





KBC ANCORA BACKGROUND

1998

KBC Ancora SCA (Société en commandité par actions) was incorporated on 18 December 1998 as Cera Ancora SA (Société anonyme). Cera Ancora's capital was formed by the contribution of 35,950,000 Almanij shares and approximately EUR 12.4 million in cash, subscribed virtually entirely by Cera (then 'Cera Holding') SCRL (Société coopérative à responsabilité limitée). Cera Ancora was thus an almost wholly owned subsidiary of Cera.

2001

The foundations were laid in 2000 for the fundamental restructuring of Cera Ancora and of Cera, with approval being granted on 12 and 13 January 2001, respectively. The restructuring was carried out in implementation of a settlement reached in conclusion of a legal dispute which went back to the merger in 1998 of CERA Bank, ABB and Kredietbank.

On the one hand, the restructuring of Cera Ancora led to the conversion of Cera Ancora NV to Almancora SCA, the splitting of the Almancora shares, so that the capital of the company was represented by 55,929,510 shares, and an increase (through contributions and purchase) of the participating interest in Almanij to 55,929,510 shares (28.56%). On the other hand, the restructuring of Cera gave Cera members the right to three Almancora shares for each cooperative D-share surrendered on withdrawal.

Almancora was listed on the stock exchange for the first time on 4 April 2001. From that date onwards it was possible to trade the shares on the 'double fixing' segment of the Brussels Stock Exchange.

2005

On 2 March 2005 the structure of the Almanij/KBC group was simplified by means of a merger in the form of the acquisition of Almanij by KBC Bank-insurance Holding.

The merger to form KBC Group had a number of important consequences for Almancora:

- As a result of the merger Almancora acquired KBC Group shares on 2 March 2005, based on an exchange ratio of 1.35 KBC Group shares for each Almanij share.
- Until the merger, the shareholder stability of the Almanij/KBC group was guaranteed by Cera, Almancora and the Other Permanent Shareholders via a shareholder agreement. Following the merger this was replaced by a new shareholder agreement, to which MRBB also became a party. The core shareholders of the KBC group were henceforth Cera, Almancora, MRBB and the Other Permanent Shareholders.
- The disappearance of Almanij also brought to an end the reserving of profit at Almanij level.

2007

On 15 June 2007 the company name Almancora was changed to KBC Ancora and the Almancora share was split by a factor of 1.4 (seven new KBC Ancora shares per five existing Almancora shares). The purpose of these two changes was to make the link between the KBC Ancora share and the KBC Group share even more explicit.

The split also means that since 15 June 2007, Cera members who withdraw with their D-shares have the right to receive 4.2 KBC Ancora shares in exchange for each D-share surrendered. This 'reimbursement on withdrawal' means that the proportion of Cera's participation in KBC Ancora to be distributed will decline steadily over time.

Since 15 June 2007, the KBC Ancora share has been listed on the continuous segment of the Euronext Brussels stock exchange.

On 8 August 2007, Cera and KBC Ancora reported that their joint participating interest in KBC Group had been increased to over 30%. Exceeding the 30% threshold was important in the context of the law on public takeover bids which came into effect in Belgium on 1 September 2007. Under this law, participating interests of more than 30% which were in existence at the time the law came into force are exempt from any obligation to issue a bid, whereas after that date exceeding this threshold carried a mandatory requirement to issue a public bid.

2012

KBC Group increased its capital by EUR 1.25 billion in December 2012 through the issue of new shares. KBC Ancora supported this capital increase, but did not participate in it itself. Cera participated less than proportionately in the capital increase. As a result of the increase, the joint participating interest of Cera and KBC Ancora fell below the 30% threshold. Cera and KBC Ancora did however contribute additional KBC Group shares which they already held to the shareholder agreement between Cera, KBC Ancora, MRBB and the Other Permanent Shareholders, so that this agreement continues to represent more than 30% of the total number of KBC Group shares.

2013

Since July 2013, KBC Ancora has a new lender for EUR 325 million of its debt, which had previously been provided by KBC Bank.

KBC Ancora sold 4.7 million KBC Group shares in November 2013. The proceeds of this sale were used to repurchase a loan with a nominal amount of EUR 175 million, which had been provided to KBC Ancora by KBC Bank in 2007.

Both transactions had a positive impact on the capital position of KBC Bank.

2014

On 1 December 2014 Cera and KBC Ancora, together with MRBB and the Other Permanent Shareholders, extended their collaboration as a syndicate in updated form with respect to KBC Group for a further term of ten years, thereby ensuring the continued shareholder stability and supporting the further development of the KBC group. Cera, KBC Ancora, MRBB and the Other Permanent Shareholders contributed all their shares to the shareholder agreement, together representing 40.4% of the total number of KBC Group shares in issue.



A N N U A L R E P O R T 2 0 1 5 / 2 0 1 6

KBC Ancora

Legal form: Civil company having taken the form of a
partnership limited by shares

Registered office: Mgr. Ladeuzeplein 15, 3000 Leuven

Company number: 0464.965.639

Website: www.kbcancora.be

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BOARD OF DIRECTORS OF ALMANCORA SOCIÉTÉ DE GESTION



Top, from left to right:

Herman Vandaele
Franky Depickere
Johan Massy
Henri Vandermeulen
Koen Kerremans
Jean-François Dister

Bottom, from left to right:

Katelijjn Callewaert
Jules Stuyck
Danielle Sougné

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTORS

KBC Ancora's results for the financial year

KBC Ancora recorded a loss of EUR 21.0 million in the financial year 2015/2016, compared with a profit of EUR 133.7 million in the previous year.

As KBC Group did not distribute a dividend in the year under review, KBC Ancora received virtually no income. In the previous financial year, KBC Ancora received a dividend of EUR 2.00 per KBC Group share, resulting in total dividend income of EUR 155.0 million.

KBC Ancora's recurring expenses consisted mainly of the usual costs. Operating expenses amounted to EUR 2.3 million, in line with the previous financial year. Interest charges totalled EUR 18.8 million, a reduction of EUR 0.4 million compared with the previous financial year.

Given the loss recorded for the financial year under review, a dividend proposal will not be submitted to the General Meeting of Shareholders for approval.

Balance sheet

KBC Ancora's balance sheet total remained virtually unchanged at EUR 2.4 billion.

Participation in KBC Group

The participating interest in KBC Group remained unchanged in the year under review. As at the balance sheet date, KBC Ancora held 77,516,380 KBC Group shares, equivalent to 18.54% of the total number of KBC Group shares in issue. KBC Ancora is still the largest shareholder of KBC Group and, together with Cera and the other stable shareholders, continues to play its role in the anchoring of the KBC group.

Creditors

Total debt stood at EUR 396.6 million on the balance sheet date, an increase of EUR 19.6 million compared with the previous financial year. As KBC Ancora did not receive any dividend from its participating interest in KBC Group, the operating and finance costs were, as previously announced, largely funded using debt finance.

In August 2015, KBC Ancora extended its long-term financial liability of EUR 175 million, originally scheduled to mature in May 2017, by a further two years. The interest rate applying for this extension was also revised downwards. As a result, the interest charges in the financial years 2017/2018 and 2018/2019 are expected to reduce by approximately EUR 3.5 million per year. The long-term financial liabilities totalled EUR 375 million, with maturity dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million).

Appointments at the statutory manager, Almancora Société de gestion

Ghislaine Van Kerckhove (Vice-chairman) and Anita Verresen stepped down from the Board of Directors of Almancora Société de gestion during the year under review.

At the Extraordinary General Meeting of Shareholders of Almancora Société de gestion held on 29 April 2016, Henri Vandermeulen was appointed as a new B director with immediate effect for a term of four years, and Liesbet Okkerse was appointed as a new B director with effect from 25 November 2016, also for a term of four years. Johan Massy was appointed to succeed Ghislaine Van Kerckhove as Vice-chairman of the Board of Directors of Almancora Société de gestion.

Luc Discry's term of office as an A director at Almancora Société de gestion ended on 3 August 2016 as he had reached the age limit set in the Articles of Association. At the Extraordinary General Meeting of Almancora Société de gestion held on 24 June 2016, Katelijn Callewaert was appointed as a new A director with effect from 3 August 2016. Katelijn Callewaert (Chairman) resigned as a C director of Almancora Société de gestion with immediate effect on 24 June 2016. The selection procedure for a new C director was initiated. Katelijn Callewaert was succeeded as Chairman of the Board of Directors of Almancora Société de gestion by Mr Jules Stuyck with effect from 24 June 2016.

The Board of Directors of Almancora Société de gestion therefore currently comprises nine members: two managing directors (A directors), four non-executive directors from the Cera partnership (B directors) and three independent non-executive directors (C directors).

KBC Group

KBC Group did not distribute a dividend in respect of the financial year 2015. On publication of its interim results on 11 August 2016, KBC Group reaffirmed that, with effect from the financial year 2016, it will aim for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit. Barring exceptional or unforeseen circumstances, KBC Group will henceforth distribute an interim dividend of EUR 1 per share in November each year, followed by a final dividend after the Annual General Meeting of Shareholders. The interim dividend will serve as an advance payment on the total dividend.

The results for the first half of 2016 as announced by KBC Group on 11 August 2016 showed a profit of EUR 1,113 million. This compared with a profit of EUR 1,176 million in the same period in the previous year. This solid result reflects the strong commercial performance of KBC's bancassurance model, especially when seen in an economic context of persistently low interest rates, modest economic growth in Belgium with more robust growth in Central Europe, and political challenges for Europe.

If the above intentions in relation to the KBC Group dividend are realised, from the financial year 2016/2017 KBC Ancora will once again be able to post positive annual recurring results.

Leuven, 25 August 2016



Franky Depickere
Managing Director and
Permanent representative of
Almancora Société de gestion¹



Jules Stuyck
Chairman of the Board of Directors
Almancora Société de gestion



Katelijn Callewaert
Managing Director
Almancora Société de gestion

¹ Almancora Société de gestion is the statutory manager of KBC Ancora (see 2.1.2 *Almancora Société de gestion SA*)

DECLARATION BY THE RESPONSIBLE INDIVIDUALS

Declaration pursuant to the European regulations on transparency as imposed by the Belgian Royal Decree of 14 November 2007.

“We, the members of the Board of Directors of Almancora Société de gestion², statutory manager of KBC Ancora SCA, hereby declare that, as far as we are aware, a) the KBC Ancora financial statements, which have been prepared in accordance with the financial reporting standards applicable in Belgium, give a true and fair view of the net worth, financial position and results of KBC Ancora; b) the KBC Ancora annual report gives a true and fair view of the development and results of the business and of the position of KBC Ancora, as well as a description of the principal risks and uncertainties with which the company is confronted.”

DECLARATION IN CONNECTION WITH RISKS

Certain risk factors could have an impact on the value of the assets held by KBC Ancora and on its ability to distribute a dividend.

The assets of KBC Ancora consist almost entirely of a participating interest in KBC Group. For information on the specific risks to which KBC Group is exposed, reference is made to the annual report and press releases of KBC Group, which are available on the website www.kbc.com.

A fall in the KBC Group share price will inevitably have a negative influence on the value of the assets of KBC Ancora.

The investment in KBC Group is funded from capital and reserves in combination with loans from financial institutions. As at the balance sheet date, those loans amounted to EUR 394.7 million. These are long-term loans carrying fixed rates of interest, with repayment dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million), as well as a short-term loan totalling EUR 19.7 million. KBC Ancora closely monitors the interest-rate and refinancing risk.

In principle, KBC Ancora's recurrent income consists mainly of the dividend it receives from its participating interest in KBC Group.

In the event that KBC Ancora does not receive a dividend from its participating interest in KBC Group in any given year, KBC Ancora will itself not pay a dividend in that year. If KBC Ancora receives KBC Group dividend again in a subsequent financial year, its carried forward result will be taken into account when determining the profit available for distribution.

On publication of its interim results on 11 August 2016, KBC Group reaffirmed that, with effect from the financial year 2016, it will aim for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit. Barring exceptional or unforeseen circumstances, KBC Group will henceforth distribute an interim dividend of EUR 1 per share in November each year, followed by a final dividend after the Annual General Meeting of Shareholders. The interim dividend will serve as an advance payment on the total dividend.

² The individual members of the Board of Directors of Almancora Société de gestion are listed in section 2.2.2. of this Annual Report.

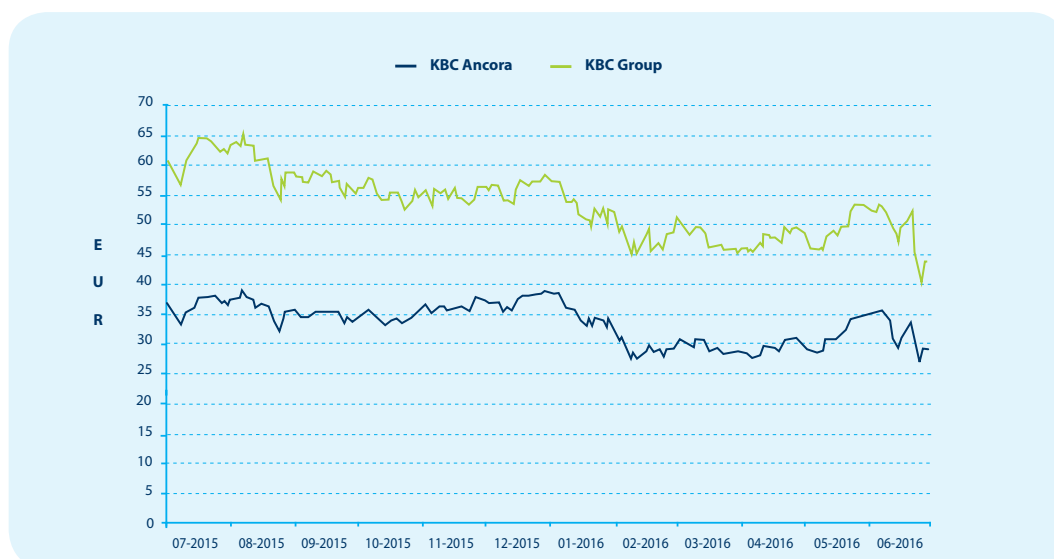
1 Investor information

1.1 Share price, discount and traded volumes

As at the balance sheet date, KBC Ancora had a total of 77,516,380 KBC Group shares in portfolio. Debt less other assets amounted to EUR 396.6 million. KBC Ancora has itself issued 78,301,314 shares. The intrinsic value³ of one KBC Ancora share as at the balance sheet date accordingly corresponded to the price of 0.99 KBC Group shares less net debt⁴ per share of EUR 5.06.

Chart 1 traces the performance of the KBC Ancora and KBC Group shares during the last financial year.

Chart 1: Trend in KBC Ancora and KBC Group share price during the last financial year



³ Intrinsic value: value per share calculated on the basis of the stock market price of the underlying listed shares, less the net debt.

⁴ Net debt is defined in this Annual Report as the total liabilities less the total assets excluding financial assets.

Chart 2 shows the trend in the discount of the KBC Ancora share relative to its intrinsic value over the year under review. This fluctuated between 22% and 37%.

Chart 2: Trend in discount of the KBC Ancora share relative⁵ to its intrinsic value over the last financial year

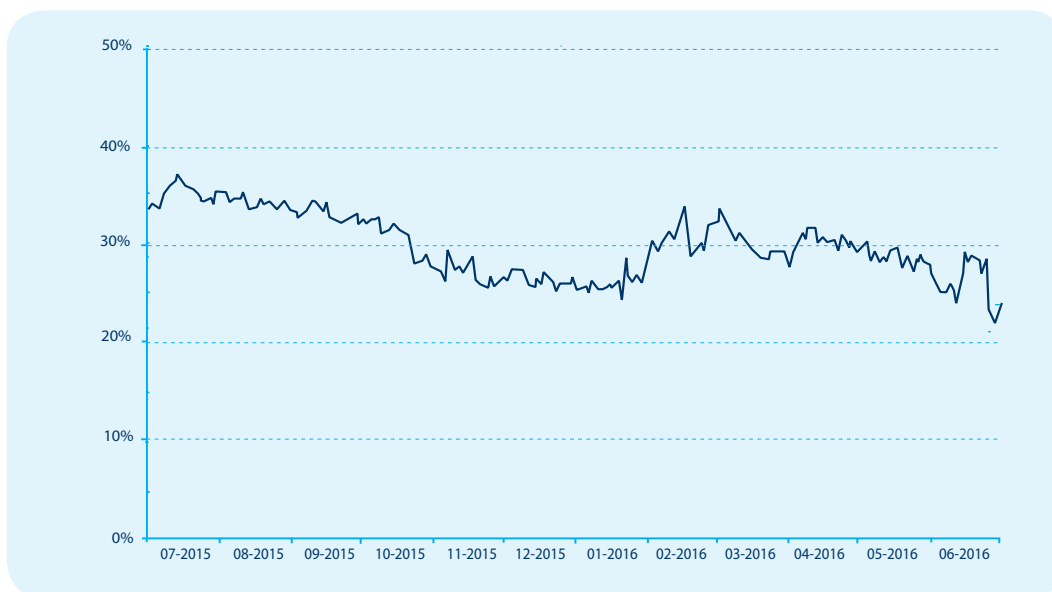
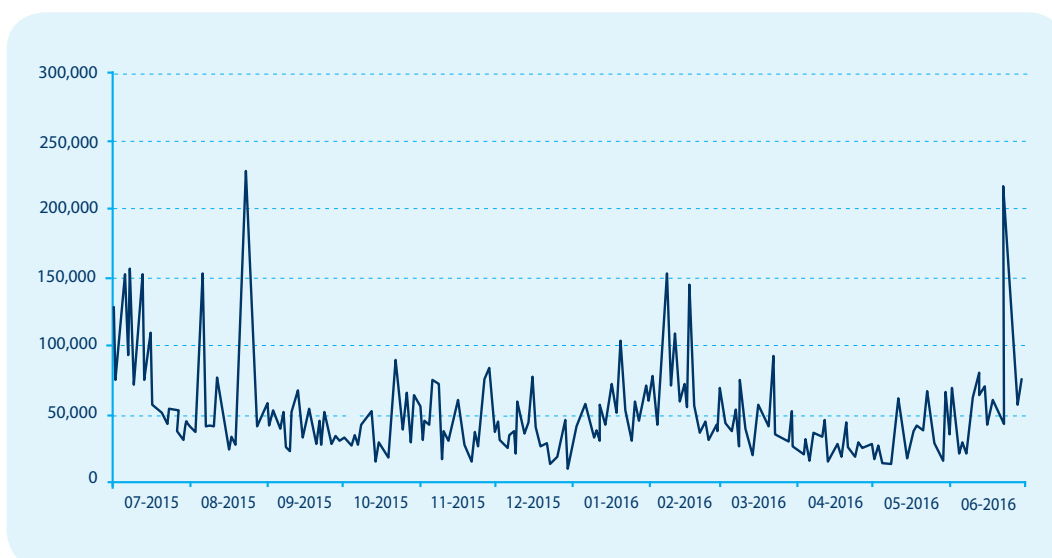


Chart 3 illustrates the liquidity of the KBC Ancora share.

Chart 3: Traded volumes of KBC Ancora shares on a daily basis in the past financial year



⁵ Intrinsic value per KBC Ancora share (IV) = (price of KBC Group share x number of KBC Group shares held by KBC Ancora + other assets – liabilities) / number of KBC Ancora shares in issue.
Discount in relative terms = (IV – KBC Ancora share price) / IV

Table 1 summarises a number of stock market figures and compares them with the performance in previous financial years.

Table 1: Summary of stock market figures in recent financial years

	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
High (EUR)	39.105	38.69	29.71
Low (EUR)	27.205	20.75	14.65
Price on the balance sheet date (EUR)	29.305	36.20	22.065
Average number of shares traded per day			
<ul style="list-style-type: none"> • Period 01.07-30.06 (financial year) • Period 1 Jul-31 Dec • Period 1 Jan-30 June 	50,390	60,620	76,835
	51,366	51,511	97,042
	49,384	70,093	55,820

Charts 4 and 5 show the trend in KBC Ancora's share price relative to that of the KBC Group share, the BEL20 Index and the Dow Jones EURO STOXX Bank Index in the year under review.

Chart 4: Trend in KBC Ancora and KBC Group share prices relative to BEL20 Index in the past financial year (30 June 2015 = 100)

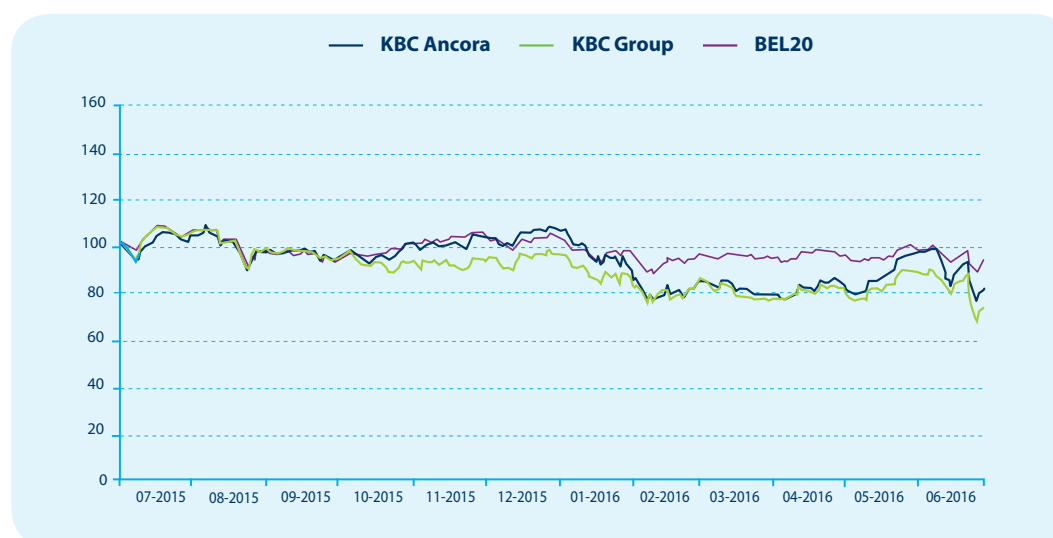
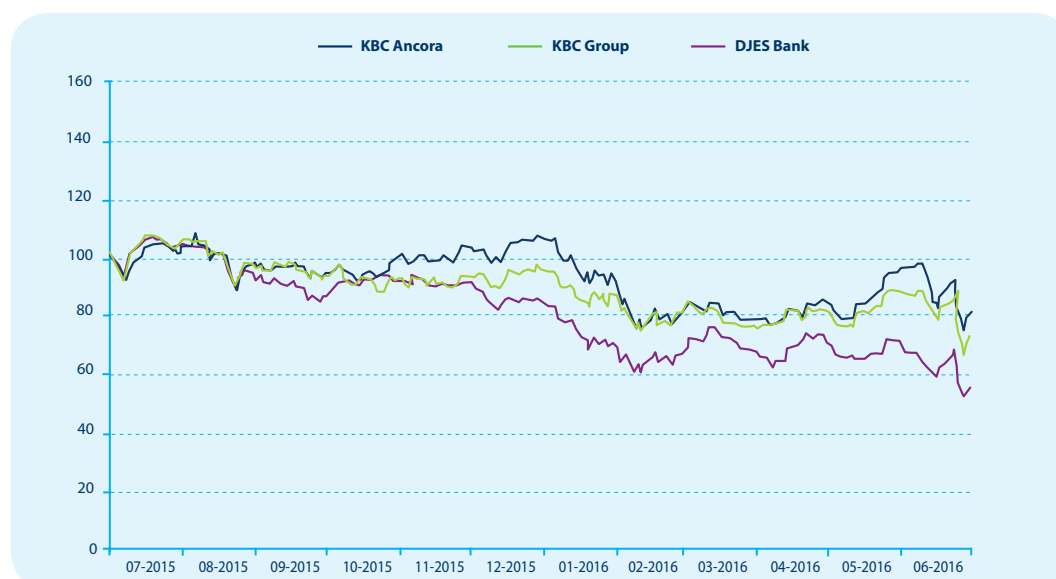


Chart 5: Trend in KBC Ancora and KBC Group share prices relative to Dow Jones EURO STOXX Bank Index in the last financial year (30 June 2015 = 100)



1.2 Key figures as at the balance sheet date

1.2.1 Balance sheet and result

Table 2 contains a number of key figures as at the balance sheet date for the most recent financial years.

Table 2: Basic figures as at balance sheet date

	30 June 2016	30 June 2015	30 June 2014
Number of shares in issue	78,301,314	78,301,314	78,301,314
Number of KBC Group shares in portfolio	77,516,380	77,516,380	77,516,380
Balance sheet total in EUR	2,441,801,181	2,443,180,246	2,441,805,249
Market capitalisation in EUR (based on share price on balance sheet date)	2,294,620,007	2,834,507,567	1,727,718,493
Book value of capital and reserves in EUR	2,045,205,969	2,066,192,764	2,038,975,509
Market capitalisation/book value of capital and reserves	1.12	1.37	0.85

Table 3 summarises the results recorded in previous financial years in accordance with a schedule designed for companies whose business operations are primarily defined as ownership of equity holdings. A distinction is made between financial and other results. The results are also broken down into recurring and non-recurring elements.

Table 3: Results for the most recent financial years

Result of KBC Ancora (x EUR million)	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
Recurring financial profit/loss	-18.8	135.8	-7.4 ⁶
Other recurring profit/loss	-2.2	-2.1	-2.1
Profit/loss from capital operations	0	0.0	36.0
Extraordinary profit/loss	0	0.0	0.0
Result before taxes	-21.0	133.7	26.4
Result after taxes	-21.0	133.7	26.4
Result of KBC Ancora per share (in EUR)	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
Recurring financial profit/loss	-0.24	1.73	-0.09
Other recurring profit/loss	-0.03	-0.03	-0.03
Profit/loss from capital operations	0.00	0.00	0.46
Extraordinary profit/loss	0.00	0.00	0.00
Result before taxes	-0.27	1.71	0.34
Result after taxes	-0.27	1.71	0.34

1.2.2 Cash flow table

Table 4 shows KBC Ancora's cash flows.

KBC Ancora did not receive a dividend from its participating interest in KBC Group in the financial year 2015/2016. The net cash holdings (EUR 21.0 million) needed to fund the operating activities (consisting principally of the usual operating and finance costs) were largely (EUR 19.7 million) financed through the drawdown of a short-term credit. Cash resources were also spent, leading to a net cash outflow of EUR 1.4 million.

The cash flow from operating activities in the financial year 2014/2015 was used almost entirely to fund the distribution of an interim dividend and to reduce the (short-term) liabilities.

The operating activities had a negative cash impact of EUR 27.5 million in the financial year 2013/2014, principally due to interest charges. The financing activities also showed a cash outflow of EUR 156.4 million, consisting of the repurchase of a loan of EUR 175 million at a discount of 9%, partially offset

⁶ This figure includes income of EUR 15.8 million from the repurchase of a loan of EUR 175 million in November 2013 (at a discount of 9%), full repayment of which was scheduled to take place on the maturity date in 2027. This amount is recognised under recurring financial profit/loss because it is related to the financial income and expenditure, although strictly speaking it is a non-recurring item for KBC Ancora.

by an increase in short-term debt. These cash outflows were fully offset by a cash inflow of EUR 184 million in the investing activities thanks to the sale of 4.7 million KBC Group shares.

Table 4: Cash flow table for the most recent financial years

Cash flow table (x EUR million)	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
Operating activities	-21.0	133.7	-27.5
Net result	-21.0	133.7	26.4
Elimination of the net result from the sale of shares (EUR 36.0 million) and the gain on the repurchase of a loan (EUR 15.8 million)	n/a	n/a	-51.7
Movement in net working capital	0.0	0.0	-2.2
Investing activities	0.0	0.0	184.0
Cash revenues from sale of KBC Group shares	0.0	0.0	184.0
Financing activities	19.7	-132.3	-156.4
Short-term financial liabilities	19.7	-25.8	2.8
Long-term financial liabilities (repurchase of loan of EUR 175 million at 9% discount)	n/a	n/a	-159.2
Distribution of interim dividend	0.0	-106.5	0.0
Total cash flow	-1.4	1.4	0.0

1.2.3 Dividend

As KBC Group did not distribute a dividend in the year under review, KBC Ancora recorded a loss. Accordingly, KBC Ancora will itself not distribute a dividend.

1.3 Distribution of KBC Ancora shares

1.3.1 KBC Ancora shareholder structure

There is a statutory requirement to disclose participating interests in listed companies of (multiples of) 5%. In addition, KBC Ancora's Articles of Association stipulate disclosure thresholds of 1% and 3%.

On 20 July 2016 Cera reported (pursuant to Article 14 of the law of 2 May 2007 concerning the disclosure of major shareholdings) that as at 30 June 2016 it had fallen below the notification threshold of 55%. Cera reported that as at that date it held 42,784,688 of the total of 78,301,314 KBC Ancora shares, or 54.64%. Cera reported that it had not bought or sold any KBC Ancora shares since the last transparency notification in June 2010. The reduction in the shareholding in KBC Ancora was entirely attributable to the distribution of KBC Ancora shares to Cera members who withdrew and surrendered co-operative D-shares in the period from June 2010 to June 2016.

On 2 August 2016 Parvus Asset Management Europe Limited, controlled by Edoardo Mercadante, reported that on 27 July 2016 it had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 996,102 KBC Ancora shares equivalent to a participating interest of 1.27%.

In addition, the disclosures made in earlier financial years by Lansdowne Partners Austria GmbH (1.02%), FMR LLC (1.01%) and Portus SA, controlled by Gino Coorevits (1.49%), are also relevant for the shareholder structure.

A complete list of the participating interest disclosures received in previous financial years can be found on the KBC Ancora website.

1.3.2 The road to the market

Members of the Cera cooperative who withdraw with their cooperative D-shares receive a special 'reimbursement on withdrawal', consisting primarily of 4.2 KBC Ancora shares. In other words, members receive 4.2 KBC Ancora shares for each D-share which they surrender on withdrawal from Cera. They can then choose between keeping the KBC Ancora shares or selling them on the stock market.

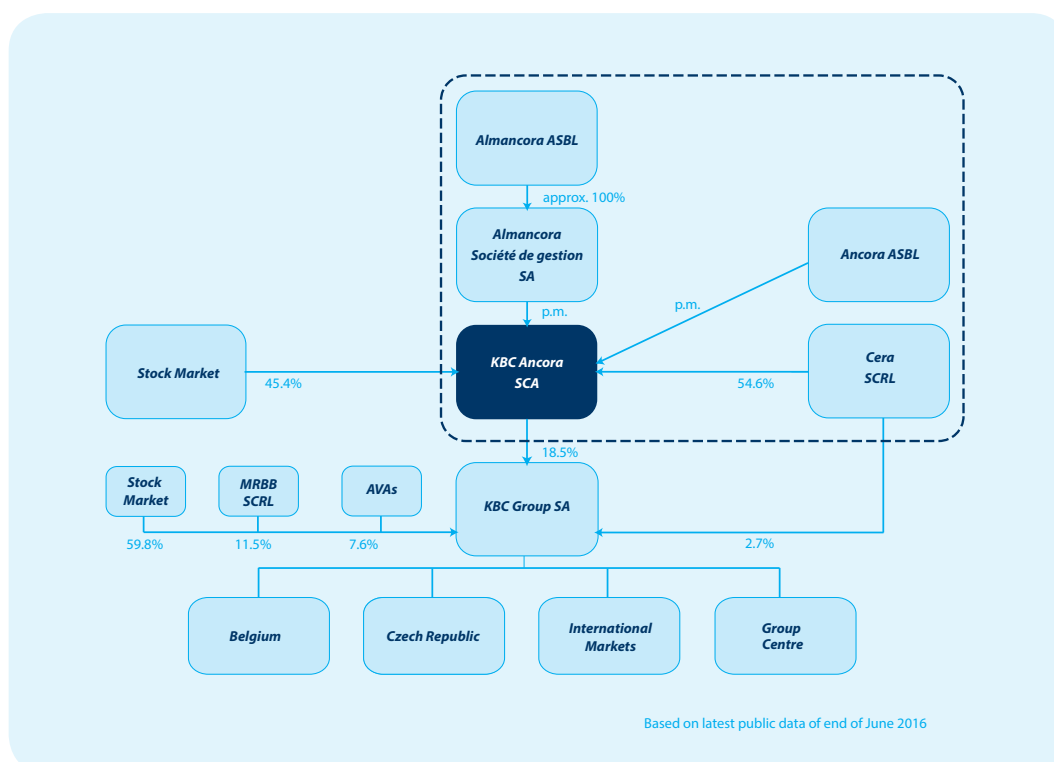
In principle, Cera members are permitted to withdraw voluntarily with their shares during the first half of each financial year. However, Cera's Articles of Association provide the possibility for the statutory manager, Cera Société de gestion, to temporarily refuse or suspend withdrawal by members. In the year under review, members were permitted to withdraw voluntarily during the first half of 2016. Cera Société de gestion did however reserve the right to limit such withdrawals to 10% of the capital, in order to safeguard the stability of the company. Consequently, requests for withdrawal submitted in the first half of the financial year 2016 were not executed until the end of June 2016, after expiry of the withdrawal period. Since the number of withdrawals was well below the 10% threshold, all withdrawal requests submitted were met in full. Compulsory withdrawals (e.g. as a result of death) were in all cases implemented in full.

2 Effective corporate governance

2.1 Group structure

Chart 6 shows KBC Ancora's group structure within the KBC group. The dotted line indicates the companies that belong to the Cera/KBC Ancora group.

Chart 6: Group structure⁷



2.1.1 Almancora ASBL

The object of Almancora ASBL ('Association sans but lucratif') is to support the stability and continuity of KBC Group. As controlling shareholder of Almancora Société de gestion, it plays an important part in the appointment of the latter's Board of Directors.

In the same capacity, Almancora ASBL has the casting vote at the General Meeting of Shareholders of Almancora Société de gestion.

Almancora ASBL's Board of Directors comprises the representatives of Cera members serving on the board of Directors of Almancora Société de gestion and the managing directors holding a directorship mandate at Almancora Société de gestion.

⁷ AVAs: Other Permanent Shareholders

MRBB: Maatschappij voor Roerend Bezit van de Boerenbond CVBA

These parties together with Cera and KBC Ancora constitute the core shareholders of KBC Group and have entered into a shareholder agreement to this end with a view to supporting the general policy of KBC Group (see 2.1.4 KBC Ancora SCA).

2.1.2 Almancora Société de gestion SA

KBC Ancora does not have a Board of Directors of its own but is administered instead by a statutory manager – Almancora Société de gestion SA – the duties of which include setting out the policy to be pursued by KBC Ancora.

Almancora Société de gestion's Board of Directors (see 2.2.2 *Board of Directors of Almancora Société de gestion SA*) is made up of at least four representatives of Cera members, at least two managing directors and at least three independent directors.

2.1.3 Ancora ASBL

KBC Ancora's Articles of Association include rules for dealing with conflicts of interest. It was in this context that Ancora ASBL was founded.

Ancora ASBL acts as ad hoc representative in the event that Almancora Société de gestion has a conflict of interest with regard to a decision it has to take as manager of KBC Ancora, if Almancora Société de gestion is prevented from fulfilling its duties or if the statutory manager's mandate expires before KBC Ancora's General Meeting of Shareholders is able to appoint a new statutory manager. In such an event, Ancora ASBL will temporarily assume the management role of Almancora Société de gestion.

The Board of Directors of Ancora ASBL consists of Almancora Société de gestion SA's independent directors.

2.1.4 KBC Ancora SCA

KBC Ancora's principal activity is the maintenance and management of its shareholding in KBC Group with a view to ensuring, in collaboration with Cera, MRBB and the Other Permanent Shareholders, the shareholder stability and continuity of KBC Group. To this end, KBC Ancora signed a shareholder agreement with these parties on 23 December 2004. Cera and KBC Ancora are viewed as a single party for the purposes of the agreement.

In December 2012, Cera and KBC Ancora contributed additional KBC Group shares which they already held to the shareholder agreement between Cera, KBC Ancora, MRBB and the Other Permanent Shareholders, so that this agreement continued to represent more than 30% of the total number of KBC Group shares, including after the capital increase effected by KBC Group in December 2012.

On 1 December 2014 Cera and KBC Ancora, together with MRBB and Other Permanent Shareholders, extended their collaboration as a syndicate in updated form with respect to KBC Group for a further term of ten years. Cera, KBC Ancora, MRBB and the Other Permanent Shareholders contributed all their shares to the shareholder agreement.

The shareholder agreement currently represents 168.2 million KBC Group shares, equivalent to 40.2% of the total number of KBC Group shares in issue. Cera and KBC Ancora have together committed 88.6 million KBC Group shares, or 21.20% of the total number of KBC Group shares. KBC Ancora has committed 77.5 million KBC Group shares, or 18.54% of the total, and Cera the rest.

2.2 Declaration concerning effective corporate governance

KBC Ancora attaches great importance to corporate governance.

KBC Ancora applies the 2009 Belgian Corporate Governance Code as a reference code. It is committed to implementing the Code as fully as possible.

KBC Ancora's Corporate Governance Charter explains the principal elements of the company's policy in relation to corporate governance. It is available on the website www.kbcancora.be.

As KBC Ancora is managed by a statutory manager, the provisions of the Belgian Corporate Governance Code are applied at the level of the Board of Directors of Almancora Société de gestion SA.

The Board of Directors of Almancora Société de gestion applies the principles from the Corporate Governance Code in full. It deviates from the provisions of the Code where the specific characteristics of KBC Ancora or its statutory manager or specific circumstances make this necessary. In such cases the deviation is explained in accordance with the 'comply or explain' principle.

KBC Ancora's Corporate Governance Charter deviates from only two provisions of the Code. Contrary to Provisions 5.1 and 5.3/4 of the Corporate Governance Code, the Appointments Committee of Almancora Société de gestion may submit proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almancora Société de gestion as regards the appointment of A, B and C directors. This offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests.

In addition, contrary to Provision 7.11 of the Corporate Governance Code, for the reasons explained in section 2.2.6 the members of the Day-to-Day Management Committee receive no variable remuneration for their actual and set functions within KBC Ancora.

2.2.1 Management structure

The statutory manager bears unlimited liability vis-à-vis KBC Ancora's creditors. KBC Ancora's other shareholders are only liable to the extent of their contribution.

Under the terms of the Belgian Companies Code (Code des sociétés), the statutory manager's endorsement must be obtained before any decision of the General Meeting of Shareholders affecting third parties (e.g. payment of a dividend) or any amendment to the Articles of Association can be ratified or enacted.

The manager was appointed in the Articles of Association for an indefinite period. Its mandate may only be terminated under exceptional circumstances. The manager may, however, choose to resign without having to seek the endorsement of the General Meeting of Shareholders.

Almancora Société de gestion is authorised as manager to do all that is necessary for or conducive to the achievement of the company's object, with the exception of powers that are reserved by law for the General Meeting of Shareholders.

Almancora Société de gestion receives no remuneration for exercising its managerial mandate, but costs incurred during the exercise of that mandate are reimbursed.

2.2.2 Board of Directors of Almancora Société de gestion SA

The following changes took place in the composition of the Board of Directors in the year under review:

Anita Verresen was reappointed as a B director on 27 November 2015. Her term of office as a B director ended definitively on 29 April 2016. Her term of office as a B director of Almancora Société de gestion came to an end due to her reaching the maximum term of office as a B director of Cera Société de gestion⁸.

Ghislaine Van Kerckhove's term of office as a B director ended definitively on 29 April 2016. Her term of office as a B director of Almancora Société de gestion came to an end due to her reaching the maximum term of office as a B director of Cera Société de gestion. Ghislaine Van Kerckhove was also vice-chairman of the Board of Directors of Almancora Société de gestion.

At the Extraordinary General Meeting of Shareholders of Almancora Société de gestion held on 29 April 2016, Henri Vandermeulen was appointed as a new B director with immediate effect for a term of four years, and Liesbet Okkerse was appointed as a new B director with effect from 25 November 2016, also for a term of four years.

Johan Massy was appointed on 29 April 2016 to succeed Ghislaine Van Kerckhove as Vice-chairman of the Board of Directors of Almancora Société de gestion.

Henri Vandermeulen (b. 1957) graduated in Medical Social Sciences and Hospital Policy at KU Leuven (Katholieke Universiteit Leuven)

He is active in a professional capacity as secretary of the administrative body of the Regional Association for Disability Support in the Province of Limburg (IGL).

He was appointed to the Board of Directors of Cera Société de gestion on 1 September 2012, and since 29 April 2016 he has been a member of the Board of Directors of Almancora Société de gestion.

Liesbet Okkerse (b. 1978) obtained her doctorate in Applied Economics at the University of Antwerp (UFSIA).

She is active in a professional capacity as a financial administrator in the municipality of Zoersel.

She has been a member of the Board of Directors of Cera Société de gestion since 29 April 2016, and was appointed to the Board of Directors of Almancora Société de gestion with effect from 25 November 2016.

Johan Massy (b. 1958) obtained a degree in Commerce and Business Economics at KU Leuven.

He is employed at Anheuser-Busch InBev.

He joined the Board of Directors of Almancora Société de gestion in 2009, and was appointed as Vice-chairman of the Board of Directors of Almancora Société de gestion with effect from 29 April 2016.

The procedure for appointing a new A director was also completed during the year under review:

Luc Discry's term of office as an A director at Almancora Société de gestion ended on 3 August 2016 as he had reached the age limit set in the Articles of Association. The procedure for the appointment of a new A director of Almancora Société de gestion to succeed Luc Discry was followed during the year under review. At the Extraordinary General Meeting of Almancora Société de gestion held on 24 June 2016, Katelijjn Callewaert was appointed as a new A director with effect from 3 August 2016. Prior to her appointment as an A director, Katelijjn Callewaert resigned as a C director of Almancora Société de gestion with immediate effect on 24 June 2016.

Table 5 shows the composition of the Board of Directors of Almancora Société de gestion and the committees set up under the Board's aegis. The number of meetings attended by each Board member is reported for the Board of Directors and its committees. The Board met eleven times in the financial year 2015/2016; the Audit Committee met seven times, the Appointments Committee five times and the Remuneration Committee twice.

⁸ A mandate as a B director of Cera Société de gestion is a requirement for a mandate as a B director of Almancora Société de gestion.

Table 5: Composition of the Board of Directors of Almancora Société de gestion and overview of individual attendees

Naam	End of current term	A directors	B directors	C directors	Day-to-Day Management Committee	Audit Committee	Appointments Committee	Remuneration Committee
Franky Depickere	2018	11			11		5	
Luc Discry⁹	2016	11			11			
Jean-François Dister	2018		11				5	2
Koen Kerremans	2016		11					
Johan Massy	2017		11			7		
Ghislaine Van Kerckhove (until 29.04.2016)	2016		9					
Henri Vandermeulen¹⁰ (since 29.04.2016)	2020		2					
Anita Verresen (until 29.04.2016)	2016		9					
Katelij n Callewaert Chairman (until 24.06.2016) ¹¹	2016			10			3	2
Danielle Sougné¹²	2016			10		5	2	
Jules Stuyck¹³ Chairman (since 24.06.2016)	2017			9		6	4	
Vandaele Herman BVBA (permanent representative: Herman Vandaele) (until 29.01.2016)	2016			3		3	2	
Herman Vandaele (since 30.01.2016)	2018			5		3	2	2

9 Luc Discry's term of office as an A director at Almancora Société de gestion ended on 3 August 2016 as he had reached the age limit set in the Articles of Association.

10 Henri Vandermeulen has been a member of the Board of Directors since 29 April 2016. Since taking up his mandate, he has attended all meetings of the Board of Directors.

11 The Extraordinary General Meeting of Shareholders of Almancora Société de gestion passed a resolution on 24 June 2016 to appoint Katelij n Callewaert as a new A director of Almancora Société de gestion with effect from 3 August 2016 (succeeding Luc Discry). Prior to her appointment as an A director, Katelij n Callewaert resigned as a C director of Almancora Société de gestion with immediate effect on 24 June 2016. She was also Chairman of the Board of Directors and a member and Chairman of the Appointments Committee and the Remuneration Committee.

12 At the meeting of the Board of Directors held on 24 June 2016, Danielle Sougné was appointed as a new member of the Appointments Committee, replacing Katelij n Callewaert. Katelij n Callewaert attended all meetings of the Appointments Committee that took place prior to Danielle Sougné taking up her term of office.

13 On 24 June 2016, Jules Stuyck was appointed to replace Katelij n Callewaert as Chairman of the Board of Directors of Almancora Société de gestion, Chairman of the Appointments Committee and member and Chairman of the Remuneration Committee. Katelij n Callewaert attended all meetings of the Remuneration Committee that took place prior to Jules Stuyck taking up his term of office.

2.2.2.1 Composition of the Board of Directors

The mandate of the statutory manager, Almancora Société de gestion, may only be terminated with its agreement or by judicial ruling, if there are legal grounds for this. For that reason, a great deal of attention has been paid to the way in which the Board of Directors of Almancora Société de gestion is constituted. Account was taken when drafting the Articles of Association of KBC Ancora's anchoring objective, the principles of effective corporate governance – more specifically recommendations from competent authorities – and the legal rules regarding conflicts of interest in listed companies.

The Board of Directors of Almancora Société de gestion consists of three types of directors, each with its own specific conditions for appointment:

- **A directors** are those whose directorship forms part of their everyday professional activity. The individuals in question are managing directors of Almancora Société de gestion, with individual powers of representation. The two current A directors are also managing directors of Cera Société de gestion, Cera's statutory manager. This creates a personal link between KBC Ancora and Cera.
- **B directors** are non-executive directors who are members of the consultative bodies that operate within Cera Ancora, as long as the latter does not oppose their candidacy. These directors personify the institutional link between KBC Ancora and Cera, as also enshrined in the description of KBC Ancora's object as set out in its Articles of Association.
- **C directors** are independent directors. They are appointed because of their independence vis-à-vis the management of KBC Ancora, Cera and the KBC group.

Directors are appointed for a maximum term of four years.

Directorships may be renewed. If a directorship is renewed within the same category, the director concerned may be reappointed one or more times on expiry of each term of office, though only for immediately following terms. A directorship may not last for more than a total of 12 years.

B and C directorships terminate by law following the Annual General Meeting held in the twelfth year of the directorship. B or C directorships also end by law in any event following the General Meeting of Shareholders held in the year following the year in which the director in question has reached the age of 70 years. A directorships are renewable without limit and end by law in any event at the moment that the director concerned reaches the age of 65 years.

In the event that there are one or more unfilled directorships, the remaining directors of the same category are authorised to fill the vacancy or vacancies on a temporary basis from candidates proposed by the Appointments Committee until the next General Meeting of Shareholders.

The Board selects a Chairman from its B and C members.

The A and C directors together constitute the majority on the Board of Directors; there must be a minimum of three C directors. Persons may only be appointed as A, B or C directors by the General Meeting of Shareholders at the nomination of the Appointments Committee of Almancora Société de gestion. The C directors constitute the majority of the members of this Appointments Committee.

The company applies strict independence criteria. These independence criteria are set out in Article 9 of the Articles of Association of Almancora Société de gestion. All C directors also comply with the statutory independence criteria as defined in Section 526ter of the Belgian Companies' Code (Code des sociétés).

2.2.2.2 Powers of the Board of Directors

The Board of Directors of Almancora Société de gestion is authorised to perform all acts which are necessary for or conducive to the achievement of its object and, in the context of its management of KBC Ancora, for the achievement of the object of KBC Ancora.

In exercising its management mandate within KBC Ancora, Almancora Société de gestion pays particular attention to KBC Ancora's object. That object is aimed at the maintenance and management of a participating interest in KBC Group, or every company and/or group of companies which is a continuation thereof in order, together with Cera, to achieve and maintain the anchoring of KBC Group as described in the KBC Ancora Articles of Association.

The Board of Directors carries out all tasks which are assigned to it by law and/or the Articles of Association. Decisions on the strategy of the company, its values and the focus of its policy take account of the consultations between KBC Ancora and Cera.

The Board of Directors exercises these powers with regard both to the management of Almancora Société de gestion itself and in relation to the management of KBC Ancora, given the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, all in accordance with the respective provisions of the Articles of Association. Where relevant, the Board of Directors also takes into account the cost-sharing agreement between Cera and KBC Ancora (see 3.2.2.1 *Costs within the cost-sharing agreement with Cera*).

The Board of Directors is also authorised, in view of the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, to consult and collaborate with Cera in the light of their parallel anchoring objective.

Almancora Société de gestion is bound to implement its mandate as statutory manager personally. However, as permitted by KBC Ancora's Articles of Association, the Board of Directors of Almancora Société de gestion has delegated the day-to-day management of KBC Ancora and of Almancora Société de gestion, as well as the implementation of the decisions taken by the statutory manager, to two A directors who together constitute the Day-to-Day Management Committee.

2.2.2.3 Functioning of the Board of Directors

The functioning of the Board of Directors is governed by the Articles of Association, supplemented by the relevant provisions of the Belgian Companies' Code (Code des sociétés). Further details are contained in the 'Guidelines for Directors of Almancora Société de gestion for the exercise of their directorship', which form part of the Internal Addendum to the KBC Ancora Corporate Governance Charter.

The Board of Directors met eleven times in the year under review. Each of these meetings was attended by virtually all members. In addition to its traditional duties (adopting the annual

and interim results, proposal for appropriation of result, monitoring the activities of the Audit Committee, Appointments Committee and Remuneration Committee, approving the budgets, etc.), the Board of Directors also dealt with the following topics among others in the financial year 2015/2016:

- Monitoring of the strategy and results of the KBC group and functioning of the shareholder syndicate;
- Valuation of KBC Ancora's financial fixed assets;
- KBC Ancora's financial planning;
- Succession of directorships (appointment of one A director, two B directors and reappointment of one B director);
- Appointment of the chairman and vice-chairman of the Board of Directors, chairman and member of the Appointments committee and chairman and member of the Remuneration Committee;
- Updating the KBC Ancora Corporate Governance Charter.

2.2.3 Committees appointed within the Board of Directors

2.2.3.1 Day-to-Day Management Committee

- **Composition:**

The Day-to-Day Management Committee is a collegial body and comprises the two A directors. The term of office of the members of the Day-to-Day Management Committee ends on expiry of their term of office as A directors on the Board of Directors.

- **Powers:**

The Day-to-Day Management Committee prepares the meetings of the Board of Directors and forwards proposals for decisions to the Board.

The Committee exercises its powers autonomously, but always within the framework of the general strategy as adopted by the Board of Directors.

The Day-to-Day Management Committee is authorised to conduct the day-to-day management of both Almancora Société de gestion and KBC Ancora.

- **Functioning:**

The Day-to-Day Management Committee has been charged by the Board of Directors with the day-to-day management of the company. In principle, the Day-to-Day Management Committee meets once a month. The Committee met eleven times in the year under review. In addition, there were of course ongoing informal contacts between the Managing Directors.

2.2.3.2 Audit Committee

- **Composition:**

The Audit Committee comprises a minimum of three directors, other than A directors. More than half the members of the Audit Committee must be C directors.

C directors are independent directors, all of whom meet the independence criteria as set forth in the Belgian Corporate Governance Code and in Section 526ter of the Belgian Companies Code (Code des sociétés).

Herman Vandaele and Danielle Sougné were designated as the Audit Committee members with specific experience in relation to accounting and audit.

Herman Vandaele obtained a degree in Applied Economics (*Licentiaat in de Toegepaste Economische Wetenschappen*) at the University of Antwerp (UFSIA) and the degree of Master in Treasury & Banking and Tax Management at IPO Antwerpen (now Antwerp Management School). He also followed an Executive Management Programme at CEDEP/INSEAD in Fontainebleau and a Leadership Program at the University of Colorado Denver. Until the end of December 2010 he was General Manager Corporate Projects at NV Bekaert, and since 1975 has held various posts within the Bekaert group both within Belgium and abroad. He possesses years of experience in corporate and headquarter responsibilities. His expertise extends among other things to plant control, corporate finance, audit, personnel management, IT, corporate treasury and banking, M&A, shared services, investor relations and general management. In the period 1985-2000 he worked as a lecturer at the Ehsal and Vlekho Institutes (now University College Brussels) and at IPO Antwerpen (now Antwerp Management School).

Danielle Sougné obtained the degree of *Licentiaat in Business Studies* and a teaching certificate in Economics at the Management School of the University of Liège (HEC). She also obtained the degree of Master in Administration and Management (Finance orientation) and a PhD in Applied Economics (Finance orientation) at Université Catholique de Louvain (UCL). Since 1999 she has been a lecturer in Financial Management at the Management School of the University of Liège, where she became chair of the 'Finance et Droit' (Finance and Law) department in 2008. She has been a full-time academic since 1999, teaching a range of subjects including Capital Budgeting and Valuation, Corporate Finance, Introduction to Consolidation, Accountancy and Taxation, and Financial Markets.

It is evident from the foregoing that a sufficient number of the independent directors who are members of the Audit Committee meet the independence and expertise criteria as laid down in Section 96, §1, 9° of the Belgian Companies Code (Code des sociétés), and that the Audit Committee therefore possesses sufficient relevant expertise in relation to accounting and audit.

The Audit Committee elects a Chairman from among its members, who may not also be the Chairman of the Board of Directors, and appoints a secretary.

- **Powers:**

The Audit Committee supports the Board of Directors in the performance of its supervisory tasks in respect of audit in the widest sense.

The Audit Committee's tasks relate in particular to:

- Financial reporting and communication;
- Internal control and risk management;
- Overseeing the effective functioning of the company's internal control system;
- The external audit function performed by the auditor;
- Additional audit duties.

- **Functioning:**

The Audit Committee meets as often as necessary for its proper functioning, and at least four times a year.

The Audit Committee's activities are governed by the Internal Rules of the Audit Committee, which are incorporated in the Corporate Governance Charter.

The managing directors are not members of the Audit Committee, but are invited to attend meetings. This arrangement guarantees the necessary dialogue between the Board of Directors and the executive management.

The Audit Committee met seven times during the year under review. Among the topics discussed in the financial year 2015/2016 were the following:

- Valuation of KBC Ancora's financial fixed assets;
- Draft financial statements and draft annual report of KBC Ancora for the financial year 2014/2015;
- KBC Ancora remuneration report for the financial year 2014/2015;
- Overseeing the procedure in relation to the minority claim;
- Evaluation of the effectiveness of the Audit Committee and the adequacy of the Internal Rules of the Audit Committee;
- Budgets for the cost-sharing agreement between Cera and KBC Ancora;
- Interim figures of KBC Ancora;
- Audit planning by the auditor;
- Annual discussion concerning the independence of the auditor;
- Budgets for the next financial year;
- Cera and KBC Ancora's digitalisation project;
- KBC Recovery and Resolution planning.

2.2.3.3 *Appointments Committee*

- **Composition:**

The Appointments Committee comprises a minimum of three directors. The C directors together constitute the majority of the Appointments Committee.

The Appointments Committee is chaired by the Chairman of the Board of Directors of Almancora Société de gestion, except where the choice of his or her successor is being discussed.

- **Powers:**

The Appointments Committee submits proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almancora Société de gestion as regards the appointment of A, B and C directors. The Appointments Committee nominates at least two candidates for each vacancy.

As the majority of the Appointments Committee consists of independent, non-executive directors (C directors), the direct nomination of candidate directors offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests. No directors may be appointed who have not been nominated by the Appointments Committee.

- **Functioning:**

The Appointments Committee meets as often as necessary for its proper functioning, and at least twice a year.

The Appointments Committee's activities are governed by the Internal Rules of the Appointments Committee, which are incorporated in the Corporate Governance Charter.

The Appointment Committee met five times during the year under review. Among the matters discussed at these meetings were the following:

- Reappointment of one B director;
- Evaluation of the activities of the Appointments Committee;
- Evaluation of the composition and size of the Board of Directors and the Committees;
- Initiation of appointments procedure for one A director and two B directors;
- Appointment of the Vice-chairman of the Board of Directors.

Whenever necessary or appropriate, joint meetings are organised between the Appointments Committee of Almancora Société de gestion and the Appointments Committee of Cera Société de gestion.

2.2.3.4 Remuneration Committee

- **Composition:**

The Remuneration Committee comprises at least three directors, other than A directors, of whom the majority are C directors.

The Remuneration Committee is chaired by the Chairman of the Board of Directors of Almancora Société de gestion.

- **Powers:**

The Remuneration Committee:

- makes proposals regarding the remuneration policy for B and C directors;
- makes proposals regarding the remuneration policy for members of the Day-to-Day Management Committee (A directors);
- makes recommendations concerning the individual remuneration of B and C directors and of members of the Day-to-Day Management Committee;
- makes proposals regarding the remuneration policy for management members other than the members of the Day-to-Day Management Committee of Almancora Société de gestion.

Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

- **Functioning:**

The Remuneration Committee meets as often as necessary for its proper functioning, and in principle at least twice a year. The Remuneration Committee met twice in the year under review.

The Remuneration Committee has sufficient relevant expertise in the field of remuneration policy. Among the members of the Remuneration Committee, Herman Vandaele possesses specific experience in the field of HR management and remuneration of company directors.

Herman Vandaele obtained a degree in Applied Economics (Licentiaat in de Toegepaste Economische Wetenschappen) at the University of Antwerp (UFSIA) and the degree of Master in Treasury & Banking and Tax Management at IPO Antwerpen (now Antwerp Management School). He also followed an Executive Management Programme at CEDEP/INSEAD in Fontainebleau and a Leadership Program at the University of Colorado Denver. Until the end of December 2010 he was General Manager Corporate Projects at NV Bekaert, and since 1975 has held various posts within the Bekaert group both within Belgium and abroad. He possesses years of experience in corporate and headquarter responsibilities. His expertise extends among other things to plant control, corporate finance, audit, personnel management, IT, corporate treasury and banking, M&A, shared services, investor relations and general management. In the period 1985-2000 he worked as a lecturer at the Ehsal and Vlekho Institutes (now University College Brussels) and at IPO Antwerpen (now Antwerp Management School).

The Remuneration Committee's activities are governed by the Internal Rules of the Remuneration Committee, which are incorporated in the KBC Ancora Corporate Governance Charter.

Among the matters discussed by the Remuneration Committee in the year under review were the remuneration of B and C directors, the evaluation of the managing directors, the evaluation of the functioning of the Remuneration Committee and the Remuneration Report for the financial year 2015/2016 to be submitted to a vote by the General Meeting of Shareholders of KBC Ancora.

2.2.4 Auditor

The General Meeting of Shareholders held on 31 October 2014 reappointed KPMG Réviseurs d'entreprises (KPMG) as auditor for a further period of three years. KPMG Réviseurs d'entreprises appointed Olivier Macq as its permanent representative.

KPMG Réviseurs d'entreprises received a fee of EUR 14,692 (excluding VAT) in the financial year 2015/2016 for the performance of its normal auditing duties.

2.2.5 Main features of the evaluation process for the Board of Directors, its committees and its individual members

The Board of Directors discusses and evaluates its size, composition and activities on a regular basis, and at least once every three years, as well as the functioning of the Board and its committees and the interaction between the Board of Directors and the Day-to-Day Management Committee. This evaluation is performed by the Board of Directors on the initiative of the chairman and assisted by the Appointments Committee. In addition, each committee tests and assesses its effectiveness each year and submits a report on this to the Board of Directors. Where necessary, the committee in question proposes changes to the Board of Directors.

The contribution of each member of the Board of Directors is periodically evaluated in order to be able to adapt the composition of the Board of Directors to take account of changing circumstances. The evaluation takes into account their general role as directors as well as their specific roles as chairman or member/chairman of a committee, respectively. In the event of a reappointment, the commitment and effectiveness of the director are assessed in accordance with a predetermined and transparent procedure.

The Board of Directors acts on the basis of the results of the evaluation by identifying its strengths and addressing its weaknesses. Where appropriate this means that new members are proposed for appointment, that a proposal is made that existing members should not be reappointed or that measures are taken that are deemed conducive to the effective functioning of the Board of Directors.

B and C directors meet at least once a year in the absence of the A directors in order to evaluate their interaction with the Day-to-Day Management Committee.

2.2.6 Remuneration report for the financial year 2015/2016

Description of the procedures for the development of the remuneration policy of individual directors and members of the Day-to-Day Management Committee

Almancora Société de gestion receives no separate remuneration for performing its mandate as a statutory manager. It does receive reimbursement of the costs it incurs in respect of the remuneration paid to the directors and for the reimbursement of expenses paid to B and C directors¹⁴.

As KBC Ancora is managed by a statutory manager, the statutory provisions in respect of remuneration policy and the relevant provisions of the Belgian Corporate Governance Code are applied transparently at the level of the Board of Directors of Almancora Société de gestion SA. The Board of Directors of Almancora Société de gestion has appointed a Remuneration Committee which advises the Board of Directors on the remuneration policy and individual remuneration of B and C directors and of members of the Day-to-Day Management Committee (A directors) and makes proposals for the remuneration policy for the other Board members. The Remuneration Committee has an advisory function.

The Remuneration Committee monitors trends in legislation, the Corporate Governance Code and market practices, paying particular attention to developments in the remuneration policy at KBC Group SA, and may seek external advice where necessary. The Board of Directors may also instruct the Remuneration Committee on its own initiative or at the proposal of the Day-to-Day Management Committee to investigate possible changes to the remuneration policy and to advise the Board of Directors accordingly.

Whenever necessary or appropriate, joint meetings are organised between the Remuneration Committee of Almancora Société de gestion and the Remuneration Committee of Cera Société de gestion.

Declaration concerning the remuneration policy pursued during the year under review with respect to directors and members of the Day-to-Day Management Committee

The Remuneration Committee hereby declares the following:

Principles of the remuneration policy with due observance of the relationship between remuneration and performance

¹⁴ In addition to the payments to directors, which account for the vast majority of the total expenses incurred by Almancora Société de gestion in the performance of its mandate as manager, Almancora Société de gestion's other operating costs are also charged in full to KBC Ancora (see section 3.2.2.3 of this Annual Report).

Non-executive directors:

As a basic principle, non-executive directors (B and C directors) of Almancora Société de gestion receive a fair level of remuneration which is proportionate to their contribution to the policy of KBC Ancora and which is based on the following principles:

- The remuneration of B and C directors takes into account their responsibilities and time investment.
- B and C directors receive a fixed remuneration and an attendance fee for each meeting of the Board of Directors attended. The remuneration of B directors also takes into account the remuneration they receive for their membership of the Board of Directors of Cera Société de gestion.
- Given the large amount of time he/she invests in KBC Ancora, the Chairman of the Board of Directors enjoys a deviating remuneration regime. He or she receives a higher fixed remuneration, but no attendance fees.
- B and C directors who are members of the Audit Committee also receive an attendance fee for each meeting of the Committee they attend. The chairman of the Audit Committee receives a fixed remuneration.
- The members of the Appointments Committee and the Remuneration Committee do not receive attendance fees, but merely a travel allowance.
- Finally, B and C directors are entitled to reimbursement of expenses incurred in exercising their function as directors.

Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

Executive directors:

The Day-to-Day Management Committee is a collegial body comprising two managing directors (A directors) and is charged with the day-to-day management of both Almancora Société de gestion and KBC Ancora.

The present A directors of Almancora Société de gestion are also the A directors of Cera Société de gestion, statutory manager of Cera.

As members of the Day-to-Day Management Committees, A directors are charged among other things with the day-to-day management of KBC Ancora and Cera, respectively. Their remuneration package is fixed contractually by Cera. With the exception of any variable remuneration of the chairman of the Day-to-Day Management Committee (which is paid in full by Cera), 20% of their total reimbursement is charged on to KBC Ancora in the context of the cost-sharing agreement between Cera and KBC Ancora (see 3.2.2.1 *Costs within the cost-sharing agreement with Cera*). Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

The proposals in respect of the remuneration policy for members of the Day-to-Day Management Committee incorporate the principal elements of the remuneration. The remuneration of the members of the Day-to-Day Management Committee, 20% of which is paid by KBC Ancora, consists of a fixed remuneration, the use of a company car or travel allowance and a competitive insurance package, which among other things includes a supplementary retirement or survivor's pension, disability insurance, hospitalisation insurance and emergency assistance insurance.

The amount of the fixed remuneration is determined on the basis of the individual responsibilities and powers of the A directors, taking into account the remuneration paid for comparable functions in the marketplace.

Any variable remuneration of the A directors within Cera is not passed on via the cost-sharing agreement. These directors also receive no variable remuneration from KBC Ancora. The ultimate objective of KBC Ancora, namely the anchoring of KBC Group, is predicated on a very long-term vision. In the light of this, it is not entirely appropriate to formulate performance criteria, the assessment of which will inevitably be based on a relatively short-term perspective. Moreover, variable remuneration which is based solely on individual performance criteria pertaining to one A director within KBC Ancora will inevitably be limited in scope compared with the fixed remuneration. Bearing in mind the modest share taken by KBC Ancora in the fixed remuneration (20%), the benefits of this limited variable remuneration are not sufficient to justify the administrative complexity it involves, because it would bring the personal financial interests of the A directors and the interests of KBC Ancora into line to only a limited extent. For this reason, KBC Ancora decided to deviate from Provision 7.11 of the Corporate Governance Code, which recommends that an appropriate portion of the remuneration package of the executive management be linked to the performance of the company and to the performance of the individuals concerned.

Relative weight of the different remuneration components

During the year under review, the fixed portion of the remuneration and the pension contributions were the most important components.

Features of the performance bonuses in the form of shares, options or other rights to acquire shares

Not applicable.

Information on the remuneration policy for the next two financial years

The Remuneration Committee periodically evaluates the remuneration policy, and at the present time has no intention of materially amending the principles on which that policy is based.

Remuneration of individual non-executive directors of Almacora Société de gestion SA

Table 6: Remuneration of non-executive directors of Almacora Société de gestion

	Board of Directors (fixed)	Board of Directors (attendance fee)	Audit Committee (fixed)	Audit Committee (attendance fee)	Total
Katlijn Callewaert	32,720	-	-	-	32,720
Jean-François Dister	3,552	4,332	-	-	7,884
Koen Kerremans	3,552	4,332	-	-	7,884
Johan Massy	3,851	4,992	-	3,006	11,849
Danielle Sougné	7,190	7,332	-	1,998	16,520
Jules Stuyck	7,190	7,332	-	2,670	17,192
Vandaele Herman SPRL (until 29.01.2016)	4,950	1,980	3,520	-	10,450
Herman Vandaele (since 30.01.2016)	2,240	4,032	3,584	-	9,856
Ghislaine Van Kerckhove (until 29.04.2016)	4,432	3,984	-	-	8,416
Henri Vandermeulen (since 29.04.2016)	597	1,344	-	-	1,941
Anita Verresen (until 29.04.2016)	2,955	3,984	-	-	6,939
Total	73,229	43,644	7,104	7,674	131,651

Information on the remuneration that members of the Day-to-Day Management Committee who are also members of the Board of Directors would have received in that capacity

No fixed remuneration or attendance fees were paid to the two members of the Day-to-Day Management committee for the performance of their mandate as directors.

Evaluation criteria based on the performance of the company

Not applicable in view of the non-payment of variable remuneration.

Remuneration of the members of the Day-to-Day Management Committee

The Day-to-Day Management Committee is a collegial body. The company is therefore not led by a CEO in the sense of a sole operational and responsible representative of the enterprise. Nonetheless, in implementation of the provisions of the Corporate Governance Code and the Law on reinforcing corporate governance in listed companies, the individual remuneration of the Chairman of the Day-to-Day Management Committee (Mr Franky Depickere) is disclosed.

Table 7: Remuneration of Day-to-Day Management Committee of KBC Ancora

	fixed	pension**	other***
Day-to-Day Management Committee	143,313	19,854	3,641
of which the Chairman*	125,213	16,441	2,963

* *Mandate exercised on the basis of a self-employment contract.*

** *The pension contributions take the form of fixed contributions to fund a supplementary retirement or survivor's pension.*

*** *Other remuneration comprises the use of a company car and a disability insurance, hospital insurance and emergency assistance insurance package.*

Shares, share options and other rights to acquire KBC Ancora shares granted, exercised or lapsed during the year under review, on an individual basis

No shares, share options or other rights to acquire KBC Ancora shares were granted or exercised during or before the year under review.

Provisions on severance packages for the members of the Day-to-Day Management Committee

The terms and conditions governing the employment of members of the Day-to-Day Management Committee are set out in individual employment contracts agreed between Cera and the parties concerned. 20% of the cost price of these contracts (with the exception of the variable remuneration – see above) is passed on to KBC Ancora in the context of the cost-sharing agreement between Cera and KBC Ancora (see 3.2.2.1 *Costs within the cost-sharing agreement with Cera*). The employment contract agreed with Mr Franky Depickere took effect on 1 September 2006, well before the new Corporate Governance Code and the Law on reinforcing corporate governance in listed companies came into force. It provides for a severance package equivalent to 24 months' fixed remuneration, and the company is bound to meet this contractual obligation should the situation arise. The employment contract agreed with Katelijn Callewaert took effect on 3 August 2016 and provides for a severance package equivalent to 12 months' fixed remuneration.

Information as referred to in Article 14, paragraph 4 of the Law of 2 May 2007 concerning the disclosure of major shareholdings in issuers whose shares have been admitted for trading on a regulated market

Shareholder structure as at 30 June 2016

There is a statutory requirement to disclose participating interests in listed companies of (multiples of) 5%. In addition, KBC Ancora's Articles of Association stipulate disclosure thresholds of 1% and 3%.

Cera SCRL disclosed on 20 July 2016 that as at 30 June 2016 it held 42,784,688 KBC Ancora

shares. These shares represented a participating interest in KBC Ancora of 54.64%, with equivalent voting rights. This shareholding thus fell below the disclosure threshold of 55%. Cera reported that it had not bought or sold any KBC Ancora shares since the last transparency notification in June 2010. The reduction in the shareholding in KBC Ancora was entirely attributable to the distribution of KBC Ancora shares to Cera members who withdrew and surrendered co-operative D-shares in the period from June 2010 to June 2016.

On 2 August 2016 Parvus Asset Management Europe Limited, controlled by Edoardo Mercadante, reported that on 27 July 2016 it had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 996,102 KBC Ancora shares equivalent to a participating interest of 1.27%

Table 8 summarises the shareholder structure of KBC Ancora based on all notifications received up to and including 31 July 2016. A detailed summary of all participating interest disclosures may be found on the KBC Ancora website.

Table 8: Shareholder structure of KBC Ancora (situation up to 30 June 2016)

Informant	Situation as at	Number of shares	Participating interest
Edoardo Mercadante/ Parvus Asset Management Europe Limited	27 July 2016	996,102	1,27%
Cera SCRL	30 June 2016	42,784,688	54.64%
Lansdowne Partners Austria GmbH	10 July 2014	796,477	1.02%
FMR LLC	28 June 2013	791,841	1.01%
Gino Coorevits/Portus SA	30 October 2009	1,164,510	1.49%

Information as referred to in Article 34 of the Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that are admitted for trading on a regulated market

On 30 June 2016 the capital of KBC Ancora was represented by 78,301,314 shares without nominal value, each representing an equal portion of the capital.

The majority of the shares are held by Cera SCRL. On 22 August 2016 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2016 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 42,784,688, or 54.64%, of the total of 78,301,314 KBC Ancora shares.

KBC Ancora is managed by a statutory manager appointed pursuant to the Articles of Association. At the Extraordinary General Meeting of Shareholders held on 12 January 2001, Almancora Société de gestion was appointed as statutory manager for the

duration of the company. The management mandate of the statutory manager may only be terminated with its agreement or by the courts, if there are lawful reasons for doing so. Decisions of the General Meeting which concern the interests of KBC Ancora vis-à-vis third parties, and decisions to amend the Articles of Association,¹⁵ take effect only when and on the condition that the statutory manager gives its consent thereto.

Holders of securities in which special control rights are vested

None.

Limitations to the exercise of the voting right imposed by the law or the Articles of Association

There are no limitations on the exercise of the voting right. Each share confers the right to one vote.

As statutory manager, Almancora Société de gestion does have a right of veto in respect of all acts that could affect the interests of the company vis-à-vis third parties or which amend the Articles of Association.

Rules governing the appointment and replacement of members of the management body and amendment of the Articles of Association

When the company was established in 2001, Almancora Société de gestion was appointed as the statutory manager by the Articles of Association for an indefinite period. Its mandate may only be terminated on 'legitimate grounds'.

The attendance and majority requirements as set by the law apply for amendments of the Articles of Association. Pursuant to Article 33 of the Articles of Association, a resolution to amend the Articles of Association takes effect only when and if the statutory manager agrees to it.

Powers of the statutory manager in relation to the issue and repurchase of shares

Within the limits and on the conditions as set out in Article 9 of the Articles of Association, Almancora Société de gestion may decide to increase the authorised capital of KBC Ancora without seeking the prior authorisation of the General Meeting of Shareholders.

Almancora Société de gestion is also authorised to acquire or dispose of shares in the company within the limits and on the conditions as set out in Article 10 of the Articles of Association.

2.3 Internal control and risk management

Since KBC Ancora is a single-asset holding company whose sole asset is a substantial participating interest in KBC Group, the operational activities of KBC Ancora are fairly limited. KBC Ancora employs no staff. The operational activities are in the hands of joint staff of Cera and KBC Ancora (with costs being charged by Cera to KBC Ancora via the cost-sharing agreement; see 3.2.2.1 Costs within the cost-sharing agreement with Cera).

¹⁵ The statutory attendance and majority requirements as set out in Section 558 ff. of the Belgian Companies Code (Code des sociétés) are applicable.

The budgets are prepared by the Day-to-Day Management Committee and are explained and discussed in the Audit Committee before being submitted for approval to the Board of Directors. The Day-to-Day Management Committee periodically monitors the budgets and submits a report on them to the Audit Committee and the Board of Directors.

The system of internal control and risk management is characterised by the following elements:

- sufficient information is made available to the Audit Committee to enable the cost of debt as well as the direct operating costs of KBC Ancora to be discussed and monitored in depth;
- the other operating costs are shared costs of KBC Ancora and Cera, which are borne by Cera and which to the extent that they relate to KBC Ancora are subsequently charged on to KBC Ancora. The Audit Committee of Almancora Société de gestion is closely involved in the following aspects of the discussion and monitoring of the budgets relating to the shared costs:
 - o organisation of an annual joint meeting of the Audit Committees of Cera Société de gestion and Almancora Société de gestion to discuss the budgets and cost-sharing agreement between Cera and KBC Ancora;
 - o discussion of the audit cycle during this joint annual meeting;
- the provision of transparent and regular information to the Audit Committee of Almancora Société de gestion concerning the operational activities and controls in place at Cera, in so far as these are relevant for the cost-sharing agreement between Cera and KBC Ancora;
- taking cognisance and discussion of the annual audit report by the auditor and of the specific activities of the auditor.

During the year under review, the Audit Committee of Almancora Société de gestion evaluated the adequacy of the present system of internal control and risk management. Based on this evaluation, the Audit Committee judged that there is currently no need to put in place additional control measures or to initiate an internal audit function.

2.4 Rotation system

Directors were appointed for a maximum six-year term on the foundation of Almancora Société de gestion in 2001. To ensure the necessary continuity of management, the Articles of Association provided for a rotation system in which a number of directorships lapse every two years. The rotation system is an optional system, which Almancora Société de gestion applies whenever it deems this necessary to ensure the continuity and proper functioning of the Board of Directors. The rotation system was applied for the first time in 2003.

Since then, a sufficient spread has arisen in the expiry dates of the directorships, and application of this optional system has therefore not been necessary.

2.5 Code of conduct in respect of conflicts of interest

The statutory provisions concerning potential conflicts of interest with a director or with a major shareholder (Sections 523 and 524 of the Belgian Companies' Code (Code des sociétés)) are incorporated and elaborated in Articles 20 and 21 of the Articles of Association. In addition, the Board of Directors of Almancora Société de gestion has formulated rules for dealing with potential conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and of KBC Ancora. These rules are incorporated in the KBC Ancora Corporate Governance Charter.

No incidents occurred in the year under review for which the rules on conflicts of interest with the statutory manager or the rules on conflicts of interest with a major shareholder needed to be applied. There were also no conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and KBC Ancora.

2.6 Code of conduct to prevent market abuse

The Board of Directors of Almancora Société de gestion has drawn up a code of conduct intended to prevent market abuse. The principles of the code of conduct have been incorporated in the KBC Ancora Corporate Governance Charter.

The code of conduct to prevent market abuse provides among other things for the drawing up of a list of insiders, the setting of annual blackout periods, the reporting of trades by directors and employees involved to the Compliance Officer and the reporting of trades by management to the Belgian Financial Services and Markets Authority (FSMA).

2.7 Annual notification pursuant to Article 74, §8 of the Law of 1 April 2007 on public takeover bids

The majority of the shares are held by Cera SCRL. On 22 August 2016 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2016 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 42,784,688, or 54.64%, of the total of 78,301,314 KBC Ancora shares.

This notification was made with a view to retaining the exemption from the obligation to issue a bid for the entire body of securities with voting rights of KBC Ancora SCA.

2.8 Guidelines for the exercise of directorships

The 'Guidelines for directors of Almancora Société de gestion for the exercise of their directorship mandates' form part of the 'Internal Addendum to the KBC Ancora Corporate Governance Charter'. They were most recently updated on 21 December 2007.

The Audit Committee oversees compliance with the 'Guidelines for directors of Almancora Société de gestion for the exercise of their directorship mandates'.

2.9 Openness in investor communication

In fulfilling its duty to inform, KBC Ancora focuses on natural communication opportunities at which it not only provides accurate information but also strives to convey that information in a comprehensible manner.

KBC Ancora publishes its periodic financial reports, annual reports and all other information that it is required to make public as a listed company on its website www.kbcancora.be.

This information is disseminated using the usual European media and the KBC Ancora website. In addition, every interested party has the opportunity to subscribe to the KBC Ancora electronic mailing list free of charge via the website.

Since KBC Ancora's principal asset is a major participating interest in KBC Group, specific information – which frequently relates to the underlying group results – can also be found in the KBC Group annual report and website and those of its subsidiaries.

3 Statutory manager's report

3.1 Balance sheet as at 30 June 2016

KBC Ancora's balance sheet total stood at EUR 2,441.8 million on 30 June 2016, a reduction of EUR 1.4 million compared with the previous financial year.

3.1.1 Assets

The assets consist almost entirely of a substantial participating interest in KBC Group. The number of KBC Group shares held by KBC Ancora remained unchanged in the year under review.

As at the balance sheet date, KBC Ancora held 77,516,380 KBC Group shares.

KBC Ancora has a participating interest of 18.5% in KBC Group. This qualifies as a participating interest within the meaning of Section 13 of the Belgian Companies Code (Code des sociétés) and is treated as a financial fixed asset for accounting purposes.

Accounting valuation of the KBC Group shares

General

KBC Ancora is subject to Belgian accounting rules.

As regards the KBC Group shares, which constitute a financial fixed asset for KBC Ancora, this means that write-downs must be applied in the event of a lasting reduction or depreciation in value, justified by the status, profitability or outlook of the company in which those shares are held (in this case, KBC Group).

Analysis by the Board of Directors

In the spring of 2009, the Board of Directors of the statutory manager was of the opinion that there had been a lasting reduction or depreciation in the value of the KBC Group shares in portfolio, and that the book value of these shares should be written down. In early 2009 the decision was taken to write down the average book value (at that time) from EUR 46.4 to EUR 31.5 per KBC Group share, an amount that corresponded with the (audited) equity value per KBC Group share as at 31 December 2008 (according to the IFRS rules applying for KBC Group).

Since that time, the Board of Directors of the statutory manager has left the book value per KBC Group share unchanged at EUR 31.5.

On 25 August 2016, the Board of Directors decided once again to hold the book value of these shares as at 30 June 2016 at EUR 31.5 per KBC Group share.

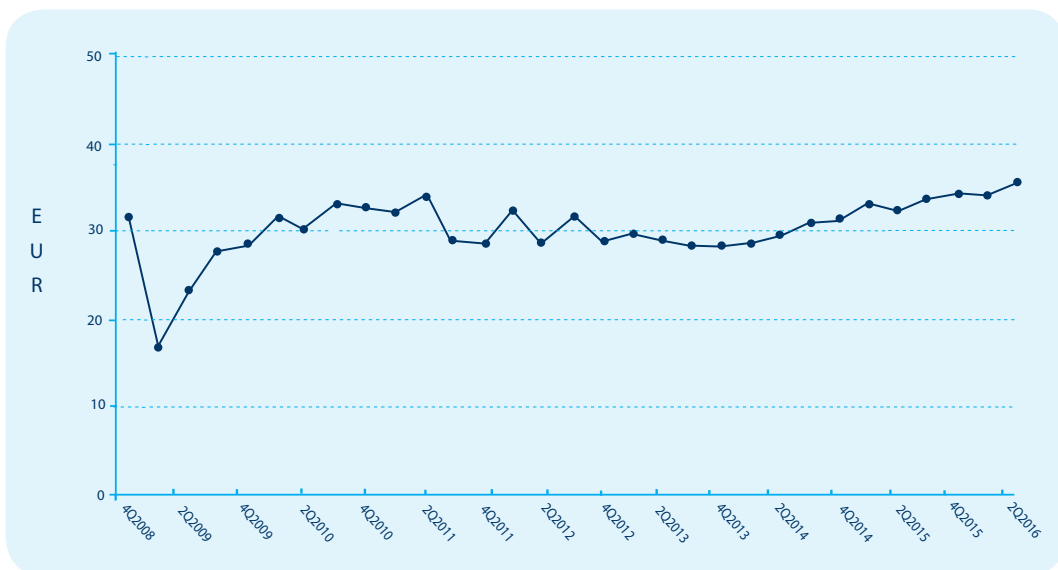
It may be noted that the stock market price of the KBC Group share has been above the average book value of EUR 31.5 since 1 August 2013, and the adjusted net result of KBC Group over the last two financial years has totalled EUR 2.6 billion (2015) and EUR 1.8 billion (2014). KBC Group recorded a net result of EUR 1.1 billion for the first six months of 2016.

The trend in the price of the KBC Group share and the equity per KBC Group share since 2009 is presented in the following charts.

Chart 7: Trend in KBC Group share price (daily)



Chart 8: Trend in equity per KBC Group share (quarterly)



As regards the liquidity position of KBC Ancora, KBC Ancora's recurring income consists principally of dividend it receives from its participating interest in KBC Group.

In the event that KBC Ancora does not receive a dividend from its participating interest in KBC Group in any given year, KBC Ancora will itself not pay a dividend in that year. If KBC Ancora receives KBC Group dividend again in a subsequent financial year, its carried forward result will be taken into account when determining the profit available for distribution.

In August 2016, KBC Group reaffirmed its intention of aiming for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit with effect from the financial year 2016.

In assessing the accounting valuation of the KBC Group shares which constitute KBC Ancora's financial fixed asset, the Board of Directors also forms a view in its analysis of the 'status, profitability or outlook of the company' concerning the likely future developments in the parameters described above. In view of these factors, the Board of Directors does not regard an adjustment of the book value of the KBC Group shares as necessary.

KBC Ancora held virtually no current assets on the balance sheet date, compared with EUR 1.4 million in the previous year.

3.1.2 Liabilities

Capital and reserves amounted to EUR 2,045.2 million, a reduction of EUR 21.0 million, or 1.0%, compared with the previous financial year.

The issued capital amounts to EUR 2,021.9 million.

The statutory reserve amounted to EUR 7.5 million.

The unavailable reserves totalled EUR 35.955 million. The unavailable reserves were formed in the financial years 2013/2014 and 2014/2015 in order to neutralise the impact of the partial reversal of the substantial impairment applied on 31 March 2009 (amounting to EUR 35.955 million) following the sale of 4.7 million KBC Group shares in November 2013, on KBC Ancora's ability to distribute dividends. This amount is therefore not taken into account in calculating any dividend to be distributed by KBC Ancora.

A loss of EUR 20.2 million will be carried forward to the next financial year.

Amounts owed to credit institutions increased by EUR 19.7 million to EUR 394.7 million. As previously announced, as KBC Ancora received no cash income in the form of dividend from its participating interest in KBC Group, its operating and finance costs were funded largely using debt finance.

In August 2015, KBC Ancora extended its long-term financial liability of EUR 175 million, originally scheduled to mature in May 2017, by a further two years, until 31 May 2019. The interest rate applying for this extension was also revised downwards. As a result, the interest charges in the financial years 2017/2018 and 2018/2019 are projected to fall by approximately EUR 3.5 million compared with the present interest charges on this long-term liability.

As at the balance sheet date, therefore, KBC Ancora had short-term financial liabilities totalling EUR 19.7 million and long-term financial liabilities amounting to EUR 375 million. The long-term financial liabilities totalling EUR 375 million relate to long-term loans carrying fixed rates of interest, with repayment dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million).

Collateral was provided in the form of a pledge on KBC Group shares. In total, KBC Ancora pledged 25.7 million KBC Group shares. The pledge relates to long-term liabilities totalling EUR 375 million.

Other amounts falling due within one year amounted to EUR 0.2 million.

Accruals and deferrals on the liabilities side of the balance sheet (EUR 1.7 million) relate to interest charges recognised on a pro rata basis.

3.2 Profit and loss account for the financial year 2015/2016

Given the nature of KBC Ancora's operations, the same profit and loss account scheme has been used as was customary for portfolio companies¹⁶.

KBC Ancora recorded a loss for the financial year 2015/2016 of EUR 21.0 million, equivalent to EUR -0.27 per share.

3.2.1 Income

KBC Ancora generated income of EUR 0.1 million in the year under review.

Table 9 summarises the movements in the various income categories within KBC Ancora in recent financial years.

Table 9: Trend in KBC Ancora income

(x EUR million)	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
Income from financial fixed assets	0.0	155.0	0.0
Reversal of write-down of financial fixed assets	0.0	0.0	70.2
Other income	0.1	0.2	15.9
TOTAL	0.1	155.2	86.1

3.2.1.1 Income from financial fixed assets

KBC Group decided not to distribute a dividend in 2016 in respect of the financial year 2015. In the previous financial year, KBC Ancora received dividend totalling EUR 155.0 million.

3.2.1.2 Other income

Other income amounted to EUR 0.1 million.

3.2.2 Expenses

KBC Ancora's total expenses amounted to EUR 21.1 million, equivalent to EUR 0.27 per share.

Table 10 summarises the movements in the various cost categories in recent financial years.

¹⁶ On 29 October 2004 KBC Ancora obtained the permission of the competent minister to continue using the non-consolidated financial statements as formerly included as an annex to the Royal Decree of 1 September 1986 concerning portfolio companies.

Table 10: Trend in KBC Ancora costs

(x EUR million)	Financial year 2015/2016	Financial year 2014/2015	Financial year 2013/2014
Costs of cost-sharing agreement	1.7	1.6	1.6
Costs of debt	18.8	19.2	23.2
Losses on realisation of financial fixed assets	0.0	0.0	34.3
Other operating costs	0.5	0.7	0.07
Taxes	0.0	0.0	0.0
TOTAL	21.1	21.5	59.7

3.2.2.1 Costs within the cost-sharing agreement with Cera

KBC Ancora entered into a cost-sharing agreement with Cera in 2001 in order to enhance the cost-efficiency of both parties' operations. A budget is drawn up annually, setting out the different costs within the cost-sharing agreement. KBC Ancora reimburses Cera for part of these budgeted costs every quarter on a pro rata basis. Settlement then occurs at the end of each calendar year based on the actual costs.

The costs in connection with the cost-sharing agreement amounted to EUR 1.7 million in the year under review, EUR 0.1 million more than in the previous financial year.

Table 11 summarises the various cost categories within the cost-sharing agreement with Cera and the cost allocation percentage as this has been applied since 01 January 2016.

Table 11: Costs within the cost-sharing agreement with Cera

Cost-sharing agreement	Cost allocation percentage	Amount (x EUR million)
Administration/management/advice	20%	0.50
Communications	20%	0.14
Financial Unit	50%	0.35
Membership and capital administration	5% (10% until 31.12.2015)	0.09
Support	20%	0.63
TOTAL		1.70

3.2.2.2 *Costs of debt*

The cost of debt amounted to EUR 18.8 million in the year under review, EUR 0.4 million less than in the previous financial year. The cost of debt is determined mainly by the interest payable on the long-term loans taken out with credit institutions.

3.2.2.3 *Other operating costs*

Other operating costs amounted to EUR 0.5 million, EUR 0.1 million less than in the previous financial year. These costs consisted among other things of listing fees (EUR 0.2 million) and management costs (EUR 0.15 million).

3.2.2.4 *Taxes*

KBC Ancora has no corporation tax liability in respect of the year under review.

3.3 Result and proposed profit appropriation

A loss of EUR 21.0 million was recorded in the year under review. The profit brought forward from the previous financial year amounted to EUR 0.8 million. The loss to be appropriated amounted to EUR 20.2 million at the end of the year under review.

The General Meeting of Shareholders of KBC Ancora will be invited to carry forward the loss to be appropriated (EUR 20.2 million) to the next financial year.

3.4 Legal proceedings

Four KBC Ancora shareholders filed a minority claim in December 2008 against the statutory manager of KBC Ancora and against Cera. The plaintiffs contested the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the splitting of the KBC Ancora share. The plaintiffs also contested the purchase of 3.9 million KBC Group shares by KBC Ancora which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007. The main objective of their claim was that the defendants should acquire the purchased shares at the acquisition price.

On 24 October 2012, the Court of First Instance in Leuven dismissed the claims of the plaintiffs in their entirety.

The plaintiffs lodged an appeal against this ruling on 13 March 2013. They have since slightly modified the subject of their claim to take account of the sale of 4.7 million KBC Group shares by KBC Ancora in November 2013.

The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

3.5 Additional information

No activities were carried out in the area of research and development.

The company has no branch offices.

KBC Ancora's principal asset is a participating interest in KBC Group. The value of KBC Ancora's assets, as well as its holdings of cash instruments and its results, are dependent on developments relating to the KBC group.

3.6 No consolidated financial statements for KBC Ancora

KBC Ancora has only one equity holding in another company, namely its participating interest in KBC Group. KBC Ancora has no control over that company, either legally or in practice. Consequently, KBC Ancora is not obliged to produce consolidated financial statements.

KBC Ancora shareholders who are interested can however find additional useful information in KBC Group's consolidated annual report, which may be found on the KBC Group website (www.kbc.com). The annual report may also be requested from: KBC Group SA, Investor Relations, Havenlaan 2 SEE, 1080 Brussels or by e-mail from investor.relations@kbc.com.

3.7 Most recent financial year and available information for 2016 on KBC Group

3.7.1 Past financial year of KBC Group

KBC Group's most recent financial year (2015) was discussed in the financial press release on the financial year 2015 and in its last annual report. The main financial highlights are set out below.

The net result for the financial year 2015 amounted to EUR 2,639 million, compared with a net profit of EUR 1,762 million in 2014.

Net interest income

Net interest income came to EUR 4,311 million in 2015, roughly the same as its year-earlier level (and even up 1% when changes in the scope of consolidation are excluded), despite the climate of low interest rates and the related low level of reinvestment income. The latter was offset by the positive effect of lower rates of interest being paid on savings accounts, for instance, lower funding costs and higher volumes (see below). What's more, the high level of home loan refinancing in Belgium in the first half of 2015 led – as it did in the second half of 2014 – to a large amount of early repayment penalties, but this was offset by the related negative hedging effect (pro rata funding losses), which will continue to have an impact in the years ahead. As far as volumes are concerned, loans and advances to customers (excluding reverse repos) (EUR 128 billion year-end 2015) rose on a comparable basis by 3% in 2015, increasing by 3% at the Belgium Business Unit and by 8% at the Czech Republic Business Unit, remaining unchanged at the International Markets Business Unit (growth in Slovakia and Bulgaria, but a decline in Ireland and Hungary), and contracting at the Group Centre. The total volume of deposits (EUR 162 billion

in deposits from customers and debt securities (excluding repos) at year-end 2015) rose by 5% in 2015, with the Belgium Business Unit recording an increase of 5%, the Czech Republic Business Unit 6%, the International Markets Business Unit 15% (with growth in all countries) and the Group Centre recording a decline.

Consequently, the net interest margin for the banking activities came to 2.02% in 2015, 6 basis points lower than in 2014. The interest margin for 2015 came to 1.91% in Belgium, 3.03% in the Czech Republic and 2.55% at the International Markets Business Unit.

Net fee and commission income

Net fee and commission income came to EUR 1,678 million in 2015, up 7% on the year-earlier figure. Most of the increase was accounted for by Belgium in the first half of the year and related primarily to growth in assets under management (investment funds, discretionary and advisory asset management, etc.).

At the end of 2015, the group's total assets under management came to EUR 209 billion, up 12% on the year-earlier figure, due to a positive volume effect (8%) and a price effect that – on balance – was also positive (4%). Most of these assets were managed at the Belgium Business Unit (EUR 194 billion, up 13%) and the Czech Republic Business Unit (EUR 9 billion, up 19%).

Insurance premiums and technical charges

The technical insurance result (earned premiums less technical charges plus the ceded reinsurance result) amounted to EUR 381 million in 2015. Earned premiums in non-life insurance came to EUR 1,319 million, up 4% on the year-earlier figure. They grew by 3% in Belgium, by 7% in the Czech Republic, and by 11% in the three other Central and Eastern European markets combined. Technical insurance charges fell 6% in 2015, due primarily to Belgium, where the figure for 2014 had been adversely affected by hailstorms. The combined ratio at group level improved from 94% to 91%.

Earned premiums in life insurance amounted to EUR 1,301 million in 2015. However, in compliance with IFRS, certain types of life insurance (i.e. unit-linked products) have been excluded from this figure. If the premium income from such products is included, premium income from the life insurance business totalled around EUR 1.8 billion, roughly 5% less than in 2014. There was a decline of 12% in the main market of Belgium for both rate-guaranteed (-4%) and unit-linked products (-26%, due in part to fewer commercial campaigns and a shift towards investment funds). For the group as a whole, products offering guaranteed rates accounted for about 60% of premium income from the life insurance business in 2015, and unit-linked products for 40%. On 31 December 2015, the group's life reserves came to EUR 26.7 billion for the Belgium Business Unit, EUR 1 billion for the Czech Republic and EUR 0.6 billion for the three other Central and Eastern European core markets combined.

Other income

The net result from financial instruments at fair value through profit or loss (trading and fair value income) came to EUR 214 million in 2015. The figure also includes EUR -156 million (before tax)

relating to the liquidation of KBC Financial Holding Inc. (i.e. a foreign exchange loss on the capital of KBC Financial Holding Inc. following its liquidation). Disregarding this item, trading and fair-value income would have come to EUR 370 million in 2015, 63% more than in 2014. The increase chiefly reflected the marked-to-market valuation of certain derivatives used for asset/liability management purposes, which had been extremely negative in 2014 (EUR -201 million) but positive in 2015 (EUR +101 million), and which more than made up for the lower result generated by the dealing room in Belgium and the negative impact of various value adjustments.

Other income (dividends, realised gains and other net income) came to an aggregate EUR 562 million in 2015, as opposed to EUR 300 million in 2014. The difference is largely attributable to the higher level of other net income, which had been severely impacted in 2014 by provisioning related to legislation on retail loans in Hungary (EUR -231 million (before tax)); we were able to reverse part of this – EUR 34 million – in 2015; see the 'International Markets Business Unit' section for more information.

Operating expenses

Operating expenses amounted to EUR 3,890 million in 2015, up slightly (by 2%) on their year-earlier level, or an increase of 3% when changes in the scope of consolidation are excluded. This reflected a number of items, including higher special bank taxes (EUR 417 million in total, up due in part to the contribution to the European Resolution Fund), ICT costs (relating to digitisation, etc.) and pension expenses, offset in part by lower marketing costs and lower costs relating to the operations of the former Antwerp Diamond Bank (cf. restructuring costs in 2014).

As a result, the cost/income ratio for the group's banking activities came to approximately 55% in 2015, compared with 58% a year earlier. This ratio was, of course, also affected by non-operating and exceptional items (including the marked-to-market valuations for ALM derivatives, the effect of the Hungarian act on foreign-currency-denominated consumer loans and the impact of liquidating KBC Financial Holding Inc.). Adjusted for these (and a few less important) specific items, the cost/income ratio also came to 55% in 2015, compared to 54% in 2014. The cost/income ratio was 50% for the Belgium Business Unit (53% excluding specific items), 48% for the Czech Republic Business Unit (also 48% excluding specific items) and 66% for the International Markets Business Unit (also 66% excluding specific items).

Impairment

Total impairment came to EUR 747 million in 2015. Impairment on loans and receivables (loan loss provisions) amounted to EUR 323 million in 2015, compared with EUR 587 million in 2014. Much of this significant improvement is attributable to Ireland, where loan loss provisioning fell from EUR 198 million to EUR 48 million. Loan loss provisioning is expected to be somewhere between EUR 50 and 100 million in 2016, and more so at the lower end of that range. Loan loss provisions for the other countries came to EUR 177 million in Belgium (EUR 28 million less than in 2014), EUR 6 million in Hungary (EUR 41 million less than in 2014), EUR 36 million in the Czech Republic (EUR 2 million more than in 2014) and EUR 56 million for the remaining countries (EUR 46 million less than in 2014, due primarily to lower provisioning at the Group Centre). Overall, the group's credit cost ratio subsequently improved from 42 basis points in 2014 to a very favourable

23 basis points in 2015: 19 basis points at the Belgium Business Unit, 18 basis points at the Czech Republic Business Unit and 32 basis points at the International Markets Business Unit (Ireland: 34 basis points; Slovakia: 32 basis points; Hungary: 12 basis points; and Bulgaria: 121 basis points).

The proportion of impaired loans in the total loan portfolio was 8.6% at year-end 2015, compared with 9.9% in 2014. This breaks down into 3.8% at the Belgium Business Unit, 3.4% at the Czech Republic Business Unit, and 30% at the International Markets Business Unit (due primarily to Ireland, with a ratio of 47%). The proportion of impaired loans more than 90 days past due came to 4.8% in 2015, compared to the year-earlier figure of 5.5%. At year-end 2015, 45% of the impaired loans were covered by specific impairment charges.

Other impairment charges totalled EUR 423 million in 2015 and related inter alia to available-for-sale securities (EUR 45 million), goodwill (EUR 344 million, primarily relating to CIBANK in Bulgaria and to CSOB in Slovakia) and other items (EUR 34 million).

Income tax expense

'Income tax expense' made a positive contribution of EUR 104 million in 2015, compared with a negative EUR 657 million in 2014. This reflects the fact that this item benefited to the tune of EUR 921 million in 2015 from the recognition of a deferred tax asset related to the liquidation of KBC Financial Holding Inc. – an offshoot of the divestment programme that KBC had agreed with the European Commission in 2009 (the amount given also incorporates the tax impact of the exchange difference recorded under 'Other income').

Net results per business unit

The group's adjusted net result in 2015 breaks down as follows by business unit: Belgium EUR 1,564 million (up EUR 48 million on the figure for 2014, due primarily to higher net fee and commission income, technical insurance income, and trading and fair-value income, together with lower loan losses, and despite slightly lower net interest income and higher costs and several one-off items); the Czech Republic EUR 542 million (up EUR 14 million on the figure for 2014, owing to factors such as higher trading and fair-value income and despite slightly higher costs); International Markets EUR 245 million (an EUR 427 million improvement on the figure for 2014, due mainly to lower loan loss provisioning in Ireland in 2015, whereas 2014 had been adversely affected by the recognition of a 183-million-euro provision (after tax) related to the Hungarian act on consumer loans); and the Group Centre EUR 287 million (improvement of EUR 387 million on the figure for 2014, primarily because of the recognition of the deferred tax asset related to KBC Financial Holding Inc.).

Total assets

At the end of 2015, the group's consolidated total assets came to EUR 252 billion, up 3% year-on-year. However, risk-weighted assets (Basel III) declined by 2% to EUR 89 billion, due in part to certain add-ons no longer being required for our IRB Advanced models, a further reduction in the remaining activities in run-off (at the Group Centre) and several other items.

Loans and deposits

The group's core banking business is to attract deposits and provide loans.

This is naturally reflected in the figure for loans and advances to customers (excluding reverse repos) on the asset side of the balance sheet (EUR 128 billion at year-end 2015). On a comparable basis, total loans and advances to clients rose by 3% (up 3% at the Belgium Business Unit and 8% at the Czech Republic Business Unit, and more or less the same at the International Markets Business Unit (an increase in Slovakia and Bulgaria, but a decline in Hungary and Ireland)). The main products (including reverse repos) were again term loans (EUR 57 billion) and mortgage loans (EUR 55 billion).

On the liabilities side, the group's customer deposits (deposits from customers and debt securities, excluding repos) grew by 5% to EUR 162 billion. Deposits increased by 5% at the Belgium Business Unit, by 6% at the Czech Republic Business Unit and by 15% at the International Markets Business Unit (with growth in all countries), but fell by 17% in the Group Centre. As in 2014, the main deposit products (including repos) were time deposits (EUR 37 billion), demand deposits (EUR 55 billion) and savings accounts (EUR 50 billion, up 6% on their level at the end of 2014).

Securities

The group also holds a portfolio of securities at the bank and at the insurer (where it serves primarily as an investment in the insurance context, especially life insurance). The group's total securities portfolio was worth roughly EUR 73 billion at year-end 2015. Some 30% of this portfolio relates to the group's insurance activities and 70% to the banking activities. The total securities portfolio comprised 3% shares and 97% bonds (with bonds increasing by almost EUR 2 billion in 2015). Roughly three-quarters of these bonds at year-end 2015 consisted of government paper, the most important being Belgian, Czech, French, Spanish, Slovak and Italian.

Other assets and other liabilities

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (EUR 14 billion, up 8% year-on-year due in part to higher reverse repos), derivatives (positive marked-to-market valuation of EUR 9 billion, down 12% year-on-year) and investment-linked life insurance contracts (EUR 13 billion, virtually unchanged year-on-year).

Other significant items on the liabilities side of the balance sheet were the technical provisions and liabilities under the insurer's investment contracts (an aggregate EUR 32 billion, roughly the same year-on-year), derivatives (negative marked-to-market value of EUR 10 billion, down 14% year-on-year) and deposits from credit institutions and investment firms (EUR 19 billion, up 7% year-on-year).

Equity

On 31 December 2015, the group's total equity came to EUR 15.8 billion. This figure included EUR 14.4 billion in parent shareholders' equity and EUR 1.4 billion in additional tier-1 instruments. On balance, total equity declined by EUR 0.7 billion in 2015. The most important components in this respect were the repayment of the remaining Flemish government aid (EUR -3 billion, including the 50% penalty) the inclusion of the annual profit (EUR +2.6 billion), the payment of the dividend and the coupon on the government aid for 2014 (EUR -1 billion in total) and a

number of smaller other items (changes in the available-for-sale reserve and cashflow hedge reserve, changes in defined benefit plans, and changes in translation differences: an aggregate EUR +0.7 billion).

At year-end 2015, the common equity ratio came to 15.2% (phased-in) or 14.9% (fully loaded), according to the Danish compromise method, and to 14.9% (phased-in) or 14.6% (fully loaded) according to the FICOD method. The leverage ratio came to an equally impressive 6.3% at the end of the year, while the MREL finished at 13.9%.

The group's liquidity position also remained excellent, as reflected in an LCR ratio of 127% and an NSFR ratio of 121% at year-end 2015.

The profit figures and key ratios in *Table 12* give an impression of the result of KBC Group in the financial year 2015 and a comparison with the financial year 2014.

Table 12: Profit figures and key ratios of KBC Group for the financial years 2015 and 2014

(x EUR million)	2015	2014
Net group profit	2,639	1,762
<i>Belgium</i>	<i>1,564</i>	<i>1,516</i>
<i>Czech Republic</i>	<i>542</i>	<i>528</i>
<i>International Markets Business Unit (Slovakia, Hungary, Bulgaria, Ireland)</i>	<i>245</i>	<i>-182</i>
<i>Group Centre</i>	<i>287</i>	<i>-100</i>
Shareholders' equity per share (in EUR)	34.5	31.4
Net earnings per share (in EUR)*	3.80	3.32
Dividend per share (in EUR)	0.00	2.00
Return on equity	22%	14%
Cost/income ratio, banking activities	55%	58%
Credit cost ratio, banking activities	0.23%	0.42%
Combined ratio, non-life insurance	91%	94%
Common equity ratio of the group (CET1; Basel III, fully loaded, Danish compromise method)	14.9%	14.3%
Leverage ratio (Basel III, fully loaded, Danish compromise method)	6.3%	6.4%
Net stable funding ratio (NSFR)	121%	123%
Liquidity coverage ratio (LCR)	127%	120%

* If a coupon was paid on the core-capital securities sold to the Flemish Regional Government and on the Additional Tier-1 instruments included in equity, it has been deducted from the numerator (pro rata). If a penalty had to be paid on the core-capital securities, this has likewise been deducted.

3.7.2 First half of KBC Group's financial year 2016

KBC Group published its results for the first half of 2016 on 11 August 2016. The financial highlights are presented below.

The net result for the first six months of 2016 came in at EUR 1,113 million, compared to EUR 1,176 million a year earlier.

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

- Slightly lower **net interest income** (-2% to EUR 2,137 million), due primarily to the current low interest rate environment leading to a lower transformation result and a lower level of dealing room income, somewhat offset by lower funding costs and higher interest income from lending activities. The deposit volume increased (+6%), as did the lending volume (+4%).
- A lower contribution of the **technical insurance results** (gross earned premiums less gross technical charges and the ceded reinsurance result: -6% to EUR 192 million), due in part to higher claims. In non-life insurance, the resulting year-to-date combined ratio stood at 95%. In life insurance, sales were up by almost 30%, thanks mainly to interest-guaranteed products in Belgium.
- Lower **net fee and commission income** (-24% to EUR 706 million), due to substantially lower management fees and entry fees for mutual funds. At the end of June 2016, total assets under management stood at EUR 207 billion, a year-on-year increase of close to 2% resulting from a 2% net inflow increase and a -1% average price decrease.
- A virtually unchanged level of all **other income** items (an aggregate EUR 546 million). This included a slightly higher net result from financial instruments at fair value (+5% to EUR 247 million), significantly higher net realised gains from available-for-sale assets (+34% to EUR 155 million, thanks to a gain on the sale of Visa Europe shares), somewhat lower dividend income (-10% to EUR 46 million) and a decrease in other net income (-36% to EUR 98 million, since the second quarter of 2015 had benefited from a number of positive one-off items).
- Slightly higher **operating expenses** (+1% to EUR 2,090 million), owing essentially to higher bank taxes (up 11%). Excluding these taxes, operating expenses were down 1% on their level for the first half of 2015. As a result, the year-to-date cost/income ratio came to 59%, or 56% when adjusted for specific items.
- Significantly lower loan **loss impairment charges** (-75% to EUR 54 million). As a result, the annualised credit cost ratio for the whole group stood at an excellent 0.07%.

Table 13 compares the trend in profits in the various KBC Group Business Units in the first half of 2016 with the same period in 2015.

Table 13: KBC Group profits in the first half of the financial years 2016 and 2015

(x EUR million)	1H2016	1H2015
Net group profit	1,113	1,176
<i>Belgium</i>	579	858
<i>Czech Republic</i>	320	271
<i>International Markets</i>	183	92
<i>Group Centre</i>	31	-44
Shareholders' equity per share (in euro)	35.5	32.5
Net earnings per share (in euro)*	2.60	2.75
Return on equity	17%	20%
Cost/income ratio, banking activities	59%	55%
Credit cost ratio, banking activities	0.07%	0.30%
Combined ratio, non-life insurance	95%	86%
Common equity ratio of the group (CET1; Basel III, fully loaded, Danish compromise method)	14.9%	16.7%
Leverage ratio (Basel III, fully loaded, Danish compromise method)	6.0%	6.7%
Net stable funding ratio (NSFR)	123%	126%
Liquidity coverage ratio (LCR)	132%	130%

* Note: If a coupon was paid on the core-capital securities sold to the Flemish Regional Government (in 2015) and on the Additional Tier-1 instruments included in equity, it has been deducted from the numerator (pro rata). If a penalty had to be paid on the core-capital securities (in 2015), this has likewise been deducted.

3.8 Outlook for the financial year 2016/2017

Income

KBC Ancora's income consists of the dividend it receives from its participating interest in KBC Group. Forecasts of KBC Group's future dividend rely heavily on factors such as the projection of KBC Group's future earnings.

KBC Group published its interim results on 11 August 2016, showing a net result of EUR 1,113 million in the first six months of 2016, compared with EUR 1,176 million in the same period a year earlier. The interim result is discussed in more detail in the previous section of this report.

On publication of its interim results KBC Group reaffirmed its intention of aiming for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of

at least 50% of the consolidated profit with effect from the financial year 2016. Barring exceptional or unforeseen circumstances, KBC Group will henceforth distribute an interim dividend of EUR 1 per share in November each year, followed by a final dividend after the Annual General Meeting of Shareholders. The interim dividend will serve as an advance payment on the total dividend.

Expenses

Costs within the cost-sharing agreement with Cera are expected to amount to approximately EUR 1.6 million.

The total interest charge for the financial year 2016/2017 is estimated at approximately EUR 18.5 million.

Other operating costs are likely to be around EUR 0.8 million.

It is likely that that KBC Ancora will have no corporation tax liability in the financial year 2016/2017.

Result

The interim dividend to be paid by KBC Group on 18 November 2016 (EUR 1.00 per share) will exceed KBC Ancora's projected costs for the financial year 2016/2017 and the result brought forward from the financial year 2015/2016. As a consequence, KBC Ancora will close the financial year 2016/2017 with a positive result for appropriation. KBC Ancora intends to distribute an interim dividend in early June 2017.

4 Financial report

4.1 Balance sheet

Balance sheet after profit appropriation

(in EUR)	Notes	30 June 2016	30 June 2015
ASSETS		2,441,801,181	2,443,180,246
Fixed assets		2,441,765,970	2,441,765,970
Financial fixed assets	5.4/5.5.1	2,441,765,970	2,441,765,970
Companies with which there is a participatory relationship	5.14	2,441,765,970	2,441,765,970
Participating interests		2,441,765,970	2,441,765,970
Current assets		35,211	1,414,276
Receivables due within one year		29,089	45,752
Trade receivables		29,089	45,752
Cash at bank and in hand		71	1,362,710
Prepayments and accrued income		6,050	5,814

(in EUR)	Notes	30 June 2016	30 June 2015
LIABILITIES		2,441,801,181	2,443,180,246
Capital and reserves		2,045,205,969	2,066,192,764
Capital	5.7	2,021,871,293	2,021,871,293
Issued capital		2,021,871,293	2,021,871,293
Reserves		43,495,563	43,495,563
Legal reserve		7,540,563	7,540,563
Unavailable reserves		35,955,000	35,955,000
Profit (loss) carried forward		-20,160,886	825,908
Creditors		396,595,211	376,987,482
Amounts falling due after more than one year	5.9	375,000,000	375,000,000
Financial liabilities		375,000,000	375,000,000
Credit institutions		375,000,000	375,000,000
Amounts falling due within one year		19,883,079	232,102
Financial liabilities		19,662,474	0
Credit institutions		19,662,474	0
Trade creditors		150,596	167,070
Suppliers		150,596	167,070
Liabilities in respect of taxes, remuneration and social security costs	5.9	0	0
Taxes		0	0
Other creditors		70,009	65,031
Accruals and deferred income	5.9	1,712,132	1,755,380

4.2 Profit and loss account

(in EUR)	Notes	30 June 2016	30 June 2015
RESULTS		-20,986,795	133,707,042
Expenses		21,085,544	21,476,168
Costs of debt		18,832,586	19,209,231
Other financial expenses		100	101
Services and sundry goods		2,251,576	2,264,799
Miscellaneous current expenses	5.10	1,282	2,038
Income		98,750	155,183,211
Income from financial fixed assets		0	155,032,760
Dividend		0	155,032,760
Income from current assets		0	0
Other financial income		0	1,322
Other current revenues		98,750	149,128
Reversal of write-downs of financial fixed assets		0	0
Treatment of results			
Profit (loss) balance to be appropriated		-20,160,886	133,707,042
Profit (loss) to be appropriated for the year		-20,986,795	133,707,042
Profit (loss) brought forward from previous financial year		825,908	0
Addition to capital and reserves		0	26,391,347
Addition to legal reserve		0	6,685,352
Addition to unavailable reserves		0	19,705,995
Profit (loss) to be carried forward		-20,160,886	825,908
Profit (loss) to be carried forward		-20,160,886	825,908
Profit to be distributed		0	106,489,787
Capital remuneration		0	106,489,787

4.3 Notes

STATEMENT OF ASSETS

COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP – PARTICIPATING INTERESTS AND SHARES (5.4.2)

Acquisition value at end of previous year	3,599,978,772
Movements during the year	
Acquisitions	0
Transfers and decommissioning	0
Acquisition value at end of year	3,599,978,772
Value write-downs as at end of previous year	1,158,212,802
Movements during the year	
Reversal	0
Value write-downs as at end of financial year	1,158,212,802
NET BOOK VALUE AT END OF YEAR	2,441,765,970

NOTES ON THE PARTICIPATING INTERESTS (5.5.1)

PARTICIPATING INTERESTS AND OWNERSHIP RIGHTS IN OTHER COMPANIES AMOUNTING TO AT LEAST 10% OF THE ISSUED CAPITAL

Name, address and the Company Number	Ownership rights held by			Data drawn from most recently available financial statements		
	Directly		Subsidiaries	Financial statements as at	Capital and reserves	Net result
	Number	%	%		(+ of (-) (in EUR))	
KBC Group SA (consolidated) Havenlaan 2 1080 Brussels, Belgium BE 0403.227.515				31.12.2015	14,411,121,999	2,638,617,202
Including treasury shares	77,516,380	18.54	0.00			
Excluding treasury shares	77,516,380	18.54	0.00			

STATEMENT OF CAPITAL AND SHAREHOLDER STRUCTURE (5.7)

STATEMENT OF CAPITAL

Issued capital

- at end of previous financial year	2,021,871,293
- at end of financial year	2,021,871,293

	Amount	Number of shares
Capital composition		
Types of shares		
Ordinary shares	2,021,871,293	78,301,314
Registered		39,804,286
Dematerialised shares		38,497,028

SHAREHOLDER STRUCTURE OF THE COMPANY AT YEAR-END ACCORDING TO NOTIFICATIONS RECEIVED BY THE COMPANY

Cera SCRL: 54.64%

Transparency report dated 20 July 2016 – shareholdings as at 30 June 2016

Gino Coorevits/Portus NV: 1.49%

Transparency report dated 9 December 2009 – shareholdings as at 30 October 2009

FMR LLC: 1.01%

Transparency report dated 01 July 2013 – shareholdings as at 28 June 2013

Lansdowne Partners Austria GmbH /Lansdowne Partners International Limited: 1.02%

Transparency report dated 16 July 2014 – shareholdings as at 10 July 2014

STATEMENT OF LIABILITIES, ACCRUALS AND DEFERRED INCOME (LIABILITIES) (5.9)

SPECIFICATION OF LIABILITIES WITH AN ORIGINAL TERM OF MORE THAN ONE YEAR, BY REMAINING TERM

	Financial year
Liabilities with a remaining term of between one and five years	
Financial liabilities	175,000,000
Credit institutions	175,000,000
Total liabilities with a remaining term of between one and five years	175,000,000
Liabilities with a remaining term of more than five years	
Financial liabilities	200,000,000
Credit institutions	200,000,000
Total liabilities with a remaining term of more than five years	200,000,000
SECURED LIABILITIES	
Liabilities secured on collateral pledged or irrevocably committed on assets of the company	
Financial liabilities	375,000,000
Credit institutions	375,000,000
Total liabilities secured on collateral pledged or irrevocably committed on assets of the company	375,000,000

STATEMENT OF ACCRUALS AND DEFERRED INCOME

Specification of item 492/3 of the Liabilities, if a substantial amount falls into that category

	Financial year
Attributable interest	1,712,132

OPERATING RESULTS (5.10)

OPERATING COSTS

Other operating costs	Financial year	Previous financial year
Other	1,282	2,038

TAXES (5.12)

VALUE ADDED TAX AND TAXES IN RESPECT OF THIRD PARTIES

	Financial year	Previous financial year
Value added tax charged		
By the company	1,260	1,710
Amounts withheld in respect of third parties in the form of		
Withholding tax	0	11,042,063

OFF-BALANCE SHEET RIGHTS AND COMMITMENTS (5.13)

COLLATERAL

Collateral pledged by the company on its own assets or irrevocably committed as security for liabilities and commitments of the company

	Financial year
Pledge on other assets – Book value of pledged assets	809,358,260

IMPORTANT LEGAL PROCEEDINGS AND OTHER IMPORTANT OBLIGATIONS

Four KBC Ancora shareholders filed a minority claim in December 2008 against the statutory manager of KBC Ancora and against Cera. The plaintiffs contested the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the splitting of the KBC Ancora shares. The plaintiffs also contested the purchase of 3.9 million KBC Group shares by KBC Ancora which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007. The main objective of their claim was that the defendants should acquire the purchased shares at the acquisition price.

On 24 October 2012, the Court of First Instance in Leuven dismissed the claims of the plaintiffs in their entirety.

The plaintiffs lodged an appeal against this ruling on 13 March 2013. They have since slightly modified the subject of their claim to take account of the sale of 4.7 million KBC Group shares by KBC Ancora in November 2013.

The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

NATURE AND CORPORATE OBJECTIVE OF OFF-BALANCE SHEET SCHEMES

Provided the risks or benefits stemming from such a scheme are of any significance, and to the extent that publication of such risks or benefits is necessary for an assessment of the financial position of the company; if required, the financial consequences of these schemes for the company must also be stated:

KBC Ancora is a member of a VAT group

RELATIONSHIPS WITH ASSOCIATED COMPANIES AND COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP (5.14)

COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP

	Financial year	Previous financial year
Financial fixed assets	2,441,765,970	2,441,765,970
Participating interests	2,441,765,970	2,441,765,970

FINANCIAL RELATIONSHIPS WITH (5.15)

THE AUDITOR(S) AND THE PERSONS WITH WHOM HE/THEY IS/ARE ASSOCIATED

	Financial year
Remuneration of the auditor(s)	14,692

ADDITIONAL INFORMATION (10)

KBC Ancora's principal asset is a participating interest in KBC Group. The value of KBC Ancora's assets, as well as its holdings of cash instruments and its results, are dependent on developments relating to the KBC group.

4.4 Valuation principles

The financial year runs from 1 July to 30 June inclusive.

Formation expenses

Formation expenses are stated at acquisition value and are amortised on a straight-line basis at a rate of 20% per year.

Intangible fixed assets

Intangible fixed assets are stated at acquisition value and are amortised on a straight-line basis at a rate of 20% per year.

Tangible fixed assets

Tangible fixed assets are stated at acquisition value.

Financial fixed assets

Financial fixed assets consist of ownership rights (shares) held in other businesses with a view to creating lasting and specific ties with those businesses, so as to enable the company to influence their orientation and policy.

Financial fixed assets are stated at acquisition value, applying the weighted average prices method.

In accordance with the principle of accounting continuity, historical book values have been retained for participating interests obtained through the contribution of sectors and/or a totality of assets.

Financial fixed assets may be revalued in the event that their value, determined in accordance with their utility to the company, comes to exceed their book value in a clear and lasting manner.

Downward adjustments in value may be effected in the event of a lasting decrease in value or depreciation, justified by the circumstances, profitability or prospects of the company in which the shares are held.

Additional acquisition costs are charged directly to the results.

Amounts receivable and creditors

Amounts receivable and creditors are stated at nominal value.

Downward adjustments in value are effected if uncertainty exists as to the payment of all or part of an amount receivable on the due date.

Investments

Investments are stated at nominal value where they comprise a positive balance at a financial institution, and at their acquisition value in the case of securities.

Acquisition value is determined using the individualisation method.

Additional acquisition costs in the case of securities are charged directly to the result.

In the case of fixed-income securities, where the acquisition value differs from the redemption value, the difference between the two is included in the result in proportion to the securities' remaining term to maturity as an element of the interest income on the securities in question, and is added to or deducted from the acquisition value of the securities, as the case may be. Inclusion in the results occurs on an up-to-date basis, reflecting the actuarial yield at purchase.

In the case of non-fixed-income securities (primarily equities), downward adjustments in value are effected if the realisable value at the balance sheet date is lower than the acquisition value.

Cash at bank and in hand

Cash at bank and in hand (current account balances) is stated at nominal value.

Capital, revaluation gains and reserves

Capital, revaluation gains and reserves are stated at nominal value.

Revaluation gains are transferred to taxed reserves in the event that the asset in question is realised.

Provisions and deferred taxes

The purpose of provisions is to cover, according to their specific character, clearly defined losses or costs which, as at the balance sheet date, are likely or certain to be incurred but the amount of which has yet to be determined. Provisions are withdrawn if they cease to be fully or partially necessary.

Other assets and liability components

Other asset or liability components are stated at acquisition value.

4.5 Auditor's report

FREE TRANSLATION OF AN UNQUALIFIED STATUTORY AUDITOR'S REPORT
ORIGINALLY PREPARED IN DUTCH

"Auditor's report to the General Meeting of Shareholders of KBC Ancora SCA on the financial statements for the year ended 30 June 2016"

As required by law and the Company's articles of association, we hereby report to you on the performance of our audit. This report includes our report on the annual accounts as of and for the year ended 30 June 2016, as defined below, as well as our report on other legal and regulatory requirements.

Report on the annual accounts - Unqualified opinion

We have audited the annual accounts of KBC Ancora SCA ('the Company') as of and for the year ended 30 June 2016, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at 30 June 2016, the income statement for the year then ended and notes. The balance sheet total amounts to EUR 2,441,801,180.82 and the income statement shows a profit for the year of EUR 20,986,794.62.

Board of directors' responsibility for the preparation of the annual accounts

The board of directors is responsible for the preparation of these annual accounts such that they give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We performed our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the Company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts.

We have obtained from the Company's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

Unqualified opinion

In our opinion, the annual accounts give a true and fair view of the Company's equity and financial position as at 30 June 2016 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report, for maintaining the Company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Belgian Companies Code and the Company's articles of association.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statements which do not modify the scope of our opinion on the annual accounts:

- The annual report includes the information required by law, is consistent in all material respects with the annual accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- No transactions have been undertaken or decisions taken in breach of the Company's articles of association or the Belgian Companies Code that we have to report to you.

Brussels, 25 August 2016

KPMG Bedrijfsrevisoren
Auditor
Represented by

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Auditor

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KBC Ancora's annual report is available at no cost in Dutch, French and English from the company's registered office or its website www.kbcancora.be. Conformity between the translations and the original annual report has been checked by KBC Ancora, which assumes responsibility in this regard. In the event of discrepancies or differences of interpretation, the Dutch version alone shall be legally binding.

PRESS RELEASES IN THE FINANCIAL YEAR 2015/2016

28 August 2015	KBC Ancora records annual result of EUR 133.7 million
28 August 2015	KBC Ancora rearranges debt and limits interest charges
29 September 2015	Convocation of the Annual General Meeting of Shareholders and publication of Annual Report
28 January 2016	Interim Financial Report 2015/2016
13 April 2016	Together, KBC and KBC Ancora write 80 years of stock market history
24 June 2016	Katelijan Callewaert appointed managing director of KBC Ancora

FINANCIAL CALENDAR 2016/2017

26 August 2016	Annual press release for the financial year 2015/2016
27 September 2016	Annual Report 2015/2016 available and convocation of Annual General Meeting of Shareholders
28 October 2016	Annual General Meeting of Shareholders
27 January 2017	Interim financial report (1H)
31 August 2017	Annual press release for the financial year 2016/2017



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