-Stevens-Woluwe, 16 November 2016

The statutory auditor
PwC Bedrijfsrevisoren bcvba
Represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group
Risk and
capital management
3Q 2016 and 9M 2016

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 2015)’.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2015	30-09-2016
Amount granted	174	177
Amount outstanding [1]	143	146
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	65%
Czech Republic	14%	15%
International Markets	18%	17%
Group Centre	3%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	42.0%	42.4 %
Finance and insurance	6.0%	6.0%
Authorities	3.4%	2.7%
Corporates	48.7%	48.8%
services	11.2%	11.4%
distribution	7.6%	7.5%
real estate	7.1%	7.0%
building & construction	4.2%	4.3%
agriculture, farming, fishing	2.8%	2.8%
automotive	2.2%	2.2%
electricity	1.6%	1.6%
metals	1.3%	1.4%
food producers	1.3%	1.4%
shipping	1.0%	1.1%
machinery & heavy equipment	1.1%	1.1%
chemicals	1.0%	1.0%
hotels, bars & restaurants	0.9%	0.9%
traders	0.9%	0.8%
oil, gas & other fuels	0.8%	0.7%
electrotechnics	0.5%	0.6%
timber & wooden furniture	0.4%	0.5%
other [2]	2.6%	2.6%
Total outstanding loan portfolio geographical breakdown		
Home countries	87.6%	88.3%
Belgium	*56.6%*	56.9%
Czech Republic	*13.3%*	13.9%
Ireland	*9.6%*	9.1%
Slovakia	*4.4%*	4.7%
Hungary	*3.1%*	3.0%
Bulgaria	*0.6%*	0.6%
Rest of Western Europe	7.7%	7.2%
France	*1.9%*	1.8%
Netherlands	*1.6%*	1.6%
Great Britain	*1.2%*	1.2%
Spain	*0.8%*	0.6%
Luxemburg	*0.7%*	0.6%
Germany	*0.5%*	0.4%
other	*1.1%*	1.0%
Rest of Central Europe	0.5%	0.5%
Russia	*0.2%*	0.1%
other	*0.4%*	0.4%
North America	1.5%	1.5%
USA	*1.3%*	1.3%
Canada	*0.2%*	0.2%
Asia	0.8%	0.7%
China	*0.3%*	0.3%
Hong Kong	*0.2%*	0.2%
Singapore	*0.2%*	0.2%
other	*0.1%*	0.1%
Rest of the world	1.8%	1.6%

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2015	30-09-2016
Impaired loans (in millions of EUR or %)		
Amount outstanding	12 305	11 023
of which: more than 90 days past due	6 936	6 111
Ratio of impaired loans, per business unit		
Belgium	3.8%	3.5%
Czech Republic	3.4%	2.7%
International Markets	29.8%	26.9%
Group Centre	10.0%	8.4%
Total	8.6%	7.6%
of which: more than 90 days past due	4.8%	4.2%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 517	5 030
of which: more than 90 days past due	4 183	3 786
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	45%	46%
of which: more than 90 days past due	60%	62%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	53%	53%
of which: more than 90 days past due	69%	70%
Credit cost, by business unit (%)		
Belgium	0.19%	0.09%
Czech Republic	0.18%	0.07%
International Markets	0.32%	-0.18%
Slovakia	0.32%	0.17%
Hungary	0.12%	-0.41%
Bulgaria	1.21%	0.64%
Ireland	0.34%	-0.32%
Group Centre	0.54%	0.73%
Total	0.23%	0.07%

[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

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 and/or loans which have been terminated/cancelled or bankrupt obligors (coincides with KBC's PD-classes 11 and 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
30-09-2016, in millions of EUR

	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	**88,545**			**5,643**			**94,187**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	25,026	28.3%		5,643	100.0%		30,669	32.6%	
retail	63,518	71.7%		0	0.0%		63,518	67.4%	
o/w private	35,042	39.6%		0	0.0%		35,042	37.2%	
o/w companies	28,477	32.2%		0	0.0%		28,477	30.2%	
Mortgage loans [2]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33,798	38.2%	59%	0	0.0%	-	33,798	35.9%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	1,491	1.7%	-	0	0.0%	-	1,491	1.6%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	67,122	75.8%		3,201	56.7%		70,323	74.7%	
medium risk (PD 5-7; 0.80%-6.40%)	16,287	18.4%		1,866	33.1%		18,153	19.3%	
high risk (PD 8-9; 6.40%-100.00%)	2,249	2.5%		130	2.3%		2,379	2.5%	
impaired loans (PD 10 - 12)	2,814	3.2%		444	7.9%		3,257	3.5%	
unrated	72	0.1%		2	0.0%		74	0.1%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	2,814	1,201	42.7%	444	191	43.1%	3,257	1,392	42.7%
o/w PD 10 impaired loans	1,135	206	18.2%	309	96	31.0%	1,444	302	20.9%
o/w more than 90 days past due (PD 11+12)	1,679	995	59.2%	135	95	70.6%	1,814	1,090	60.1%
all impairments (specific + portfolio based)	n.a.			n.a.			1,486		
o/w portfolio based impairments	n.a.			n.a.			94		
o/w specific impairments	1,201			191			1,392		
2015 Credit cost ratio (CCR)	0.19%			0.32%			0.19%		
YTD 2016 CCR	0.09%			0.22%			0.09%		

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, KBC Credit Investments (part of non-legacy portfolio assigned to BU Belgium)

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Czech Republic

30-09-2016, in millions of EUR

				For information: ČMSS [3] *(consolidated via equity-method since 1Q14)*		
Total outstanding amount	**21,601**			**2,412**		
Counterparty break down		% outst.			% outst.	
SME / corporate	7,477	34.6%		43	1.8%	
retail	14,124	65.4%		2,369	98.2%	
o/w private	10,078	46.7%		2,356	97.7%	
o/w companies	4,046	18.7%		14	0.6%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV
total	9,168	42.4%	59%	1,863	77.2%	69%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w ind. LTV > 100%	336	1.6%	-	183	7.6%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	14,887	68.9%		1,542	63.9%	
medium risk (PD 5-7; 0.80%-6.40%)	5,233	24.2%		625	25.9%	
high risk (PD 8-9; 6.40%-100.00%)	838	3.9%		165	6.8%	
impaired loans (PD 10 - 12)	583	2.7%		80	3.3%	
unrated	60	0.3%		0	0.0%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	583	331	56.7%	80	37	46.0%
o/w PD 10 impaired loans	128	41	32.2%	15	2	11.6%
o/w more than 90 days past due (PD 11+12)	455	289	63.6%	66	35	53.8%
all impairments (specific + portfolio based)	377			42		
o/w portfolio based impairments	47			5		
o/w specific impairments	331			37		
2015 Credit cost ratio (CCR)	0.18%			n/a		
YTD 2016 CCR	0.07%			n/a		

[1] Mortgage loans: only to private persons (as opposed to the accounting figures)

[2] CCR at country level in local currency

[3] ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

Loan portfolio Business Unit International Markets
30-09-2016, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**13,361**			**6,558**			**4,466**			**871**			**25,262**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1,955	14.6%		2,652	40.4%		2,540	56.9%		324	37.2%		7,478	29.6%	
retail	11,405	85.4%		3,906	59.6%		1,926	43.1%		547	62.8%		17,784	70.4%	
o/w private	11,393	85.3%		3,159	48.2%		1,768	39.6%		340	39.0%		16,660	65.9%	
o/w companies	12	0.1%		747	11.4%		158	3.5%		207	23.8%		1,124	4.4%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11,377	85.2%	85%	2,615	39.9%	69%	1,624	36.4%	77%	183	20.9%	64%	15,798	62.5%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	12	0.3%	143%	61	7.0%	60%	73	0.3%	
o/w ind. LTV > 100%	3,345	25.0%	-	52	0.8%	-	395	8.8%	-	4	0.5%	-	3,795	15.0%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	545	4.1%		4,604	70.2%		2,024	45.3%		132	15.1%		7,305	28.9%	
medium risk (PD 5-7; 0.80%-6.40%)	5,545	41.5%		1,426	21.7%		1,708	38.2%		481	55.2%		9,165	36.3%	
high risk (PD 8-9; 6.40%-100.00%)	1,298	9.7%		287	4.4%		271	6.1%		99	11.4%		1,955	7.7%	
impaired loans (PD 10 - 12)	5,973	44.7%		210	3.2%		448	10.0%		159	18.3%		6,791	26.9%	
unrated	0	0.0%		31	0.5%		16	0.4%		0	0.0%		47	0.2%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	5,973	2,585	43.3%	210	124	58.7%	448	266	59.3%	159	71	44.8%	6,791	3,045	44.8%
o/w PD 10 impaired loans	3,064	819	26.7%	40	16	40.8%	61	18	30.0%	14	1	8.1%	3,178	854	26.9%
o/w more than 90 days past due (PD 11+12)	2910	1,766	60.7%	171	107	62.9%	387	247	63.9%	146	70	48.2%	3613	2,191	60.6%
all impairments (specific + portfolio based)	2657			136			279			74			3145		
o/w portfolio based impairments	72			12			13			3			101		
o/w specific impairments	2585			124			266			71			3045		
2015 Credit cost ratio (CCR)	0.34%			0.32%			0.12%			1.21%			0.32%		
YTD 2016 CCR	-0.32%			0.17%			-0.41%			0.64%			-0.18%		

Remarks

Total Int Markets: total outstanding amount includes a small amount of KBC internal risk sharings which were eliminated at country level

[1] Mortgage loans: only to private persons (as opposed to the accounting figures)

[2] CCR at country level in local currency

Loan portfolio Group Centre
30-09-2016, in millions of EUR

	Total Group Centre [1]		
Total outstanding amount	**4,641**		
Counterparty break down		% outst.	
SME / corporate	4,641	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans [2]		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	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%)	2,619	56.4%	
medium risk (PD 5-7; 0.80%-6.40%)	1,443	31.1%	
high risk (PD 8-9; 6.40%-100.00%)	188	4.0%	
impaired loans (PD 10 - 12)	392	8.4%	
unrated	0	0.0%	
Overall risk indicators		spec. Imp.	% cover
outstanding impaired loans	392	263	67.1%
o/w PD 10 impaired loans	162	46	28.4%
o/w more than 90 days past due (PD 11+12)	229	217	94.4%
all impairments (specific + portfolio based)	296		
o/w portfolio based impairments	33		
o/w specific impairments	263		
2015 Credit cost ratio (CCR)	0.54%		
YTD 2016 CCR	0.73%		

Remarks

[1] Total Group Centre = KBC Finance Ireland, KBC Credit Investments (legacy & and part of non-legacy portfolio assigned to BU Group), KBC FP (ex-Atomium assets), KBC Lease UK, KBC Bank part Group (a.o. activities in wind-down: e.g. ex-Antwerp Diamond Bank)

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

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

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD IV. This regulation entered gradually into force on 1 January 2014, and will be fully implemented by 1 January 2022. The general rule under CRR/CRD IV for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). KBC received such permission from the supervisory authority and hence reports its solvency on the basis of a 370% risk weighting being applied to the holdings of own fund instruments of the insurance company, after having deconsolidated KBC Insurance from the group figures.

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). 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 II as of 2016) for the insurance business. The capital requirement for the insurance business based on Solvency II is multiplied by 12.5 to obtain a risk weighted asset equivalent.

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 82% of the weighted credit risks, of which approx. 75% 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. 18%) 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.

The ECB required KBC to maintain a CET1 ratio of at least 9.75% (phased-in, Danish Compromise) in 2016, which includes the CRR/CRD IV minimum requirement (4.5%), the conservation buffer (0.625%) and the pillar 2 add-on (4.625%). On top of this, the National Bank of Belgium (NBB) requires KBC – as a systemically important Belgian bank – to hold an additional buffer of 0.5% of CET1 (phased-in, Danish Compromise) in 2016, 1.0% in 2017 and 1.5% in 2018.

Following table groups the solvency on the level of KBC Group according to different methodologies and calculation methods, including the deduction method.

Overview of KBC Group's capital ratios - In millions of EUR - 30-09-2016

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	13 349	88 154	15.14%
	Fully loaded	13 593	88 967	15.28%
Deduction Method	Fully loaded	12 484	83 232	15.00%
Financial Conglomerates Directive*				
	Fully loaded	14 166	104 159	13.60%

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

Danish Compromise		31-12-2015		30-09-2016
In millions of EUR	Fully loaded	Phased-in	Fully loaded	Phased-in
Total regulatory capital (after profit appropriation)	16 936	17 305	17 254	17 194
Tier-1 capital	14 647	14 691	14 993	14 789
Common equity	13 247	13 242	13 593	13 349
Parent shareholders' equity (after deconsolidating KBC Insurance)	14 075	14 075	14 431	14 431
Intangible fixed assets (incl deferred tax impact) (-)	- 366	- 366	- 394	- 394
Goodwill on consolidation (incl deferred tax impact) (-)	- 482	- 482	- 484	- 484
Minority interests	0	0	0	0
AFS revaluation reserve shares (-)		0		0
AFS revaluation reserve sovereign bonds (-)		- 402		- 471
AFS revaluation reserve other bonds(-)		- 64		- 74
AFS revaluation reserve other (-)		0		0
Hedging reserve (cash flow hedges) (-)	1 163	1 163	1 663	1 663
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 20	- 20	- 23	- 23
Value adjustment due to the requirements for prudent valuation (-)	- 94	- 53	- 144	- 66
Dividend payout (-)	0	0	- 453	- 453
Renumeration of government securities (-)	0	0	0	0
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 91	- 91	- 105	- 105
IRB provision shortfall (-)	- 171	- 171	- 191	- 191
Deferred tax assets on losses carried forward (-)	- 765	- 345	- 705	- 483
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	1 450	1 400	1 441
Grandfathered innovative hybrid tier-1 instruments	0	50	0	41
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	2 289	2 614	2 261	2 405
IRB provision excess (+)	369	359	371	366
Subordinated liabilities	1 920	2 255	1 890	2 039
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Total weighted risk volume	89 067	87 343	88 967	88 154
Banking	79 758	78 034	79 610	78 796
Insurance	9 133	9 133	9 133	9 133
Holding activities	208	208	255	255
Elimination of intercompany transactions	- 33	- 33	- 31	- 31
Solvency ratios				
Common equity ratio	14.87%	15.16%	15.28%	15.14%
Tier-1 ratio	16.44%	16.82%	16.85%	16.78%
Total capital ratio	19.01%	19.81%	19.39%	19.50%

FICOD		31-12-2015		30-09-2016
In millions of EUR	Fully loaded	Phased-in	Fully loaded	Phased-in
Common Equity	14 019	14 014	14 166	13 921
Total weighted risk volume	99 831	98 107	104 159	103 345
Common equity ratio	14.04%	14.28%	13.60%	13.47%

The 31-12-2015 figures on FICOD have been adjusted to reflect the switch from Solvency I to Solvency II regulation for KBC Insurance.

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	31-12-2015	30-09-2016
Tier-1 capital (Danish compromise)	14 647	14 993
Total exposures	233 675	243 615
Total Assets	252 355	266 016
Deconsolidation KBC Insurance	-31 545	-32 654
Adjustment for derivatives	-3 282	-6 072
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	- 806	-2 022
Adjustment for securities financing transaction exposures	1 057	2 149
Off-balance sheet exposures	15 897	16 199
Leverage ratio	6.27%	6.15%

The leverage ratio decreased compared to the end of 2015 due to higher total exposures (higher financial assets, mainly loans and receivables and higher cash and cash balances with central banks), only partly compensated by a higher Tier-1 capital.

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD IV. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016 (reference figures have been adjusted).

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 under Solvency II.

More information on the solvency of KBC Bank and KBC Insurance as at 31-12-2015 can be found in their annual accounts and in the KBC Risk Report on www.kbc.com.

KBC Bank consolidated - CRDIV/CRR		31-12-2015		30-09-2016
In millions of EUR	Fully loaded	Phased in	Fully loaded	Phased in
Total regulatory capital, after profit appropriation	16 045	16 075	16 343	16 060
Tier-1 capital	12 346	12 449	12 775	12 550
Of which common equity	10 941	10 988	11 369	11 096
Tier-2 capital	3 699	3 626	3 568	3 510
Total weighted risks	79 758	78 034	79 610	78 796
Credit risk	66 387	64 663	66 642	65 829
Market risk	3 100	3 100	2 696	2 696
Operational risk	10 272	10 272	10 272	10 272
Solvency ratios				
Common equity ratio	13.7%	14.1%	14.3%	14.1%
Tier-1 ratio	15.5%	16.0%	16.0%	15.9%
CAD ratio	20.1%	20.6%	20.5%	20.4%

Solvency II, KBC Insurance consolidated In millions of EUR	31-12-2015	30-09-2016
Own Funds	3 683	3 313
Tier 1	3 180	2 813
IFRS Parent shareholders equity	2 815	3 183
Dividend payout	-71	-238
Deduction intangible assets and goodwill (after tax)	-123	-122
Valuation differences (after tax)	416	-97
Volatility adjustment	195	101
Other	-53	-13
Tier 2	503	500
Subordinated liabilities	503	500
Solvency Capital Requirement (SCR)	1 592	1 946
Market risk	1 472	1 574
Non-life	498	531
Life	594	630
Health	173	215
Counterparty	83	121
Diversification	-840	-931
Other	-389	-194
Solvency II ratio	231%	170%

The Solvency II ratio as at 30-09-2016 stands at 170%. The decrease compared to 31-12-2015 is due mainly to:

- a different treatment of the adjustment deferred taxes in the capital requirements. In April, the National Bank of Belgium issued Belgian specific regulation which limits this adjustment to the amount of net deferred tax liabilities on the economic balance sheet. Without applying this Belgian specific regulation, the Solvency II ratio of 3Q 2016 equals 198%. This latter ratio is comparable to ratios of other (non-Belgian) European insurance companies who also apply this methodology. The SII ratio as at 31 December 2015 in the table above also represents the ratio with application of the Belgian specific regulation. The impact of that regulation was at that moment negligible.
- a decrease of interest rates (including volatility adjustment)
- legislative changes impacting spread risk

Details of ratios and terms

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	9M 2015	9M 2016
Result after tax, attributable to equity holders of the parent (A)	Consolidated income statement'	1 776	1 742
-			
Coupon (and/or penalty) on the core-capital securities sold to the	'Consolidated statement of changes in equity'	0	0
-			
Coupon on the additional tier-1 instruments included in equity (C)	'Consolidated statement of changes in equity'	- 39	- 39
/			
Average number of ordinary shares less treasury shares (in millions) in	Note 39	418	418
or			
Average number of ordinary shares plus dilutive options less treasury		418	418
Basic = (A-B-C) / (D) (in EUR)		4.16	4.07
Diluted = (A-B-C) / (E) (in EUR)		4.16	4.07

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
Net technical insurance charges, including the internal cost of settling claims (A)	Note 9	552	636
/			
Net earned insurance premiums (B)	Note 9	968	1 031
+			
Operating expenses (C)	Note 9	329	347
/			
Net written insurance premiums (D)	Note 9	1 028	1 091
= (A/B)+(C/D)		89%	94%

Common equity ratio

A risk-weighted measure of the group's solvency, based on common equity tier-1 capital.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Phased-in*	Detailed calculation in 'Danish compromise' table in the 'Solvency KBC Group' section	15.2%	15.1%
Fully loaded*		14.9%	15.3%

* CRD IV capital rules are being implemented gradually to allow banks to build up the necessary capital buffers. The capital position of a bank taking into account the transition period is called 'phased-in'. The capital position of a bank based on a full application of all rules as applicable after the transition period is called 'fully loaded'.

Cost/income ratio

Gives an impression of the relative cost efficiency (costs relative to income) of the banking activities.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	2 579	2 624
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	4 805	4 587
=(A) / (B)		54%	57%

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. Where appropriate, the numerator and denominator in the formula may be limited to impaired loans that are more than 90 days past due.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	5 517	5 030
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	12 305	11 023
= (A) / (B)		44.8%	45.6%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period (in this case, a year), relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
Net changes in impairment for credit risks (A (annualised)	'Consolidated income statement': component of 'Impairment'	246	72
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	140 950	145 359
= (A) (annualised) / (B)		0.23%	0.07%

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12 and correspond to the new definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Amount outstanding of impaired loans (A)	' Credit risk: loan portfolio overview' table in the 'Credit risk' section	12 305	11 023
/			
Total outstanding loan portfolio (B)	' Credit risk: loan portfolio overview' table in the 'Credit risk' section	143 400	145 692
= (A) / (B)		8.6%	7.6%

Where appropriate, the numerator may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12).

Leverage ratio

Gives an idea of the group's solvency, based on a simple non-risk-weighted ratio.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded)' table in the 'Leverage KBC Group' section	14 647	14 993
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	233 675	243 615
= (A) / (B)		6.3%	6.2%

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	47 300	59 100
/			
Total net cash outflows over the next 30 calendar days (B)		37 150	43 250
= (A) / (B)		127%	137%

Loan Portfolio

Gives an idea of the magnitude of (what are mainly pure, traditional) lending activities.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Loans and advances to customers (related to the group's banking activities) (A)	Note 18, component of 'Loans and advances to customers'	126 812	130 290
-			
Reverse repos with customers (B)	Note 18	-502	- 563
+			
Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (C)	Note 18, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 118	7 120
+			
Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (D)	Note 18, component of 'Loans and advances to credit institutions and investment firms '	1 060	972
+			
Financial guarantees granted to clients (E)	Note 40, component of 'Financial guarantees given' in the annual report 2015 for 1Q2015 figure only	7 823	7 417
+			
Impairment on loans (F)	Note 21, component of 'Impairment' in the annual report 2015 for 1Q2015 figure only	5 623	5 237
+			
Other (including accrued interest) (G)	Component of Note 18	-4 534	- 4 780
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		143 400	145 692

Minimum requirement for own funds and eligible liabilities (MREL)

Indicates the extent to which a bank has sufficient own funds and eligible liabilities available for bail-in. MREL and bail-in are based on the idea that shareholders and debt-holders should bear losses first if a bank fails.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Own funds* and liabilities that satisfy the requirements of the Bank Recovery and Resolution Directive (with the exception of certain excluded liabilities) (A)	Based on BRRD	30 704	29 513
/			
Own funds* and liabilities (B)	'Consolidated balance sheet'	220 809	229 380
= (A) / (B)		13.9%	12.9%

* After deconsolidation of KBC Insurance.

Net interest margin

Gives an idea of the net interest income of the banking activities (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
Net interest income of the banking activities (A)(annualised)	'Consolidated income statement': component of 'Net interest income'	2 744	2 702
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	176 724	183 823
= (A) (annulalised x360/number of calendar days) / (B)		2.05%	1.94%

Net stable funding ratio (NSFR)

Gives an idea of the bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Available amount of stable funding (A)		135 400	141 000
/			
Required amount of stable funding (B)		111 800	114 850
= (A) / (B)		121%	123%

Parent shareholders' equity per share

Gives the carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of KBC.

Calculation (in millions of EUR or %)	Reference	31-12-2015	9M 2016
Parent shareholders' equity (A)	'Consolidated balance sheet'	14 411	15 135
/			
Number of ordinary shares less treasury shares (at period-end in milliions) (B)	Note 39	418	418
= (A) / (B) (in EUR)		34.5	36.2

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

Gives an idea of the relative profitability of a business unit, more specifically the ratio of the net result to the capital allocated to the business unit.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A) (annualised)	Note 2: Segment reporting based on the management structure	1 216	993
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16l) (B)	3Q2016 results by business unit' section	5 974	5 943
= (A) annualised / (B)		27.1%	22.3%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A) (annualised)	Note 2: Segment reporting based on the management structure	423	465
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16) (B)	3Q2016 results by business unit' section	1 469	1 427
= (A) annualised / (B)		38.4%	43.4%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A) (annualised)	Note 2: Segment reporting based on the management structure	184	289
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16) (B)	3Q2016 results by business unit' section	2 021	1 946
= (A) annualised / (B)		12.1%	19.8%

Return on equity

Gives an idea of the relative profitability of the group, more specifically the ratio of the net result to equity.

Calculation (in millions of EUR or %)	Reference	9M 2015	9M 2016
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	1 776	1 742
-			
Coupon on the core-capital securities sold to the government (B) (annualised)	'Consolidated statement of changes in equity'	0	0
-			
Coupon on the additional tier-1 instruments included in equity (C) (annualised)	'Consolidated statement of changes in equity'	- 39	-39
/			
Average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets (D)	'Consolidated statement of changes in equity'	11 855	12 859
= (A-B-C) (annualised) / (D)		19.54%	17.66%

Solvency ratio (insurance)

Measures the solvency of the insurance business, calculated under Solvency II.

Calculation	Reference	31-12-2015	9M 2016
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section		231%	170%

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

Calculation (in billions of EUR)	Reference	31-12-2015	9M 2016
Belgium Business Unit (A)	Company presentation on www.kbc.com	194	194
+			
Czech Republic Business Unit (B)		9	9
+			
International Markets Business Unit (C)		6	6
A)+(B)+(C)		209	209

Total capital ratio

A risk-weighted measure of the group's solvency, based on total regulatory capital.

Calculation		31-12-2015	9M 2016
Phased-in*	Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section	19.8%	19.5%
Fully loaded*		19.0%	19.4%

* CRD IV capital rules are being implemented gradually to allow banks to build up the necessary capital buffers. The capital position of a bank taking into account the transition period is called 'phased-in'. The capital position of a bank based on a full application of all rules as applicable after the transition period is called 'fully loaded'.