4Q2013

KBC Group

Extended Quarterly Report

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

Common equity ratio: [common equity tier-1 capital] / [total weighted risks]. The calculation is based on the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV) approved and published by the EU, and includes in the numerator the core-capital securities sold to the government that are grandfathered by the regulator, as well as latent gains (revaluation reserve for available-for-sale assets). The minimum target set by the regulator for the common equity ratio does not take account of these latent gains.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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KBC Group Report for 4Q2013 and FY2013

This press release contains information that is subject to transparency regulations for listed companies.
Date of release: 13 February 2013

Summary: 2013: 1 billion euros profit. 2014: beyond restructuring at KBC.

KBC ended 2013 with a net profit of 1 015 million euros, compared with 612 million euros in 2012.
In the fourth quarter of 2013, KBC incurred a net loss of 294 million euros, as opposed to a net profit of 272 million euros in the third quarter and 240 million euros a year earlier.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 960 million euros for 2013, compared with 1 496 million euros in 2012. For the last quarter of the year, the adjusted net profit stood at -340 million euros, as opposed to +457 million euros in the third quarter and +279 million euros in the last quarter of 2012.

Johan Thijs, Group CEO:

'Recent indicators are confirming that the economic recovery, which had been gradually building up in 2013, is continuing into 2014. Against this background of improving economic conditions, KBC posted a net result of 1 015 million euros for full-year 2013, or 960 million euros on an adjusted-profit basis. The result for the fourth quarter was influenced primarily by the announced impairment charges on Irish loans, which led to a net loss of 294 million euros, or 340 million euros on an adjusted-profit basis. Excluding this one-off additional impairment (a post-tax figure of 688 million euros), the net result amounted to 394 million euros, while the adjusted net result came to 348 million euros. When compared with the previous quarter, the group managed to increase the net interest margin further, with deposits and mortgages going up in several countries. We also collected higher revenues from fees and commissions, maintained a good combined ratio as well as an excellent cost/income ratio. However, loan loss impairment charges were somewhat higher (when Ireland is disregarded), while operating expenses increased somewhat due to seasonal effects.

In the quarter under review, the Belgium Business Unit generated a net result of 376 million euros, substantially above the figure of 295 million euros for the last quarter of 2012. Compared with the third quarter, the fourth quarter was characterised by higher net interest income, stable net fee and commission income, good life insurance sales, though a weaker non-life combined ratio due to higher claims, lower operating expenses and a higher level of loan loss impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.

The Czech Republic Business Unit posted a net result of 119 million euros, slightly above the figure for the last quarter of 2012. In general, the results have been impacted by a weaker Czech koruna in the last three months of the year. Compared with the third quarter, this quarter included a decline in net interest income, an improved combined ratio in non-life insurance, increased unit-linked life insurance sales, higher net fee and commission income, higher operating expenses due to seasonal effects and higher loan loss impairment charges. Banking activities accounted for 92% of the net result in the quarter under review, and the insurance activities for 8%.

The International Markets Business Unit recorded a net result of -731 million euros, a one-off low. Compared with the previous quarter, the fourth quarter was affected predominantly by impairment charges of 773 million euros recorded for the Irish loan portfolio. Besides this, net interest income was lower (due to Ireland), but net fee and commission income substantially higher (thanks to Hungary). Seasonal effects and a higher cost base in Ireland meant that costs were also higher. Overall, the banking activities accounted for a negative net result of -735 million euros (the positive results in Hungary (with its adverse tax environment), Slovakia (where profit growth was robust) and Bulgaria were wiped out by the negative result in Ireland), while the insurance activities accounted for a positive net result of 4 million euros.

As announced in November 2013, we have reassessed our loan book, paying specific attention to the Irish loan portfolio, and set aside additional provisions due to the reclassification of 2 billion euros' worth of restructured mortgage loans. Given the slower-than-expected recovery of the SME sector in Ireland and a more prudent outlook for future cashflows and collateral values, we have also added provisions in our corporate loan book. This has led to an overall impairment charge in Ireland of 773 million euros for the fourth quarter of 2013. Our guidance for loan loss provisions in Ireland for the coming years remains at 150 to 200 million euros for 2014 and 50 to 100 million euros for both 2015 and 2016. This guidance is based on current economic projections. As regards the other countries, the estimated impact is considered to be immaterial at present.

We also finalised our divestment plan. In December, we completed the sale of KBC Banka and announced that an agreement had been reached to sell Antwerp Diamond Bank to the Yinren Group. As announced before, we reached an agreement in September to sell KBC Bank Deutschland AG. These deals will ultimately improve KBC's tier-1 ratio (Basel II) by around 0.3%.

We have collapsed one CDO in the first quarter of 2014, which will lead to a further decrease in exposure of our legacy assets of roughly 2 billion euros in nominal value.

On the subject of capital management, 0.7 billion euros in loans that KBC had granted to Cera and KBC Ancora was repaid during the fourth quarter. The proceeds of the sale of some of the KBC Group shares owned by these two entities were used to finance this operation. This reduction improved regulatory capital by 0.7 billion euros and the common equity ratio (Basel III fully loaded) by 0.7%.

At the beginning of 2014, we repaid a second instalment (0.5 billion euros, comprising 0.33 billion euros in principal plus a penalty of 50%) to the Flemish Regional Government. This repayment was again ahead of the schedule agreed with the

European Commission and was made possible on account of KBC's robust capital position. The remaining state aid now amounts to 2 billion euros.

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

Our capital position also continues to be very robust, as illustrated by a pro forma tier-1 ratio of 15.6% (Basel II). This calculation takes into account the repayment of 0.5 billion euros to the Flemish Regional Government at the beginning of January and the divestments for which agreements have been signed. At year-end 2013, our common equity ratio under Basel III stood at 12.5% (fully loaded, pro forma, Danish compromise method), well above our goal of maintaining a target common equity ratio under Basel III (fully loaded) of 10%.

As regards to future dividend pay-outs, we will propose to the respective Annual General Meetings of Shareholders that no dividend be paid over accounting years 2013 and 2015. This would imply that no coupon will be paid on the outstanding Yield Enhanced Securities subscribed to by the Flemish Regional Government over those accounting years.

In relation to accounting year 2014, the intention is to propose to pay, out of the available profits generated in that accounting year, a dividend of up to 2 euros per share.

From accounting year 2016 onwards, it is the intention to resume regular dividend payments. The precise dividend policy from then on will be presented at the KBC investor day in June 2014.

Despite the fact that no coupons would be paid on the Yield Enhanced Securities in relation to accounting year 2013 and 2015, the return which the Flemish Region will receive on these instruments will remain well in excess of the minimum guaranteed return of 10% per year for the full holding period.

Any dividend payment will of course be subject to the usual approval of the regulator.

In conclusion, the results for 2013 reconfirm our strong belief in our core business of bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria.. Our utmost priority is to ensure that our clients, shareholders and other stakeholders benefit from our activities, and our 36 000 employees are committed to achieving this goal. We are truly appreciative of the trust that continues to be placed in us.'

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

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

- CDOs: During the fourth quarter, corporate and ABS credit spreads tightened further, as had been the case during previous quarters. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, along with the termination costs, there was a positive post-tax impact of 65 million euros.
- Remaining divestments: A total post-tax negative impact of 10 million euros was recorded for this quarter. This was attributable primarily to the completion of the sale of KBC Banka, as well as to the costs linked to the reduction in shareholders' loans.
- Impact of own credit risk valuation: The slight tightening of the credit spread on KBC debt between the end of September 2013 and year-end 2013 resulted in a negative marked-to-market adjustment of 9 million euros (post tax), but had no impact on regulatory capital.

Financial highlights for 4Q2013 compared with 3Q2013:

- Sound commercial results.
- Net result distorted by high level of loan loss impairment in Ireland.
- Net interest margin up to 1.80%.
- Strong deposit growth in the Czech Republic, Slovakia and Bulgaria.
- Solid mortgage growth in Belgium, the Czech Republic and Slovakia.
- Healthy combined ratio of 94% for the full year, despite a relatively high claims ratio in 4Q2013.
- Good level of dealing room income, modest impact of marked-to-market valuations of ALM derivatives.
- Higher net fee and commission income, thanks to the Czech Republic and Hungary.
- Excellent cost/income ratio of 52% for the full year.
- Credit cost ratio up to 1.19% for the full year, due to impairment charges on Irish loans. Ireland's credit cost ratio at 6.72%.
- Consistently solid liquidity position, with LCR at 131% and NSFR at 111%.
- Solvency: strong capital base, with a *pro forma* tier-1 ratio of 15.6% (core tier-1 ratio of 13.2%). Basel III common equity ratio (fully loaded, *pro forma*) at 12.5%, well above the 10% target.
- No dividend payment for 2013 to be proposed to AGM.

Overview KBC Group (consolidated)	4Q2012	3Q2013	4Q2013	FY2012	FY2013
Net result, IFRS (in millions of EUR)	240	272	-294	612	1 015
Basic earnings per share, IFRS (in EUR)[1]	-0.97	-0.75	-0.71	-1.09	1.03
Adjusted net result (in millions of EUR)	279	457	-340	1 496	960
Basic earnings per share, based on adjusted net result (in EUR)[1]	-0.92	-0.30	-0.82	1.44	0.90
Breakdown by business unit (in millions of EUR)[2]					
Belgium	295	391	376	1 360	1 570
Czech Republic	114	157	119	581	554
International Markets	-18	-12	-731	-260	-853
Group Centre	-113	-79	-104	-185	-311
Parent shareholders' equity per share (in EUR, end of period)	29.0	28.5	28.3	29.0	28.3

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

2 A new breakdown by business unit entered into force in 2013 (more information on this breakdown can be found under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report). The 2012 reference figures have been restated in order to reflect this new breakdown.

Overview of results according to IFRS

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

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2012	FY 2013
Net interest income	1 261	1 190	1 097	1 121	1 068	1 016	1 028	1 020	4 669	4 132
Interest income	2 695	2 563	2 493	2 382	2 193	2 109	2 066	2 095	10 134	8 464
Interest expense	-1 434	-1 374	-1 396	-1 261	-1 125	-1 093	-1 039	-1 075	-5 465	-4 332
Non-life insurance (before reinsurance)	204	200	157	61	149	115	145	127	622	536
Earned premiums	438	442	307	313	305	316	321	317	1 500	1 259
Technical charges	-234	-243	-150	-252	-156	-201	-176	-190	-878	-723
Life insurance (before reinsurance)	-72	-67	-79	-22	-59	-62	-63	-57	-240	-242
Earned premiums	446	448	271	310	271	241	238	381	1 475	1 132
Technical charges	-518	-514	-350	-332	-331	-303	-302	-438	-1 714	-1 373
Ceded reinsurance result	-14	-1	-12	13	-12	13	1	-6	-13	-5
Dividend income	6	21	13	5	5	20	14	8	45	47
Net result from financial instruments at fair value through profit or loss	60	43	275	42	314	425	223	229	420	1 191
Net realised result from available-for-sale assets	32	9	56	85	142	47	34	29	181	252
Net fee and commission income	304	309	343	360	393	385	340	366	1 315	1 484
Fee and commission income	492	479	494	541	641	565	512	569	2 005	2 286
Fee and commission expense	-188	-170	-151	-181	-248	-180	-171	-203	-690	-802
Other net income	73	368	106	187	76	-20	51	15	734	123
Total income	1 853	2 072	1 954	1 854	2 076	1 938	1 772	1 731	7 733	7 517
Operating expenses	-1 132	-1 033	-1 003	-1 081	-1 039	-931	-925	-976	-4 248	-3 871
Impairment	-273	-1 473	-302	-463	-352	-276	-363	-942	-2 511	-1 933
on loans and receivables	-261	-198	-283	-330	-295	-255	-231	-938	-1 072	-1 719
on available-for-sale assets	-5	-75	-4	-11	-13	-3	-8	-10	-95	-34
on goodwill	0	-414	0	-8	-7	0	0	0	-421	-7
on other	-7	-786	-15	-114	-37	-18	-125	7	-923	-173
Share in results of associated companies	-9	17	-6	1	0	0	0	0	2	1
Result before tax	439	-417	644	310	684	731	485	-186	976	1 714
Income tax expense	-93	-110	-103	-56	-160	-211	-209	-104	-362	-685
Net post-tax result from discontinued operations	40	-8	0	-6	0	0	0	0	27	0
Result after tax	387	-535	540	249	524	520	276	-290	641	1 029
attributable to minority interests	7	5	9	9	4	3	4	4	29	14
attributable to equity holders of the parent	**380**	**-539**	**531**	**240**	**520**	**517**	**272**	**-294**	**612**	**1 015**
Basic earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	1.24	-0.75	-0.71	-1.09	1.03
Diluted earnings per share (EUR)	0.71	-1.99	1.16	-0.97	1.25	1.24	-0.75	-0.71	-1.09	1.03

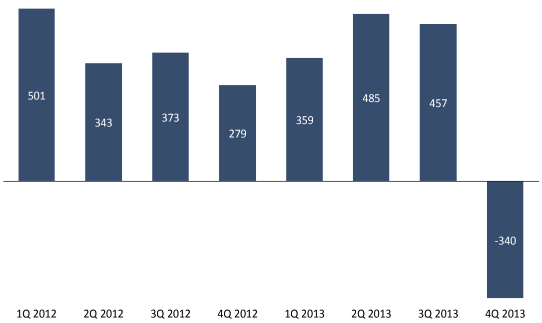
Overview of adjusted results

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

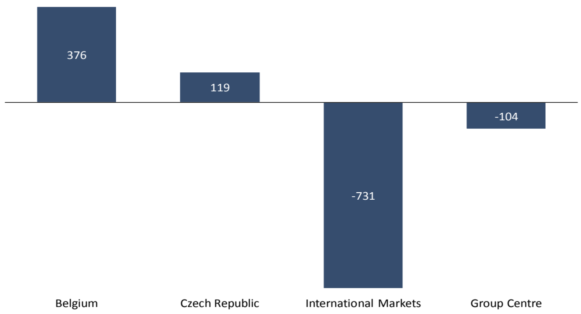
Consolidated income statement, KBC Group (in millions of EUR)	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2012	FY 2013
Adjusted net result (i.e. excluding legacy business and own credit risk)										
Net interest income	1 217	1 153	1 078	1 084	1 032	990	1 013	1 009	4 532	4 044
Non-life insurance (before reinsurance)	204	200	157	61	149	115	145	127	622	536
Earned premiums	438	442	307	313	305	316	321	317	1 500	1 259
Technical charges	-234	-243	-150	-252	-156	-201	-176	-190	-878	-723
Life insurance (before reinsurance)	-72	-67	-79	-22	-59	-62	-63	-57	-240	-242
Earned premiums	446	448	271	310	271	241	238	381	1 475	1 132
Technical charges	-518	-514	-350	-332	-331	-303	-302	-438	-1 714	-1 373
Ceded reinsurance result	-14	-1	-12	13	-12	13	1	-6	-13	-5
Dividend income	5	22	10	5	4	19	11	7	43	41
Net result from financial instruments at fair value through profit or loss	353	58	223	156	218	256	146	159	789	779
Net realised result from available-for-sale assets	31	9	55	85	96	46	42	29	180	213
Net fee and commission income	312	309	345	359	385	388	345	369	1 324	1 487
Other net income	22	60	80	89	76	69	151	47	252	343
Total income	2 057	1 743	1 857	1 831	1 890	1 832	1 791	1 684	7 488	7 197
Operating expenses	-1 110	-1 016	-990	-1 068	-1 029	-921	-913	-963	-4 184	-3 826
Impairment	-271	-241	-305	-378	-335	-235	-209	-950	-1 195	-1 729
on loans and receivables	-261	-198	-283	-329	-295	-217	-186	-940	-1 072	-1 638
on available-for-sale assets	-5	-24	-4	-4	-13	-3	-2	-3	-37	-20
on goodwill	0	0	0	0	-7	0	0	0	0	-7
on other	-5	-18	-18	-45	-20	-15	-22	-7	-86	-64
Share in results of associated companies	-9	-9	-13	1	0	0	0	0	-31	1
Result before tax	667	477	549	385	526	677	669	-228	2 078	1 643
Income tax expense	-159	-129	-167	-98	-163	-189	-208	-108	-553	-668
Result after tax	508	348	382	287	363	487	460	-336	1 525	974
attributable to minority interests	7	5	9	9	4	3	4	4	29	14
attributable to equity holders of the parent	**501**	**343**	**373**	**279**	**359**	**485**	**457**	**-340**	**1 496**	**960**
Belgium	486	244	335	295	385	418	391	376	1 360	1 570
Czech Republic	158	159	149	114	132	146	157	119	581	554
International Markets	-163	-41	-38	-18	-87	-23	-12	-731	-260	-853
Group Centre	19	-19	-72	-113	-71	-56	-79	-104	-185	-311
Basic earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	1.16	-0.30	-0.82	1.44	0.90
Diluted earnings per share (EUR)	1.19	0.49	0.69	-0.92	0.86	1.16	-0.30	-0.82	1.44	0.90
Legacy business and own credit risk impact (after tax)										
Legacy – gains/losses on CDOs	138	-39	280	46	165	180	34	65	425	446
Legacy – divestments	81	-884	23	3	22	-128	-231	-10	-778	-348
MTM of own credit risk	-340	41	-144	-87	-26	-20	12	-9	-531	-43
Net result (IFRS)										
Result after tax, attributable to equity holders of the parent (IFRS)	**380**	**-539**	**531**	**240**	**520**	**517**	**272**	**-294**	**612**	**1 015**

Analysis of the quarter under review (4Q2013)

Adjusted net result (in millions of EUR)



Adjusted net result by business unit, 4Q 2013 (in millions of EUR)



The net result for the quarter under review amounted to -294 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result came to -340 million euros, as opposed to 457 million euros in 3Q2013 and 279 million euros in 4Q2012.

Total income (adjusted net result)

- The year-on-year performance was affected in part by the deconsolidation of Kredyt Bank, WARTA, Żagiel, Nova Ljubljanska banka, Absolut Bank and by certain other sales. These items will be disregarded to enable a meaningful comparison to be made (see 'on a comparable basis')
- Net interest income stood at 1 009 million euros, flat quarter-on-quarter but down 7% year-on-year (on a comparable basis, however, it was flat year-on-year). The net interest margin came to 1.80% for the quarter under review, 3 basis points higher than the level of the previous quarter, and 9 basis points higher than the level of the year-earlier quarter. Deposit volumes contracted by 3% quarter-on-quarter (driven mainly by lower issues of debt certificates and the depreciation of the Czech koruna) and were flat year-on-year. Loan volumes were down 1% quarter-on-quarter, while the loan book declined by 2% year-on-year. The loan book in the Belgium Business Unit contracted by 1% quarter-on-quarter and 2% year-on-year. This contraction was accounted for by the corporate loan book (due to the deliberate reduction at the foreign branches and the repayment of shareholder loans), while mortgages grew at a modest rate quarter-on-quarter and by 1% year-on-year. Deposits in the Belgium Business Unit contracted by 3% quarter-on-quarter (primarily in the branches) but went up 2% year-on-year. The loan book in the Czech Republic increased by 6% year-on-year and by 4% quarter-on-quarter, while deposits rose by 4% both year-on-year and quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined by 7% year-on-year and by 5% quarter-on-quarter, owing to the Irish and Hungarian loan portfolios. The deposit base grew by 9% year-on-year (driven by Ireland, Hungary and Slovakia), but declined by 2% quarter-on-quarter.
- The life and non-life insurance businesses turned in the following performance during the quarter under review. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 64 million euros, down 23% quarter-on-quarter but up 23% year-on-year.

  In the non-life segment, earned premiums were down 1% quarter-on-quarter but up 1% year-on-year. Claims during the fourth quarter were a bit higher than their quarter-earlier level (due to storms in Belgium) and pushed up technical charges. The combined ratio came to a good 94% for the full year (101% for the quarter itself).

  In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were up 47% on their level in 3Q2013, thanks to a savings campaign and a seasonal effect. Year-on-year, these sales have fallen by as much as 60%, triggered by a number of factors, including a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013, a climate of low interest rates and a shift to other wealth management products.

  It should be noted that the fourth quarter was a decent one for investment income from insurance activities, with the quarter-on-quarter results being somewhat offset by lower dividend income in the investment portfolio and by the deliberately limited gains on the realisation of investments. Lastly, the technical-financial result also benefited from general administrative expenses being kept strictly under control, despite some end-of-year effects.

- The net result from financial instruments at fair value amounted to 159 million euros in the quarter under review, lower than the 194-million-euro average for the four preceding quarters. This figure is usually driven by dealing-room income, which was stable, but the first and second quarters of 2013 were influenced primarily by positive results on the marked-to-market valuations in respect of derivative instruments used for asset/liability management purposes.
- Net realised gains from available-for-sale assets stood at 29 million euros for the quarter under review, below the 67-million-euro average for the four preceding quarters. These gains were realised on the sale of both bonds and shares.
- Net fee and commission income amounted to 369 million euros, up 7% quarter-on-quarter and 3% year-on-year. On a comparable basis, it was up by as much as 11% year-on-year. The main drivers for the quarter-on-quarter trend were the higher level of transaction fees in Hungary, entry fees on the sale of mutual funds in Belgium, and the higher level of management fees generated by these mutual funds. Assets under management stood at 163 billion euros, up 2% on their level of the previous quarter (accounted for by the investment performance) and up 5% year-on-year, driven by the investment performance (+4%) and by net inflows (+1%).
- Other net income came to 47 million euros, lower than the 96-million-euro average of the four preceding quarters. In the third quarter, this item benefited from a number of significant positive one-off items.

Operating expenses (adjusted net result)

- Operating expenses came to 963 million euros in 4Q2013, up 5% on their level in the previous quarter but down 10% on their year-earlier level. The quarter-on-quarter increase was attributable to end-of-year effects, like marketing costs and ICT expenses. On a comparable basis, costs were down 1% year-on-year, due primarily to lower staff expenses, a weaker Czech Koruna, partly offset by higher bank taxes in Hungary. The full year cost/income ratio came to 52%, a clear indication that costs remain well under control. However, this ratio was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used for asset/liability management purposes and the substantially higher level of other non-recurring income. Excluding these specific items, the cost/income ratio came to 54%.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 940 million euros in 4Q2013, up on the 186 million euros recorded in the previous quarter, and on the 329 million euros recorded a year earlier. The figure for 4Q2013 included loan loss impairment of 773 million euros recorded at KBC Bank Ireland (as opposed to 98 million euros in the previous quarter and 87 million euros in the year-earlier quarter), as well as impairment of 65 million euros in the Belgium Business Unit (compared with 43 million euros in the third quarter of 2013 and 139 million euros in the year-earlier quarter) and 43 million euros in Hungary (compared with 12 million euros in the third quarter of 2013 and 8 million euros in the year-earlier quarter – due in part to a one-off additional impairment as a result of reassessing the loan book). The annualised credit cost ratio stood at 1.19%. This breaks down into 0.37% for the Belgium Business Unit (up from 0.28% for FY2012 mainly as a result of increased impairment recorded in the SME and corporate segments), 0.25% in the Czech Republic Business Unit (an improvement on the 0.31% for FY2012, but driven partially by a change in methodology) and 4.48% for the International Markets Business Unit (up from 2.26% for FY2012).
- Impairment charges on available-for-sale assets came to 3 million euros and other impairment charges amounted to 7 million euros in the quarter under review.

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

- CDOs: During the fourth quarter, corporate and ABS credit spreads tightened further, as had been the case during previous quarters. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, along with the termination costs, there was a positive post-tax impact of 65 million euros.
- Remaining divestments: A total post-tax negative impact of 10 million euros was recorded for this quarter. This was attributable primarily to the completion of the sale of KBC Banka, as well as to the costs linked to the reduction in shareholders' loans.
- Impact of own credit risk valuation: The slight tightening of the credit spread on KBC debt between the end of September 2013 and year-end 2013 resulted in a negative marked-to-market adjustment of 9 million euros (post tax), but had no impact on regulatory capital.

Breakdown by business unit

- In the quarter under review, the Belgium Business Unit generated a net result of 376 million euros, substantially above the figure of 295 million euros for the last quarter of 2012. Compared with the third quarter, the fourth quarter was characterised by higher net interest income, stable net fee and commission income, good guaranteed-rate life insurance sales but weaker non-life combined ratio (due to higher claims), lower operating expenses and a higher level of loan loss impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.
- The Czech Republic Business Unit posted a net result of 119 million euros, slightly above the figure for the last quarter of 2012 and strongly influenced by the depreciation of the Czech koruna. Compared with the third quarter, this quarter included a slight decline in net interest income, an improved combined ratio in non-life insurance, increased unit-linked life insurance sales, higher net fee and commission income, an excellent cost/income ratio and higher loan loss impairment charges. The banking activities accounted for 92% of the net result in the quarter under review, and the insurance activities for 8%.
- The International Markets Business Unit recorded a net result of -731 million euros, a one-off low. Compared with the previous quarter, the fourth quarter was influenced predominantly by the impairment of 773 million euros on the Irish loan portfolio. Besides this, net interest income was lower (due to Ireland) but net fee and commission income substantially higher (thanks to Hungary). Seasonal effects and increased expenses mean that costs were also higher. Overall, the banking activities accounted for a negative net result of -735 million euros (the positive results in Slovakia, Hungary and Bulgaria were wiped out by the negative result in Ireland), while the insurance activities accounted for a positive net result of 4 million euros.
- The Group Centre's net result amounted to -58 million in 4Q2013. As mentioned above, this figure includes a number of group items and the results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk (see above). Excluding the legacy business and the valuation of own credit risk, the adjusted net result of the Group Centre came to -104 million euros.

Analysis of the year-to-date period under review (FY2013)

The net result for 2013 amounted to 1 015 million euros, compared with 612 million euros a year earlier. Excluding the legacy business and impact of own credit risk, the adjusted net result came to 960 million euros, compared with 1 496 million euros for 2012.

Total income (adjusted net result)

- The year-on-year performance was affected in part by the deconsolidation of Kredyt Bank, WARTA, Żagiel, Nova Ljubljanska banka, Absolut Bank and by certain other sales. These items will be disregarded to enable a meaningful comparison to be made (see 'on a comparable basis').
- Net interest income stood at 4 044 million euros, down 11% year-on-year. On a comparable basis, it fell by 4% year-on-year, due primarily to the lower level of interest income generated at KBC insurance (lower reinvestment yields), while commercial margins at the bank remained healthy. The net interest margin came to 1.75% for the full year, on a par with its level of a year earlier. In the Belgium Business Unit, deposit volumes were up 2% and loan volumes down 2% year-on-year, due to the deliberate scaling down of the loan book at the foreign branches and the repayment of shareholder loans. The loan book in the Czech Republic expanded by 6% year-on-year, while deposits rose by 4% year-on-year. The loan portfolio in the International Markets Business Unit declined by 7% year-on-year (due to Ireland and Hungary), while the deposit base grew by 9% year-on-year (driven by Ireland, Hungary and Slovakia).
- The life and non-life insurance businesses turned in the following performance during 2013. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 289 million euros, down 22% year-on-year. However, on a comparable basis (excluding the effect of the deconsolidation of WARTA), this result was 26% higher than the year-earlier figure.

  In the non-life segment, earned premiums were 3% higher year-on-year (on a comparable basis). The claims arising from *inter alia* the floods in the Czech Republic and storms in Belgium pushed technical charges 2% higher than their level in 2012. Nevertheless, the combined ratio still came to a good 94% for the full year.

  In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were down 58% on their level in 2012, triggered by a change in the tax treatment of unit-linked life insurance contracts in Belgium since the beginning of 2013, a climate of low interest rates and a shift to mutual funds, among other factors.

  It should be noted that the insurance results were also impacted by lower investment income, particularly net interest income, but benefited from general administrative expenses being kept strictly under control.
- The net result from financial instruments at fair value amounted to 779 million euros in 2013, compared with 789 million euros for 2012, or 706 million euros on a comparable basis. This figure is usually driven by dealing-room income, but was influenced in 2013 primarily by the positive result of 280 million euros on the marked-to-market valuations in respect of certain derivative instruments used for asset/liability management purposes more than offsetting a decline in dealing room income and lower CVAs.
- Net realised gains from available-for-sale assets stood at 213 million euros for the year under review, compared with 180 million euros for 2012, or 158 million euros on a comparable basis. The gains were realised on the sale of both bonds and shares, with the first quarter benefiting from particularly large gains on the sale of Belgian government bonds.
- Net fee and commission income amounted to 1 487 million euros, up 12% year-on-year. On a comparable basis, fee income was 15% higher year-on-year. The main drivers for this year-on-year increase were entry and management fees on mutual funds and an improvement in fee income in Hungary. Assets under management stood at 163 billion euros, up 5% on their level at year-end 2012 (1% accounted for by net sales and 4% by price effects).
- Driven by a number of exceptional items, other net income came to 343 million euros, compared with 252 million euros in 2012 (or 193 million euros on a comparable basis).

Operating expenses (adjusted net result)

- Operating expenses came to 3 826 million euros in 2013, down 9% on their year-earlier level. On a comparable basis, costs increased by 2%, owing in part to the introduction of the financial transaction levy in Hungary, costs associated with early retirement schemes, higher pension expenses, increased ICT costs and higher costs at KBC Ireland. The year-to-date cost/income ratio came to 52%, a clear indication that costs remain well under control. However, it was positively impacted by the high level of marked-to-market valuations in respect of the derivative instruments used for asset/liability management purposes, by net realised gains from available-for-sale assets and by a high level of other income. When these specific income items are disregarded, the cost/income ratio amounted to 54%.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 1 638 million euros in 2013, up on the 1 072 million euros recorded a year earlier. The figure for 2013 included loan loss impairment of 1 059 million euros recorded at KBC Bank Ireland (as opposed to 547 million euros in 2012), as well as a relatively high 328 million euros in the Belgium Business Unit (as opposed to 246 million euros in 2012). The annualised credit cost ratio stood at 1.19% year-to-date. This breaks down into 0.37% for the Belgium Business Unit (up from 0.28% for FY2012), 0.25% for the Czech Republic Business Unit (compared with 0.31% for FY2012) and 4.48% for the International Markets Business Unit (up from 2.26% for FY2012).
- In the year under review, impairment charges came to 20 million euros for available-for-sale assets, 7 million euros for goodwill and 64 million euros for other items.

Income tax

- Income tax amounted to 668 million euros for 2013, as opposed to 553 million euros for 2012.

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

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

- CDOs: In 2013, corporate and ABS credit spreads tightened further. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, along with the costs for early termination or collapse, there was a positive post-tax impact of 446 million euros.
- Remaining divestments: A total post-tax negative impact of 348 million euros was recorded for 2013. This was attributable primarily to the divestments of KBC Banka, Absolut Bank, Antwerp Diamond Bank, Nova Ljubljanska banka, Bank Zachodni, as well as to the costs linked to the reduction in shareholders' loans.
- Impact of own credit risk valuation: The tightening of the credit spread on KBC debt in 2013 resulted in a negative marked-to-market adjustment of 43 million euros (post tax), but had no impact on regulatory capital.

Equity and solvency

- At the end of 2013, total equity came to 14.5 billion euros – down 1.4 billion euros on its level at the start of the year – due mainly to the payment of a dividend (-0.4 billion euros), the payment of the coupon on non-voting core-capital securities subscribed to by the Belgian Federal and Flemish Regional governments (-0.5 billion euros), the repayment of 1.17 billion euros (plus 50% penalty) in Flemish state aid (-1.8 billion euros), but partially offset by the inclusion of the 2013 results (1.0 billion euros) and the changes in the AFS reserve and cashflow reserve (a combined 0.2 billion euros).
- The group's tier-1 ratio (under Basel II) stood at a strong 15.8% at 31 December 2013 (core tier-1 ratio of 13.5%). Including the impact of the divestment agreements signed for KBC Bank Deutschland and Antwerp Diamond Bank, as well as the repayment of the second instalment of aid received from the Flemish Regional Government, the group's tier-1 ratio (under Basel II) stood at a robust 15.6% (core tier-1 ratio of 13.2%). The solvency ratio for KBC Insurance was an excellent 281% at 31 December 2013, down somewhat from the very high 322% at the end of 2012.
- The common equity ratio (*pro forma*) under the current Basel III framework came to 12.5% at the end of the fourth quarter of 2013 (fully loaded, but including the remaining aid from the Flemish Region, the impact of the divestment agreements signed for KBC Bank Deutschland and Antwerp Diamond Bank, as well as the repayment of 500 million euros to the Flemish Regional Government), well above the targeted common equity ratio of 10% under Basel III (fully loaded).

Liquidity

- The group's liquidity remains excellent, as reflected in an LCR ratio of 131% and an NSFR ratio of 111% at the end of the fourth quarter.

Selected balance sheet data

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-03-2012	30-06-2012	30-09-2012	31-12-2012	31-03-2013	30-06-2013	30-09-2013	31-12-2013
Total assets	290 635	285 848	270 010	256 928°	258 567	253 297	250 260	241 306
Loans and advances to customers*	135 980	133 326	131 048	128 492	129 753	131 769	128 377	122 790
Securities (equity and debt instruments)*	65 853	64 227	65 171	67 295	65 071	65 722	64 147	65 177
Deposits from customers and debt certificates*	166 551	163 685	160 945	159 632	167 994	167 414	169 413	164 141
Technical provisions, before reinsurance*	19 925	19 539	19 637	19 205	18 836	18 805	18 803	18 701
Liabilities under investment contracts, insurance*	7 871	8 856	9 680	10 853	11 664	11 606	11 684	11 787
Parent shareholders' equity	10 949	9 687	10 629	12 017°	12 505	12 119	11 895	11 826
Non-voting core-capital securities	6 500	6 500	6 500	3 500	3 500	3 500	2 333	2 333

* In accordance with IFRS 5, the assets and liabilities of a number of divestments have been reallocated to 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.
° Restated to reflect the amendments to IAS 19 that took effect on 1 January 2013.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2012	FY2013
Profitability and efficiency (based on adjusted net result)		
Return on equity*	9%	9%
Cost/income ratio, banking	57%	52%
Combined ratio, non-life insurance	95%	94%
Solvency		
Tier-1 ratio (Basel II)**	13.8%	15.8%
Core tier-1 ratio (Basel II)**	11.7%	13.5%
Common equity ratio (Basel III, fully loaded, including remaining state aid)**	10.8%	12.8%
Credit risk		
Credit cost ratio	0.71%	1.19%
Non-performing ratio	5.3%	5.9%

* If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (*pro rata*).
** Including the impact of the divestment agreements signed for KBC Bank Deutschland and Antwerp Diamond Bank, as well as the repayment of the second instalment of aid received from the Flemish Regional Government, the tier-1 ratio stood at a 15.6% at 31 December 2013 (core tier-1 ratio of 13.2%); common equity ratio of 12.5%.

Strategy highlights and main events

Strategy and business highlights

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

- Last steps in the divestment programme (4Q to date):

  - On 24 September 2013, KBC announced that it had reached an agreement to sell KBC Bank Deutschland AG to several investors including affiliates of Teacher Retirement System of Texas, Apollo Global Management, Apollo Commercial Real Estate Finance and Grovepoint Capital. This deal will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets and will have no material impact on KBC's financial results. This will improve KBC's solvency position by roughly 15 basis points.
  - On 19 November 2013, 0.7 billion euros in loans that KBC had granted to Cera and KBC Ancora was repaid. The costs for KBC of this operation amounted to 15 million euros after tax. The proceeds of the sale of some of the KBC Group shares owned by these two entities were used to finance this operation. This reduction improved regulatory capital by 0.7 billion euros and the common equity ratio (Basel III fully loaded) by 0.7%.
  - On 19 December 2013, KBC completed the agreements reached with Société Générale Srbija and Telenor Serbia on the divestment of KBC Banka, KBC's banking entity in Serbia. The impact on the financial results and capital was immaterial.

  - On 19 December 2013, KBC reached an agreement with the Shanghai-based Yinren Group for the sale of its subsidiary Antwerp Diamond Bank. The deal had only a negligible upfront impact on the KBC group's earnings. It will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets, which will ultimately improve KBC's tier-1 ratio (Basel II) by almost 0.2%.

  - On 8 January 2014, KBC repaid a second instalment of the aid received from the Flemish Regional Government (0.5 billion euros, comprising 0.33 billion euros in principal plus a penalty of 50%). This repayment was again ahead of the schedule agreed with the European Commission and was made possible on account of KBC's robust capital position.

  - In January 2014, the net exposure on legacy CDO positions was further reduced by approximately 2 billion euros thanks to the continued collapsing of CDO exposures.

- Developments on the Corporate Sustainability & Responsibility front:
  - On 18 October 2013, KBC Belgium launched 'a digital back up for its customers', where Belgian schools, associations and projects could apply for used computers.
  - On 25 October 2013, KBC received the 'Best Financial Information' award from the Belgian Financial Analysts Association.
  - On 2 December 2013, KBC Ireland lent its support to 'The EM Ireland 40 Years of Change Bursary Award', an essay competition that challenges undergraduate students across the island of Ireland to produce an essay on the topic of 'Ireland and the EU: Forty Years of Change'. The competition invited students to critically examine how Ireland and the EU have developed over the past forty years and how this relationship may develop over the next forty.
  - On 2 December 2013 – thanks to its 'Simple bank transaction can save life' campaign – the ČSOB Foundation donated 62 000 euros to the Children's Cardio Centre Foundation to buy an extracorporeal circulation device for the Children Cardiac Centre. This device is indispensable during childrens' heart surgery.
  - On 17 December 2013, K&H took first prize in the 'Exemplary CSR project category' of the Hungarian Public Relations Association's 'CSR Best Practice 2012' competition. As the jury explained, K&H's 'Ready, Steady, Money!' financial competition was instrumental in promoting corporate social responsibility in Hungary.

- Statement of risk
  - Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing divestment plans may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
  - Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
  - Global economic growth is continuing to gather momentum. In the US, economic growth is being driven mainly by private consumption, which in turn is being supported by the robust dynamic of the US labour market. Moreover, fiscal drag will be substantially lower in 2014 than in 2013 in the light of the bipartisan agreement on the federal budget. In Europe, the economic recovery is also on track, as illustrated by the further improvement of the German IFO indicator. More vulnerable EMU economies are recovering as well, with producer confidence indicators at levels consistent with economic growth.
  - Chinese economic growth is now starting to slow down. After steadily accelerating during the first three quarters of 2013, GDP growth moderated somewhat in the fourth quarter. The main focus of Chinese policymakers is to facilitate the transition from an investment-led growth model to a consumption-led one. The efforts made by the Chinese central bank to keep credit growth under control fit in with this policy.
  - Largely as a consequence of the 'tapering' of the Fed's latest bond buying programme, capital flows to many emerging markets have started to reverse. In particular, in countries that have a current account deficit, currencies are depreciating and bond yields rising. However, a crisis similar to that in 1997 is unlikely, since internal debt is accumulating at a much more moderate rate now and FX reserves are considerably higher.
  - The ECB has announced the launch of its comprehensive assessment of euro area banks, including an asset quality review, balance sheet assessment and stress test. The results will be published in late 2014.

- Additional information
  - The statutory auditor of KBC Group NV has confirmed that its audit of the consolidated financial statements – which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union – is substantially completed and that this audit has not revealed any material modification that would have to be made to the accounting information derived from the consolidated financial statements and included in this earnings statement.
  - It will be proposed to the Annual General Meeting of Shareholders that no dividend for financial year 2013 be paid in 2014.
  - Financial calendar for 2014:
    - As of 31 March 2014: 2013 Annual Report and 2013 Risk Report
    - 30 April 2014: Annual General Meeting
    - 15 May 2014: KBC Group – Publication of 1Q 2014 results
    - 7 August 2014: KBC Group – Publication of 2Q 2014 results
    - 13 November 2014: KBC Group – Publication of 3Q 2014 results
    - 12 February 2015: KBC Group – Publication of 4Q 2014 results

KBC Group Analysis of 4Q2013 results by business unit

Unless otherwise specified,
all amounts are given in euros

Breakdown by business unit

New business unit structure since 1 January 2013

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

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

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

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

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

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

The items in question are:

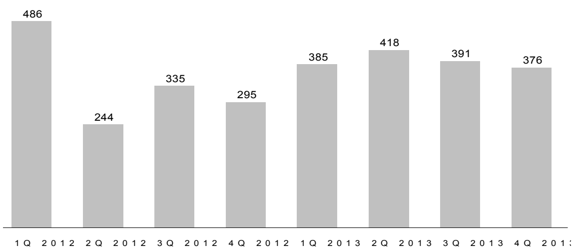
- legacy CDO activities (mainly valuation changes of CDOs and fees for the CDO guarantee agreement);
- legacy divestment activities (impairment and gains/losses in relation to divestments);
- the impact of changes in fair value of own debt instruments due to own credit risk.

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

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

Analysis of the results – Belgium Business Unit

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



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

Income statement, Belgium Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	724	671	639	688	658	640	670	680
Non-life insurance (before reinsurance)	114	110	126	24	117	96	111	86
Earned premiums	225	226	228	236	234	239	241	241
Technical charges	-111	-116	-102	-212	-117	-143	-130	-155
Life insurance (before reinsurance)	-92	-92	-88	-32	-69	-69	-70	-66
Earned premiums	264	184	166	233	195	180	162	295
Technical charges	-357	-276	-254	-266	-263	-249	-232	-361
Ceded reinsurance result	-8	-6	-12	15	-10	4	0	-1
Dividend income	5	21	9	5	4	18	11	7
Net result from financial instruments at fair value through profit or loss	278	1	134	94	135	201	83	125
Net realised result from available-for-sale assets	40	-8	44	42	85	30	40	15
Net fee and commission income	222	238	234	253	291	288	240	241
Other net income	-14	42	39	39	66	49	124	53
Total income	1 269	976	1 126	1 128	1 278	1 257	1 210	1 141
Operating expenses	-568	-536	-535	-557	-575	-544	-568	-562
Impairment	-6	-79	-84	-159	-140	-98	-65	-59
on loans and receivables	-1	-41	-66	-139	-138	*-82*	-43	-65
on available-for-sale assets	-4	-24	-4	-4	-2	*-2*	-1	-2
on goodwill	0	0	0	0	0	*0*	0	0
other	-1	-14	-14	-16	1	*-14*	-21	7
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	695	361	508	413	562	615	577	519
Income tax expense	-209	-118	-174	-119	-176	-198	-186	-142
Result after tax	486	243	334	294	386	417	391	377
attributable to minority interests	0	-1	-1	-1	1	-1	0	0
attributable to equity holders of the parent	**486**	**244**	**335**	**295**	**385**	**418**	**391**	**376**
Banking	360	171	219	239	300	329	307	319
Insurance	126	73	116	57	85	89	83	57
Risk-weighted assets, group (end of period, Basel II)	60 087	56 501	53 757	52 884	51 486	50 190	47 786	49 751
of which banking	49 166	45 747	43 056	42 175	41 002	39 662	37 206	39 127
Allocated capital (end of period)	6 446	6 080	5 804	5 717	5 568	5 440	5 202	5 400
Return on allocated capital (ROAC)	31%	16%	23%	20%	28%	30%	29%	28%
Cost/income ratio, banking	48%	59%	51%	50%	46%	44%	49%	49%
Combined ratio, non-life insurance	81%	91%	88%	122%	85%	93%	90%	103%
Net interest margin, banking	1.43%	1.28%	1.15%	1.16%	1.17%	1.19%	1.18%	1.24%

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

In 4Q2013, the Belgium Business Unit generated a net result of 376 million, slightly above the average figure of 372 million for the four preceding quarters. Compared with the previous quarter, 4Q2013 was characterised by higher net interest income, stable net fee and commission income, sharply higher sales of guaranteed-interest life insurance products and higher gross technical charges in the non-life business, higher MTM valuations of ALM derivatives, lower realised gains on the sale of available-for-sale securities and other net income, a very good cost/income ratio and a slightly lower level of operating expenses and loan loss impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.

Increased net interest income attributable to loans and deposits

Net interest income stood at 680 million in the quarter under review, up 2% on the previous quarter and down 1% on the year-earlier quarter. The quarter-on-quarter increase was driven by good commercial net interest income related to loans and deposits. The year-on-year decrease was accounted for by the same positive elements, but was more than offset by a lower average yield on the insurer's bond portfolio.

On the whole, the net interest margin at KBC Bank in Belgium increased by 6 basis points quarter-on-quarter, and by 8 basis points year-on-year, coming to 124 basis points in 4Q2013.

At the end of December 2013, the loan book ('Loans and advances to customers, excluding reverse repos') of the Belgium Business Unit amounted to 82 billion, down 1% quarter-on-quarter and 2% year-on-year (the latter was due to the deliberate reduction in the loan book at the foreign branches and the repayment of shareholder loans). Deposits ('Deposits from customers and debt certificates, excluding repos') stood at 97 billion, down 3% compared to the previous quarter (driven by a reduction of certificates of deposits at the foreign branches) and up 2% year-on-year.

Year-to-date non-life combined ratio at an excellent level
Strong sales of guaranteed-interest life insurance products in the quarter under review

In the non-life business, premium income (241 million) stabilised quarter-on-quarter and increased by 2% year-on-year, with the increase being generated mainly by the 'Fire' class. Technical non-life charges (155 million) increased by 19% quarter-on-quarter due primarily to higher claims (mainly in the 'Motor' and 'Fire' classes) and a negative impact of storm damage. They were down 27% year-on-year, on account chiefly of an increase in the longevity reserves and new indicative tables for bodily injury claims in 4Q12. After taking into account the ceded reinsurance result, earned premiums less technical charges stood at 85 million in the quarter under review, compared with 111 million in 3Q2013 and 24 million in 4Q2012. The combined ratio increased from 90% in the previous quarter to 103% in 4Q2013. Hence, for full-year 2013, the combined ratio stands at a very good 93%, an improvement on the 95% recorded in FY2012.

In the life business, insurance sales (including unit-linked products which are not included in the premium figures under IFRS) amounted to 396 million in 4Q2013, up on the 254 million recorded in the previous quarter and down on the strong 1 143 million recorded in the year-earlier quarter. The quarter-on-quarter increase was attributable to the savings campaign in October/November (driven by a temporary increase of the guaranteed interest rate for the Life Future 8 product) and traditionally higher volumes in pension saving products in the fourth quarter. As a result, unit-linked life insurance sales – which usually constitute the bulk of life sales –accounted for less than 30% of life sales in the quarter under review. At the end of December 2013, the life reserves of the Belgium Business Unit (including the liabilities under unit-linked contracts) amounted to 25.4 billion (up 1% year-on-year).

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

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

Total net fee and commission income amounted to 241 million in the quarter under review, the same level as in the previous quarter, and 5% lower than a year earlier. Quarter-on-quarter, significantly higher entry fees on mutual funds thanks to the saving campaign and increased management fees on equity and balanced funds were offset by higher charges for payment cards, lower commission income from financial services and the higher level of commission paid to insurance agents (due to increased sales of guaranteed-interest products). The 5% year-on-year decrease in net fee and commission income was essentially due to higher insurance-related commissions paid to insurance agents.

Assets under management in this business unit stood at 151 billion at the end of December 2013, up 2% on the level recorded three months previously (accounted for entirely by a positive price effect) and also up 5% on the year-earlier level (1% of which was attributable to net inflows and 4% to a positive price effect).

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 125 million in the quarter under review, slightly below the 128 million average for the four preceding quarters. The quarter under review included a good level of income from the dealing room (comparable with the previous quarter and driven by the IRS desk), higher MTM valuations of ALM derivatives, limited positive MVA/CVA and the recuperation at our London branch of funds related to a real estate project.

Dividend income stood at 7 million, slightly higher than the level recorded in the year-earlier quarter (increase in the share portfolio), and down on the 11 million recorded in 3Q2013.

The realised result from available-for-sale assets amounted to 15 million, below the average figure of 49 million for the four preceding quarters. No gains were realised on the sale of bonds in the quarter under review.

Other net income amounted to 53 million, down on the 70 million average for the four preceding quarters, which had benefited from a number of positive one-off items, especially in the third quarter (recovery of moratorium interest on an old tax-related file and gains on the sale of real estate).

Costs down quarter-on-quarter

The operating expenses of the Belgium Business Unit totalled 562 million in the quarter under review, down 1% on the previous quarter and up 1% on the year-earlier quarter. The quarter under review included lower variable remuneration, somewhat lower bank taxes and lower payments to the FSMA. These items more than offset the higher marketing and ICT costs. Last but not least, there were some one-off costs related to staff transition arrangements in 3Q2013. The year-on-year increase was driven mainly by higher pension benefit obligations due to a lower discount rate.

The cost/income ratio in the quarter under review amounted to 49%, in line with 3Q2013. Hence, for full-year 2013, the cost/income ratio came to an excellent 47%, although it was clearly positively influenced by the relatively large positive MTM valuations of ALM derivatives and some exceptional income items.

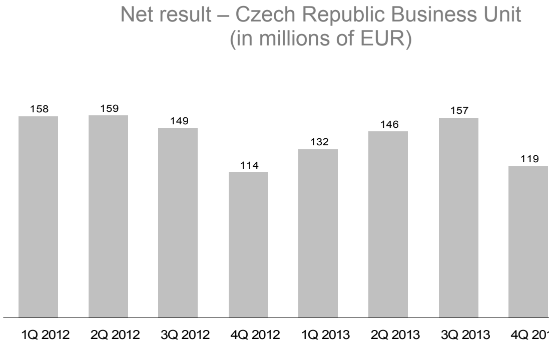
Impairment down on previous quarter

Impairment on loans and receivables (loan loss provisions) amounted to 65 million in 4Q2013, above the 43 million recorded for the previous quarter, as higher impairments in foreign branches (due to a few large loans) and in the retail segment (due to LGD model reviews) were slightly offset by limited impairments in the corporate segment in Belgium.

As a result, the credit cost ratio for full-year 2013 stood at 37 basis points, still up a little on the favourable 28 basis points recorded in FY2012. At the end of 4Q2013, some 2.5% of the Belgian loan book was non-performing, down from the 2.6% recorded three months earlier.

Other impairment charges amounted to -5 million in the quarter under review, due to the fact that a limited impairment on AFS shares (2 million) was offset by an impairment release of 7 million (related to real estate).

Analysis of the results – Czech Republic Business Unit



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

Income statement, Czech Republic Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	261	258	260	249	244	246	244	226
Non-life insurance (before reinsurance)	18	19	16	21	16	3	17	26
Earned premiums	39	41	44	45	41	42	43	43
Technical charges	-21	-22	-28	-24	-25	-39	-27	-17
Life insurance (before reinsurance)	7	9	8	7	7	5	7	6
Earned premiums	72	160	85	53	48	36	53	61
Technical charges	-64	-151	-77	-46	-41	-30	-47	-55
Ceded reinsurance result	-1	-2	0	-2	-1	10	0	-4
Dividend income	0	0	1	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	33	24	22	17	16	28	24	14
Net realised result from available-for-sale assets	-11	7	5	4	7	6	0	4
Net fee and commission income	49	42	47	41	51	46	49	53
Other net income	10	6	0	13	3	2	8	-4
Total income	365	364	359	349	343	347	348	321
Operating expenses	-164	-164	-165	-196	-164	-163	-156	-166
Impairment	-13	-14	-19	-23	-22	-9	-7	-18
on loans and receivables	-13	-12	-17	-21	-22	-9	-7	-14
on available-for-sale assets	0	0	0	-1	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
Other	0	-2	-2	-2	0	0	0	-3
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	188	186	175	129	156	176	185	138
Income tax expense	-30	-27	-25	-15	-24	-29	-28	-19
Result after tax	158	159	149	114	132	146	157	119
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**158**	**159**	**149**	**114**	**132**	**146**	**157**	**119**
Banking	154	154	144	106	128	143	150	109
Insurance	5	6	6	9	5	3	7	10
Risk-weighted assets, group (end of period, Basel II)	15 676	16 020	15 218	14 283	13 077	13 962	14 014	13 455
of which banking	14 795	15 141	14 316	13 371	12 176	13 062	13 106	12 589
Allocated capital (end of period)	1 603	1 637	1 558	1 465	1 344	1 432	1 438	1 380
Return on allocated capital (ROAC)	37%	36%	34%	26%	33%	38%	40%	30%
Cost/income ratio, banking	44%	44%	45%	57%	47%	46%	44%	52%
Combined ratio, non-life insurance	91%	94%	99%	95%	99%	104%	97%	84%
Net interest margin, banking	3.36%	3.26%	3.19%	3.03%	3.07%	3.04%	3.03%	2.86%

In the quarter under review, the Czech Republic Business Unit generated a net result of 119 million, below the average figure of 137 million for the four preceding quarters. Compared with the previous quarter, 4Q2013 results were characterised by a further weakening of the Czech koruna, lower net interest income, an improved combined ratio in non-life insurance, higher sales of unit-linked life insurance products, higher net fee and commission income, a lower level of other net income, lower MTM valuations of ALM derivatives and higher net realised gains from the sale of AFS securities, higher costs and loan loss impairment charges. Banking activities accounted for 92% of the net result in the quarter under review, and the insurance activities for 8%.

Net interest income down quarter-on-quarter; continuing pressure on deposit margins

Net interest income generated in this business unit amounted to 226 million in the quarter under review. Excluding the effect of the exchange rate, net interest income was down by 4% both quarter-on-quarter and year-on-year, as a result primarily of a one-off adjustment of accrued mortgage commissions, lower reinvestment yields and continued pressure on retail deposit margins (continuous decline in average reinvestment rates), which more than offset the higher net interest income on retail, SME and corporate loans. The overall net interest margin of the ČSOB group in the Czech Republic amounted to 2.86% in the quarter under review. Corrected for the one-off negative adjustment of accrued mortgage commissions, the net interest margin amounted to 2.98%, a decline of 5 basis points both quarter-on-quarter and year-on-year.

Disregarding the FX effect, the group's Czech loan book ('Loans and advances to customers, excluding reverse repos': 18 billion at 31 December 2013) was up 4% quarter-on-quarter and 6% year-on-year, while deposits ('Deposits from customers and debt certificates, excluding repos': 25 billion) were up 4% both quarter-on-quarter and year-on-year.

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

In the non-life business, premium income stood at 43 million, down slightly on both reference figures, but up 1% year-on-year and 2% quarter-on-quarter without FX impact. At 17 million, technical charges were likewise down on both reference figures. When account is also taken of the impact of reinsurance, earned premiums less technical charges improved by 5 million quarter-on-quarter and 3 million year-on-year. Therefore, the combined ratio for the quarter under review also improved, going from 97% in 3Q2013 to 84% in the quarter under review, and resulting in a ratio of 96% for FY2013, compared with 95% for FY2012 (due to high flood-relating claims in 2Q13)

In the life business, sales amounted to 61 million in the quarter under review, up on both reference quarters (53 million) despite the negative FX impact. The quarter-on-quarter increase in life sales was attributable entirely to unit-linked products (Maximal Invest Life products), and as a consequence, these products accounted for 74% of life sales in the quarter under review. At the end of December 2013, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1.1 billion.

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

Other income components

Net fee and commission income stood at 53 million in the quarter under review. Compared with the previous quarter, net fee and commission income was up 10% (excluding FX effects), owing in part to higher fees on payment cards, higher financial markets income and higher entry fees on mutual funds. The year-on-year increase was much higher (+36% excluding FX effects) as 4Q2012 was distorted by the faster write-off of deferred acquisition costs. Total assets under management in this business unit came to roughly 6.2 billion at quarter-end, up 6% year-on-year despite the negative FX impact.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 14 million, down quarter-on-quarter (due chiefly to lower MTM valuations of ALM derivatives) and also lower than the average figure of 21 million for the four preceding quarters. The net realised result from available-for-sale assets stood at 4 million, in line with the average for the last four quarters. Other net income totalled -4 million in the quarter under review, down on the 7 million average for the four preceding quarters, owing to the fact that the quarter under review was impacted by a provision for a legal dispute, while 3Q 2013 benefited from overdue interest related to an earlier file.

Costs up quarter-on-quarter, but down year-on-year

The operating expenses of this business unit came to 166 million, which is an increase compared with 3Q2013, but a decrease year-on-year (+9% and -11%, respectively, excluding FX effects). The quarter-on-quarter increase was due primarily to traditionally higher year-end costs (e.g., marketing expenses and variable remuneration). The year-on-year decline was attributable mainly to lower ICT expenses, lower variable remuneration, lower marketing expenses in 4Q2013 and restructuring charges recorded in 4Q2012. Consequently, the cost/income ratio of the Czech Republic Business Unit came to 52%, up on the 44% recorded in the previous quarter. The full-year 2013 cost/income ratio stands at 47%, in line with the full-year 2012 number.

Loan loss provisions up on previous quarter

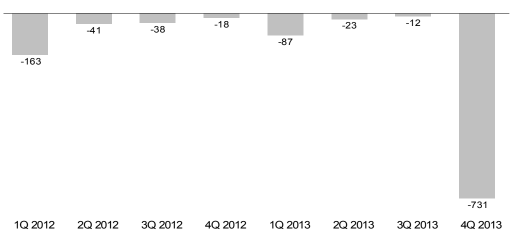
Impairment on loans and receivables (loan loss provisions) stood at 14 million in the quarter under review, up on the 7 million recorded in the previous quarter (which benefited, *inter alia*, from a positive one-off effect of 8 million following impairment releases relating to a historical file).

As a result, the credit cost ratio of this business unit amounted to 25 basis points for FY2013, an improvement on the 31 basis points recorded for FY2012. At the end of the quarter under review, non-performing loans accounted for some 3.0% of the Czech loan book, an improvement on the 3.2% recorded three months earlier.

Impairment charges of 3 million were recorded on assets other than loans and receivables in the quarter under review.

Analysis of the results – International Markets Business Unit

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



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

Income statement, International Markets Business Unit (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	164	161	162	157	155	160	163	155
Non-life insurance (before reinsurance)	20	19	19	22	21	19	20	20
Earned premiums	43	41	41	39	39	38	39	39
Technical charges	-23	-21	-22	-17	-18	-20	-19	-18
Life insurance (before reinsurance)	0	1	1	3	2	0	0	2
Earned premiums	20	22	17	20	25	20	18	19
Technical charges	-20	-21	-15	-17	-23	-21	-18	-17
Ceded reinsurance result	-1	-1	-2	-3	-2	-2	-2	-4
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	24	26	35	23	21	22	29	17
Net realised result from available-for-sale assets	0	0	0	1	2	8	2	1
Net fee and commission income	35	34	36	38	41	45	50	68
Other net income	1	4	1	5	2	19	1	-2
Total income	242	245	253	246	242	272	262	258
Operating expenses	-199	-143	-145	-164	-210	-176	-156	-173
Impairment	-229	-144	-142	-108	-127	-116	-119	-827
on loans and receivables	-228	-143	-141	-98	-117	-114	-118	-821
on available-for-sale assets	0	0	0	0	-10	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	-1	-1	-1	-10	-1	-1	0	-6
Share in results of associated companies	0	0	0	1	0	0	0	0
Result before tax	-185	-41	-34	-26	-95	-19	-12	-742
Income tax expense	22	0	-5	8	8	-4	0	11
Result after tax	-163	-41	-38	-18	-87	-23	-12	-731
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-163**	**-41**	**-38**	**-18**	**-87**	**-23**	**-12**	**-731**
Banking	-166	-49	-43	-24	-82	-29	-17	-735
Insurance	3	8	5	6	-6	6	6	4
Risk-weighted assets, group (end of period, Basel II)	17 438	17 280	17 509	18 224	17 699	17 086	16 829	16 693
of which banking	16 801	16 664	16 904	17 673	17 162	16 555	16 309	16 142
Allocated capital (end of period)	1 769	1 753	1 775	1 844	1 791	1 730	1 704	1 691
Return on allocated capital (ROAC)	-38%	-11%	-11%	-6%	-21%	-7%	-4%	-174%
Cost/income ratio, banking	82%	58%	57%	67%	88%	65%	59%	67%
Combined ratio, non-life insurance	98%	99%	100%	94%	87%	98%	97%	103%
Net interest margin, banking	2.05%	2.06%	2.08%	2.03%	2.04%	2.11%	2.15%	2.09%

In the quarter under review, the International Markets Business Unit generated a net result of -731 million, significantly below the average of -35 million for the four preceding quarters, was and accounted for mainly by the 773 million in loan loss provisions at KBC Bank Ireland (primarily as a result of the loan book being reassessed). 4Q2013 was also characterised by lower net interest income, higher net fee and commission income, a lower result from financial instruments at fair value and other net income and higher costs. Overall, the banking activities accounted for a negative net result of -735 million (the positive results in Slovakia and Hungary were fully eliminated by the very negative result in Ireland), while the insurance activities accounted for a positive net result of 4 million.

Total income down slightly quarter-on-quarter. Positive change in net fee and commission income offset by a decrease in net interest income and in the net result from financial instruments at fair value through profit or loss

Net interest income stood at 155 million in 4Q2013, down 5% on 3Q2013, due chiefly to Ireland and the one-off 12-million increase in allocated liquidity costs in 4Q2013. Net interest income was down 1% on the year-earlier figure. This decline was attributable mainly to a significant decrease in Ireland (driven by much higher one-off allocated liquidity costs related to the early termination of intragroup loans), and largely offset by a considerable increase in Slovakia (driven by continued growth of the mortgage portfolio and consumer finance, the successful SME loans campaign, as well as maturing term deposits with high external rates)

On a weighted basis, the net interest margin of this business unit amounted to 2.09% in the quarter under review, up 6 basis points on year-on-year and down 6 basis points quarter-on-quarter.

The total loan portfolio of the International Markets Business Unit ('Loans and advances to customers, excluding reverse repos': 21 billion at year-end 2013) was down 5% quarter-on-quarter and 7% year-on-year. The year-on-year decline was attributable to Ireland (where matured and impaired loans surpassed new production) and Hungary (trend impacted by the FX relief programme, among other things), whereas the loan portfolio expanded in Slovakia and Bulgaria. Customer deposits for the entire business unit ('Deposits from customer and debt certificates, excluding repos': 14 billion) contracted by 2% in the quarter under review, and increased by as much as 9% compared to the situation a year ago. The largest part of the year-on-year increase was accounted for by Ireland owing to the retail deposit campaign in that country), although deposits rose in Slovakia and Hungary, too.

In the non-life business, earned insurance premiums in the quarter under review (which relate solely to Hungary, Slovakia and Bulgaria, as there are no insurance activities in Ireland) amounted to 39 million, down 2% on both the quarter-earlier and year-earlier figures. Technical insurance charges in the non-life segment were down 5% compared with the previous quarter and up 7% year-on-year. Overall, this caused the non-life combined ratio for the quarter under review to amount to 103%. For full-year 2013 (including the favourable figure for 1Q2013), the combined ratio amounted to a good 95%, a significant improvement on the 98% recorded for FY2012. The combined ratio for FY2013 breaks down into 97% for Hungary, 76% for Slovakia (very low due to the release of excess reserves) and a comparatively high 101% for Bulgaria (despite an improvement on the 104% recorded for FY2012).

Life sales, including insurance products not recognised as earned premiums under IFRS, amounted to 26 million in the quarter under review, up 4% on the level recorded in the year-earlier quarter, and up by 24% on 3Q2013 due mainly to an increase in unit-linked insurance sales in Hungary. For the business unit as a whole, sales of unit-linked products accounted for 54% of total life insurance sales in the quarter under review, and interest-guaranteed products for 46%. At the end of December 2013, the business unit's outstanding life reserves (including the liabilities under unit-linked products) stood at 0.5 billion.

The other income components totalled 84 million in the quarter under review. This included net fee and commission income of 68 million, an increase on the average of 44 million in the four preceding quarters (increase accounted for by Hungary). Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 17 million, somewhat below the average figure of 24 million for the four preceding quarters. The net realised result from available-for-sale bonds and shares amounted to 1 million and other net income totalled -2 million.

Costs up quarter-on-quarter

Operating expenses in the quarter under review amounted to 173 million, up 11% on the previous quarter, due mainly to Ireland (an increase in the number of FTEs, particularly in the MARS support unit, and higher marketing expenses related to the KBC Ireland's retail strategy, e.g. the launch of current accounts in September 2013). Furthermore, the increased financial transaction levy in Hungary – which became effective in August – led to higher administrative expenses.

Costs were up 6% year-on-year, due largely to the Hungarian financial transaction levy that was introduced in 2013 and higher staff expenses in Ireland (referred to in the previous paragraph), partly offset by a decrease in Slovakia (driven by lower staff expenses, bank levy and marketing expenses).

As a consequence, the cost/income ratio for the business unit as a whole stood at 67% in 4Q2013. For full-year 2013, it came to 69% and breaks down as follows per country: 90% for Ireland, 59% for Slovakia, 71% for Hungary and 61% for Bulgaria.

Loan loss provisioning significantly up quarter-on-quarter, due largely to Ireland (and to a lesser extent to Hungary)

Impairment on loans and receivables (loan loss provisions) amounted to a very high 821 million in the quarter under review, significantly higher than the 118 million and 98 million recorded in the previous quarter and year-earlier quarter, respectively. This increase was attributable to Ireland, where – as a result of the loan book being reassessed – loan loss provisions of 773 million were recognised in the quarter under review (563 million relating to home loans and 210 million to corporate loans), compared with 98 million in 3Q2013 and 87 million in 4Q2012. The remaining 48 million in loan loss provisions recorded at the International Markets Business Unit in 4Q2013 break down into 2 million for Slovakia, 43 million for Hungary (driven by the reassessment of the loan portfolio) and 2 million for Bulgaria.

Consequently, the FY2013 credit cost ratio for the entire business unit came to a high 448 basis points, considerably worse than the 226 basis points recorded for FY2012. Broken down by country, it was 672 basis points for Ireland (334 basis points in FY2012), 150 basis points for Hungary (78 basis points in FY2012), 60 basis points for Slovakia (25 basis points in FY2012) and 119 basis points for Bulgaria (94 basis points for FY2012). At the end of December 2013, approximately 19.2% of the International Markets Business Unit's loan book was non-performing, a little higher than the 19% recorded three months earlier. The figure was clearly impacted by the high non-performing ratio of 26.2% for Ireland.
Impairment charges of 6 million were recorded (on assets other than on loans and receivables) for this business unit in the quarter under review.

Highlights per country (compared with 3Q2013, unless otherwise indicated)

The net result of the International Markets Business Unit (-731 million) breaks down as follows: 17 million for Slovakia, 16 million for Hungary, 1 million for Bulgaria and -766 million for Ireland. A detailed results table and brief comments per country are provided below.

IRELAND Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	41	45	42	36	35	33	32	24
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0	0	0	0
Earned premiums	0	0	0	0	0	0	0	0
Technical charges	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0		0
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	2	1	3	-4	-3	0	0	-3
Net realised result from available-for-sale assets	0	0	0	0	0	1	0	0
Net fee and commission income	1	0	0	0	-1	-2	0	-2
Other net income	0	0	0	1	0	0	0	0
Total income	43	46	46	32	32	31	32	19
Operating expenses	-18	-19	-22	-23	-21	-22	-25	-35
Impairment	-195	-137	-129	-87	-99	-88	-98	-773
on loans and receivables	-195	-136	-129	-87	-99	-88	-98	-773
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	-169	-110	-105	-78	-88	-79	-92	-789
Income tax expense	21	14	12	10	11	10	11	23
Result after tax	-148	-96	-93	-67	-77	-69	-80	-766
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-148**	**-96**	**-93**	**-67**	**-77**	**-69**	**-80**	**-766**
Banking	-148	-96	-93	-67	-77	-69	-80	-766
Insurance	0	0	0	0	0	0	0	0
Risk-weighted assets, group (end of period, Basel II)	6 739	6 862	7 049	7 945	7 707	7 302	7 006	7 195
of which banking	6 739	6 862	7 049	7 945	7 707	7 302	7 006	7 195
Allocated capital (end of period)	674	686	705	795	771	730	701	719
Return on allocated capital (ROAC)	-89%	-58%	-55%	-37%	-40%	-37%	-45%	-432%
Cost/income ratio, banking	40%	42%	48%	71%	65%	69%	79%	183%
Combined ratio, non-life insurance	-	-	-	-	-	-	-	-

- The net result in 4Q2013 was -766 million euros, much worse than the average figure of -73 million for the four preceding quarters.
- Total income (19 million) decreased by 41% quarter-on-quarter, due mainly to lower net interest income (mainly as a result of an one-off cost due to the cancellation of intragroup funding deals).

- Costs (35 million) were up 37% on the previous quarter, due in part to the higher number of FTEs (particularly in the MARS support unit) and higher marketing expenses related to the KBC Ireland's retail strategy (e.g., the launch of its current account in September 2013). The FY2013 cost/income ratio stood at 90%, compared with 49% for FY2012.
- Loan loss impairment (773 million) significantly higher than the 98 million recorded in 3Q2013, as it included a one-off additional impairment of 671 million as a result of the loan book being reassessed (already reported at the time of the 3Q2013 results). The figure of 773 million breaks down into 210 million for corporate loans and 563 million for home loans. The credit cost ratio amounted to 672 basis points in FY2013.

HUNGARY Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	70	65	66	66	64	69	68	68
Non-life insurance (before reinsurance)	8	7	8	9	7	7	7	5
Earned premiums	16	14	15	15	14	15	16	14
Technical charges	-8	-7	-8	-6	-7	-8	-8	-9
Life insurance (before reinsurance)	-4	-2	-1	-1	-1	-4	-3	-2
Earned premiums	3	3	3	4	3	3	3	4
Technical charges	-7	-6	-4	-4	-5	-7	-7	-5
Ceded reinsurance result	-1	-1	-1	-1	0	-1	-1	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	13	22	26	20	18	18	25	16
Net realised result from available-for-sale assets	0	0	0	1	2	5	0	0
Net fee and commission income	22	22	23	26	30	34	37	58
Other net income	-2	1	-1	1	2	13	0	-4
Total income	106	114	120	120	121	141	134	141
Operating expenses	-122	-64	-65	-73	-130	-97	-73	-78
Impairment	-29	-4	-7	-10	-11	-11	-13	-43
on loans and receivables	-28	-3	-6	-8	-10	-10	-12	-43
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	-1	-1	-1	-3	-1	-1	0	0
Share in results of associated companies	0	0	0	1	0	0	0	0
Result before tax	-44	46	49	38	-20	33	48	20
Income tax expense	6	-10	-13	-5	1	-7	-5	-4
Result after tax	-38	36	36	33	-19	26	43	16
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**-38**	**36**	**36**	**33**	**-19**	**26**	**43**	**16**
Banking	-37	34	34	30	-22	24	41	15
Insurance	-1	2	2	3	3	2	2	1
Risk-weighted assets, group (end of period, Basel II)	5 759	5 537	5 595	5 374	5 158	4 994	5 053	4 679
of which banking	5 513	5 302	5 362	5 192	4 991	4 831	4 899	4 499
Allocated capital (end of period)	586	563	569	545	522	506	511	475
Return on allocated capital (ROAC)	-28%	22%	22%	20%	-18%	17%	31%	9%
Cost/income ratio, banking	115%	56%	54%	61%	112%	70%	55%	54%
Combined ratio, non-life insurance	98%	103%	93%	89%	82%	100%	95%	120%

- The net result in 4Q2013 was 16 million euros, down on the 21 million average for the four preceding quarters.
- Total income (141 million) was up 6% quarter-on-quarter, due mainly to higher fees from payment transactions and other fees (mainly investment services and booking fees). The FY2013 combined ratio for non-life insurance stood at 97%, compared with 96% in FY2012. Life insurance sales (including unit-linked products) increased by 4 million quarter-on-quarter.
- Costs (78 million) were 7% higher than in 3Q2013, which was attributable to the increased financial transaction levy that became effective in Hungary in August. The cost/income ratio amounted to 71% for FY2013, compared with 70% for FY2012.
- Loan loss impairment (43 million) was up 31 million on the previous quarter due to an additional one-off impairment of 21 million relating to the loan book reassessment and some large corporate loans. The credit cost ratio amounted to 150 basis points in FY2013.

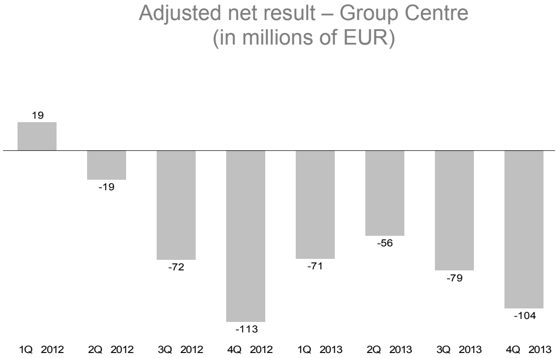
SLOVAKIA Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	44	42	43	44	46	49	52	52
Non-life insurance (before reinsurance)	6	5	5	4	5	5	6	6
Earned premiums	6	6	6	6	6	6	7	7
Technical charges	0	-1	-1	-2	-1	-1	-1	0
Life insurance (before reinsurance)	3	3	2	3	3	2	2	3
Earned premiums	12	15	11	15	16	14	12	12
Technical charges	-10	-12	-9	-12	-14	-11	-9	-9
Ceded reinsurance result	-1	0	-1	0	0	0	0	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	8	3	7	7	6	4	5	4
Net realised result from available-for-sale assets	0	0	0	1	0	3	0	0
Net fee and commission income	9	9	10	11	11	11	11	11
Other net income	2	2	1	2	2	6	1	1
Total income	72	64	68	71	72	81	76	76
Operating expenses	-44	-44	-45	-53	-46	-44	-44	-46
Impairment	-3	-2	-4	-9	-4	-15	-7	-5
on loans and receivables	-3	-2	-4	-2	-4	-14	-7	-2
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	0	0	0	-7	0	0	0	-3
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	25	18	19	10	23	23	25	25
Income tax expense	-5	-4	-4	3	-5	-6	-6	-8
Result after tax	20	13	15	12	17	16	19	17
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**20**	**13**	**15**	**12**	**17**	**16**	**19**	**17**
Banking	16	11	13	11	15	14	17	15
Insurance	4	3	3	2	3	2	3	2
Risk-weighted assets, group (end of period, Basel II)	4 102	4 034	4 028	4 092	4 035	3 970	3 947	3 955
of which banking	3 926	3 855	3 849	3 913	3 853	3 788	3 762	3 767
Allocated capital (end of period)	417	411	410	416	411	404	402	403
Return on allocated capital (ROAC)	18%	12%	14%	11%	16%	16%	19%	16%
Cost/income ratio, banking	63%	70%	67%	74%	64%	54%	58%	61%
Combined ratio, non-life insurance	52%	85%	84%	103%	65%	77%	81%	83%

- The net result in 4Q2013 totalled 17 million euros, slightly above the 16 million average for the four preceding quarters.
- Total income (76 million) stabilised quarter-on-quarter. The FY2013 combined ratio for non-life insurance stood at a favourable 76%, compared with 80% for FY2012. Life sales (including unit-linked products) stabilised at the level recorded in 3Q2013.
- Costs (46 million) were up 4% quarter-on-quarter, owing mainly to higher marketing expenses. The FY2013 cost/income ratio stood at 59%, as opposed to 69% for FY2012.
- Loan loss impairment (2 million) fell by 66% compared to the previous quarter thanks to some releases. The credit cost ratio amounted to 60 basis points in FY2013.

BULGARIA Income statement (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Net interest income	10	9	10	10	10	10	10	11
Non-life insurance (before reinsurance)	6	8	6	9	8	7	7	9
Earned premiums	21	21	19	19	18	18	17	18
Technical charges	-15	-13	-13	-9	-10	-11	-10	-9
Life insurance (before reinsurance)	1	1	0	1	1	1	1	1
Earned premiums	4	3	3	2	5	3	3	4
Technical charges	-3	-2	-2	-1	-4	-2	-2	-3
Ceded reinsurance result	0	0	-1	-2	-1	-1	-1	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	0	0
Net realised result from available-for-sale assets	0	0	0	0	1	0	1	1
Net fee and commission income	0	1	1	0	0	0	1	0
Other net income	1	1	0	1	-2	1	0	0
Total income	19	20	17	20	16	18	20	21
Operating expenses	-14	-14	-12	-15	-13	-13	-13	-14
Impairment	-2	-1	-2	-2	-13	-2	-1	-6
on loans and receivables	-2	-1	-2	-1	-4	-2	-1	-2
on available-for-sale assets	0	0	0	0	-10	0	0	0
on goodwill	0	0	0	0	0	0	0	0
Other	0	0	0	-1	0	0	0	-3
Share in results of associated companies	0	0	0	0	0	0	0	0
Result before tax	2	5	3	3	-10	4	6	1
Income tax expense	0	0	0	0	1	0	0	0
Result after tax	2	5	3	4	-9	3	6	1
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	**2**	**5**	**3**	**4**	**-9**	**3**	**6**	**1**
Banking	2	2	2	2	2	2	5	1
Insurance	1	3	0	1	-11	1	1	1
Risk-weighted assets, group (end of period, Basel II)	808	817	808	799	784	805	810	852
of which banking	593	614	614	610	595	620	627	668
Allocated capital (end of period)	89	90	89	88	86	88	88	93
Return on allocated capital (ROAC)	4%	18%	11%	12%	-42%	15%	26%	4%
Cost/income ratio, banking	69%	72%	61%	68%	57%	67%	61%	61%
Combined ratio, non-life insurance	110%	99%	111%	94%	101%	103%	104%	97%

- The net result in 4Q2013 came to 1 million, in line with the average for the four preceding quarters (which had been impacted by the loss in 1Q2013).
- Total income (21 million) increased by 5% quarter-on-quarter, due partly to higher earned premium at DZI. The combined ratio for non-life insurance amounted to 101% for FY2013, compared with 104% for FY2012. Total life insurance sales were slightly up on their level for 3Q2013.
- Costs (14 million) increased somewhat quarter-on-quarter due to seasonal factors. The FY2013 cost/income ratio stood at 61%, an improvement on the 68% for FY2012, thanks to cost optimisation measures.
- Total impairment charges stood at 6 million (compared with 1 million in the previous quarter) due to some legacy dossiers. The credit cost ratio amounted to 119 basis points in FY2013.

Analysis of the results – Group Centre



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

Income statement, Group Centre (in millions of EUR)	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013
Adjusted net result (i.e. excluding legacy and own credit risk impact)								
Net interest income	68	63	17	-9	-24	-57	-63	-52
Non-life insurance (before reinsurance)	52	51	-4	-6	-4	-3	-3	-5
Earned premiums	131	134	-7	-7	-8	-4	-3	-5
Technical charges	-79	-83	2	1	4	1	1	0
Life insurance (before reinsurance)	13	15	0	1	0	1	0	1
Earned premiums	90	82	4	4	4	5	5	5
Technical charges	-77	-67	-4	-3	-3	-3	-5	-4
Ceded reinsurance result	-3	9	2	3	1	0	2	2
Dividend income	0	1	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	18	7	31	22	45	4	10	3
Net realised result from available-for-sale assets	3	9	5	37	2	1	0	9
Net fee and commission income	5	-6	28	26	2	10	5	7
Other net income	26	9	39	33	5	-2	18	0
Total income	181	158	119	108	28	-44	-30	-36
Operating expenses	-179	-174	-146	-151	-79	-39	-33	-61
Impairment	-23	-4	-60	-88	-46	-12	-18	-46
on loans and receivables	-19	-3	-59	-72	-18	-11	-17	-40
on available-for-sale assets	0	0	0	1	-1	-1	-1	-1
on goodwill	0	0	0	0	-7	0	0	0
Other	-3	-1	-1	-17	-20	0	0	-5
Share in results of associated companies	-10	-10	-13	0	0	0	0	0
Result before tax	-31	-29	-100	-131	-97	-95	-81	-143
Income tax expense	57	16	37	28	29	42	6	42
Result after tax	26	-13	-63	-104	-68	-53	-75	-101
attributable to minority interests	7	6	10	9	3	4	4	4
attributable to equity holders of the parent	**19**	**-19**	**-72**	**-113**	**-71**	**-56**	**-79**	**-104**
Banking	8	-25	-55	-89	17	-44	-49	-60
Insurance	10	19	-10	-4	-11	-1	-7	-3
Group	1	-13	-7	-20	-78	-12	-23	-41
Legacy and own credit risk (after tax)								
Legacy – gains/losses on CDOs	138	-39	280	46	165	180	34	65
Legacy – divestments	81	-884	23	3	22	-128	-231	-10
MTM of own credit risk	-340	41	-144	-87	-26	-20	12	-9
Net result	-102	-901	86	-152	90	-24	-264	-58
Risk-weighted assets, group (end of period, Basel II)	29 907	27 928	24 630	16 758	16 295	12 618	11 581	10 642
of which banking	28 328	27 702	24 414	16 543	16 097	12 426	11 473	10 588
Allocated capital (end of period)	3 054	2 802	2 472	1 684	1 637	1 269	1 162	1 066

The Group Centre's net result amounted to -58 million in 4Q2013. As mentioned earlier, this entity includes not only a number of group items and the results of companies earmarked for divestment, but also the full impact of the legacy business (CDOs, divestments) and the valuation of own credit risk.

Legacy and own credit risk:

- Legacy CDOs:
  Accounted for a positive post-tax impact of 65 million in 4Q2013. This item consists, *inter alia*, of the positive impact of the rise in the value of CDOs caused mainly by the tightening of credit spreads.
- Legacy divestments:
  Accounted for a post-tax impact of -10 million in 4Q2013. This item primarily includes the negative impact of the sale of the largest part of the shareholder loans by Cera and KBC Ancora (-15 million (after tax)).
- Own credit risk:
  Accounted for a limited negative post-tax impact of 9 million in 4Q2013, due to the slight tightening of KBC credit spreads.

Other results

- Accounted for a total of -104 million in 4Q2013. This item includes the results of KBC Group NV (including KBC Global Services; -35 million in total), certain costs allocated to the Group Centre (funding cost of participations, subordination costs related to subordinated debt, etc.; -46 million in total) and an amount relating to the results of the remaining companies or activities earmarked for divestment or run-down (-23 million in total).

KBC Group

Consolidated financial statements

according to IFRS

4Q and FY2013

Consolidated income statement

In millions of EUR	Note	4Q 2012	3Q 2013	4Q 2013	2012	2013
Net interest income	3	1 121	1 028	1 020	4 669	4 132
Interest income		2 382	2 066	2 095	10 134	8 464
Interest expense		- 1 261	- 1 039	- 1 075	- 5 465	- 4 332
Non-life insurance before reinsurance	9	61	145	127	622	536
Earned premiums Non-life		313	321	317	1 500	1 259
Technical charges Non-life		- 252	- 176	- 190	- 878	- 723
Life insurance before reinsurance	9	- 22	- 63	- 57	- 240	- 242
Earned premiums Life		310	238	381	1 475	1 132
Technical charges Life		- 332	- 302	- 438	- 1 714	- 1 373
Ceded reinsurance result	9	13	1	- 6	- 13	- 5
Dividend income		5	14	8	45	47
Net result from financial instruments at fair value through profit or loss	5	42	223	229	420	1 191
Net realised result from available-for-sale assets	6	85	34	29	181	252
Net fee and commission income	7	360	340	366	1 315	1 484
Fee and commission income		541	512	569	2 005	2 286
Fee and commission expense		- 181	- 171	- 203	- 690	- 802
Net other income	8	187	51	15	734	123
TOTAL INCOME		1 854	1 772	1 731	7 733	7 517
Operating expenses	12	- 1 081	- 925	- 976	- 4 248	- 3 871
Staff expenses		- 636	- 587	- 561	- 2 543	- 2 324
General administrative expenses		- 371	- 270	- 348	- 1 396	- 1 276
Depreciation and amortisation of fixed assets		- 74	- 68	- 67	- 310	- 272
Impairment	14	- 463	- 363	- 942	- 2 511	- 1 933
on loans and receivables		- 330	- 231	- 938	- 1 072	- 1 719
on available-for-sale assets		- 11	- 8	- 10	- 95	- 34
on goodwill		- 8	0	0	- 421	- 7
on other		- 114	- 125	7	- 923	- 173
Share in results of associated companies		1	0	0	2	1
RESULT BEFORE TAX		310	485	- 186	976	1 714
Income tax expense		- 56	- 209	- 104	- 362	- 685
Net post-tax result from discontinued operations	46	- 6	0	0	27	0
RESULT AFTER TAX		249	276	- 290	641	1 029
Attributable to minority interest		9	4	4	29	14
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
Attributable to equity holders of the parent		**240**	**272**	**- 294**	**612**	**1 015**
of which relating to discontinued operations		*- 6*	*0*	*0*	*27*	*0*
Earnings per share (in EUR)						
Basic		-0.97	-0.75	-0.71	-1.09	1.03
Diluted		-0.97	-0.75	-0.71	-1.09	1.03

Consolidated statement of comprehensive income (condensed)

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
RESULT AFTER TAX	249	276	- 290	641	1 029
attributable to minority interest	9	4	4	29	14
attributable to equity holders of the parent	240	272	- 294	612	1 015
Other comprehensive income - to be recycled to P&L					
Net change in revaluation reserve (AFS assets) - Equity	31	41	83	- 25	117
Net change in revaluation reserve (AFS assets) - Bonds	173	2	3	1 465	- 287
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	- 68	52	30	- 235	338
Net change in translation differences	- 28	- 14	- 72	59	- 116
Other movements	0	1	- 2	- 2	0
Other comprehensive income - not to be recycled to P&L					
Net change in defined benefit plans	- 27	6	135	- 134	136
TOTAL COMPREHENSIVE INCOME	329	364	- 114	1 769	1 218
attributable to minority interest	- 9	4	4	30	14
attributable to equity holders of the parent	338	360	- 118	1 740	1 203

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2012	31-12-2013
Cash and cash balances with central banks		4 426	4 378
Financial assets	18 - 26	236 898	225 570
Held for trading		21 159	16 885
Designated at fair value through profit or loss		16 295	16 441
Available for sale		30 622	27 581
Loans and receivables		139 225	132 562
Held to maturity		28 510	31 323
Hedging derivatives		1 088	777
Reinsurers' share in technical provisions		137	146
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		204	120
Tax assets		2 188	1 726
Current tax assets		174	245
Deferred tax assets		2 014	1 481
Non-current assets held for sale and assets associated with disposal groups	46	7 138	3 769
Investments in associated companies		8	7
Investment property		638	598
Property and equipment		2 581	2 465
Goodwill and other intangible assets		1 328	1 289
Other assets		1 383	1 237
TOTAL ASSETS		256 928	241 306

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2012	31-12-2013
Financial liabilities	18 - 26	213 265	201 994
Held for trading		19 459	13 119
Designated at fair value through profit or loss		20 563	24 931
Measured at amortised cost		170 813	162 266
Hedging derivatives		2 430	1 678
Technical provisions, before reinsurance		19 205	18 701
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		69	- 2
Tax liabilities		647	524
Current tax liabilities		192	109
Deferred tax liabilies		455	415
Liabilities associated with disposal groups	46	3 739	2 027
Provisions for risks and charges		526	523
Other liabilities		3 598	3 025
TOTAL LIABILITIES		241 048	226 792
Total equity	39	15 879	14 514
Parent shareholders' equity	39	12 017	11 826
Non-voting core-capital securities	39	3 500	2 333
Minority interests		362	354
TOTAL LIABILITIES AND EQUITY		256 928	241 306

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

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

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent share-holders' equity	Non-voting core-capital securities	Minority interests	Total equity
31-12-2012												
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	0	6 831	- 422	9 756	6 500	516	16 772
First time application IAS19 Revised	0	0	0	0	0	63	- 11	0	52	0	0	52
Adjusted balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	63	6 821	- 422	9 809	6 500	516	16 824
Net result for the period	0	0	0	0	0	0	612	0	612	0	29	641
Other comprehensive income for the period	0	0	0	1 440	- 235	- 134	- 2	59	1 128	0	0	1 128
Total comprehensive income	**0**	**0**	**0**	**1 440**	**- 235**	**- 134**	**610**	**59**	**1 740**	**0**	**30**	**1 769**
Dividends	0	0	0	0	0	0	- 599	0	- 599	0	0	- 599
Capital increase	205	1 048	0	0	0	0	- 14	0	1 239	0	0	1 239
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 450	0	- 450	- 3 000	0	- 3 450
Sales of treasury shares	0	0	1 527	0	0	0	- 1 179	0	349	0	0	349
Impact business combinations	0	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	0	- 36	- 36
Change in scope	0	0	0	- 60	- 6	0	0	3	- 63	0	- 147	- 210
Total change	**205**	**1 048**	**1 527**	**1 380**	**- 241**	**- 134**	**- 1 639**	**62**	**2 209**	**- 3 000**	**- 154**	**- 945**
Balance at the end of the period	**1 450**	**5 388**	**- 1**	**1 263**	**- 834**	**- 71**	**5 182**	**- 360**	**12 017**	**3 500**	**362**	**15 879**
of which revaluation reserve for shares				206								
of which revaluation reserve for bonds				1 057								
of which revaluation reserve for other assets than bonds and shares				0								
of which relating to non-current assets held for sale and disposal groups				6	1			- 142	- 135			- 135
31-12-2013												
Balance at the beginning of the period	1 450	5 388	- 1	1 263	- 834	0	5 192	- 360	12 099	3 500	362	15 961
First time application IAS19 Revised	0	0	0	0	0	- 71	- 11	0	- 82	0	0	- 82
Adjusted balance at the beginning of the period	1 450	5 388	- 1	1 263	- 834	- 71	5 182	- 360	12 017	3 500	362	15 879
Net result for the period	0	0	0	0	0	0	1 015	0	1 015	0	14	1 029
Other comprehensive income for the period	0	1	0	- 170	338	136	- 1	- 116	189	0	0	189
Total comprehensive income	**0**	**1**	**0**	**- 170**	**338**	**136**	**1 014**	**- 116**	**1 203**	**0**	**14**	**1 218**
Dividends	0	0	0	0	0	0	- 961	0	- 961	0	0	- 961
Capital increase	1	15	0	0	0	0	0	0	16	0	0	16
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 583	0	- 583	- 1 167	0	- 1 750
Sales of treasury shares	0	0	1	0	0	0	0	0	1	0	0	1
Impact business combinations	0	0	0	0	0	0	- 3	0	- 3	0	0	- 3
Change in minorities	0	0	0	0	0	0	0	0	0	0	- 18	- 18
Change in scope	0	0	0	0	0	0	0	136	136	0	- 4	132
Total change	**1**	**16**	**1**	**- 170**	**338**	**136**	**- 533**	**20**	**- 191**	**- 1 167**	**- 8**	**- 1 365**
Balance at the end of the period	**1 452**	**5 404**	**0**	**1 094**	**- 497**	**65**	**4 648**	**- 340**	**11 826**	**2 333**	**354**	**14 514**
of which revaluation reserve for shares				323								
of which revaluation reserve for bonds				771								
of which revaluation reserve for other assets than bonds and shares				0								
of which relating to non-current assets held for sale and disposal groups				4	1			- 3	1			1

2013 includes the recording of a gross dividend of 1 euro per share (417 million euros in total) and the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (543 million euros in total), both paid in the second quarter of 2013. Moreover, on 3 July 2013 KBC repaid 1.17 billion euros to the Flemish Regional Government plus a penalty of 50%. For more information on the repayment of a further 0.3 billion euros on 8 January 2014, see 'post balance sheet events (note 48)'.

Over the full year 2013, revaluation reserves (AFS assets) decreased by 170 million euros due to mainly rising interest rates and the maturing of bonds with a positive revaluation reserve and partly compensated by higher revaluation reserves on shares. An opposite positive effect, also for a large part linked to rising interest rates, of +338 million euros was noted on hedging reserves (cashflow hedges).

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

Condensed consolidated cash flow statement

Table available in the annual report FY2013 only.

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

On 3 July 2013, KBC repaid 1.17 billion euros (+0.58 billion euros or 50% penalty) to the Flemish Regional Government. This has had an influence in the third quarter of 2013 on the net cash from financing activities to the tune of -1.75 billion euros. For more information on the repayment of a further 0.3 billion euros on 8 January 2014, see 'post balance sheet events (note 48)'.

The sale of KBC Bank Deutschland (announced on 24 September 2013) and Antwerp Diamond Bank (announced on 19 December 2013) will have no material impact on cash flows at the level of KBC Group.

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012. Note that, the Group's annual financial statements as at 31 December 2013 will be available from 31 March 2014.

Depending on the timing of the EU endorsement of IFRIC 21 (relates to levies) which is expected during 2014, we may have to restate quarterly comparative figures as a result of the retrospective application of IFRS 21 (concerns only shifts between quarters, no impact on the full year figures).

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

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

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

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

Notes on segment reporting

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

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

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

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

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

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

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

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

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

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

These non-operational items are:

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

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

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
2012										
Net interest income	2 722	1 027	644	267	173	39	164	138	0	4 532
Non-life insurance before reinsurance	375	74	81	31	20	29	0	113	- 20	622
Earned premiums Non-life	916	169	164	61	25	79	0	272	- 21	1 500
Technical charges Non-life	- 541	- 95	- 83	- 30	- 4	- 50	0	- 159	1	- 878
Life insurance before reinsurance	- 305	31	6	- 8	11	3	0	31	- 2	- 240
Earned premiums Life	847	369	78	13	53	12	0	182	- 2	1 475
Technical charges Life	- 1 153	- 338	- 73	- 21	- 43	- 9	0	- 151	0	- 1 714
Ceded reinsurance result	- 11	- 6	- 7	- 2	- 2	- 2	0	11	0	- 13
Dividend income	40	1	0	0	0	0	0	1	0	43
Net result from financial instruments at fair value through profit or loss	506	96	108	81	25	1	1	78	0	789
Net realised result from available-for-sale assets	119	5	2	1	1	0	0	55	0	180
Net fee and commission income	948	180	143	94	39	2	2	53	1	1 324
Net other income	107	28	10	- 1	7	3	0	99	8	252
TOTAL INCOME	4 499	1 436	986	461	275	76	167	579	- 13	7 488
Operating expenses	- 2 195	- 689	- 650	- 324	- 185	- 55	- 82	- 663	13	- 4 184
Impairment	- 328	- 69	- 623	- 50	- 18	- 8	- 547	- 175	0	- 1 195
on loans and receivables	- 246	- 63	- 609	- 44	- 11	- 7	- 547	- 153	0	- 1 072
on available-for-sale assets	- 36	- 1	0	0	0	0	0	0	0	- 37
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 46	- 5	- 13	- 5	- 7	- 1	0	- 22	0	- 86
Share in results of associated companies	0	0	2	2	0	0	0	- 33	0	- 31
RESULT BEFORE TAX	1 976	678	- 285	89	71	14	- 462	- 291	0	2 078
Income tax expense	- 619	- 97	25	- 22	- 10	0	57	138	0	- 553
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 357	581	- 260	67	61	14	- 405	- 153	0	1 525
Attributable to minority interests	- 3	0	0	0	0	0	0	32	0	29
ADJUSTED NET RESULT	1 360	581	- 260	67	61	14	- 405	- 185	0	1 496
Legacy CDOs	0	0	0	0	0	0	0	425	0	425
Own credit risk	0	0	0	0	0	0	0	- 531	0	- 531
Divestments	0	0	0	0	0	0	0	- 778	0	- 778
NET RESULT	1 360	581	- 260	67	61	14	- 405	- 1 069	0	612
2013										
Net interest income	2 648	960	632	269	200	40	123	- 194	- 2	4 044
Non-life insurance before reinsurance	409	62	80	26	22	31	0	5	- 20	536
Earned premiums Non-life	955	170	155	59	26	70	0	- 1	- 21	1 259
Technical charges Non-life	- 546	- 108	- 75	- 32	- 3	- 40	0	6	0	- 723
Life insurance before reinsurance	- 274	25	4	- 10	10	3	0	5	- 2	- 242
Earned premiums Life	831	199	83	14	54	15	0	21	- 2	1 132
Technical charges Life	- 1 105	- 173	- 79	- 24	- 44	- 11	0	- 16	0	- 1 373
Ceded reinsurance result	- 6	4	- 9	- 3	- 2	- 4	0	6	0	- 5
Dividend income	40	0	0	0	0	0	0	0	0	41
Net result from financial instruments at fair value through profit or loss	544	82	90	77	19	1	- 7	62	0	779
Net realised result from available-for-sale assets	171	16	13	7	3	3	1	13	0	213
Net fee and commission income	1 061	199	204	159	43	1	- 4	19	5	1 487
Net other income	292	10	20	11	10	- 1	0	15	7	343
TOTAL INCOME	4 885	1 359	1 034	536	305	74	114	- 69	- 13	7 197
Operating expenses	- 2 249	- 649	- 715	- 379	- 180	- 52	- 102	- 225	13	- 3 826
Impairment	- 363	- 56	- 1 189	- 78	- 30	- 22	- 1 059	- 122	0	- 1 729
on loans and receivables	- 328	- 52	- 1 171	- 76	- 27	- 9	- 1 059	- 87	0	- 1 638
on available-for-sale assets	- 7	0	- 10	0	0	- 10	0	- 4	0	- 20
on goodwill	0	0	0	0	0	0	0	- 7	0	- 7
on other	- 28	- 3	- 8	- 2	- 3	- 3	0	- 25	0	- 64
Share in results of associated companies	0	0	1	1	0	0	0	0	0	1
RESULT BEFORE TAX	2 273	654	- 869	81	95	1	- 1 047	- 417	0	1 643
Income tax expense	- 703	- 100	15	- 15	- 25	1	55	120	0	- 668
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 570	554	- 853	66	70	2	- 992	- 297	0	974
Attributable to minority interests	0	0	0	0	0	0	0	14	0	14
ADJUSTED NET RESULT	1 570	554	- 853	66	70	2	- 992	- 311	0	960
Legacy CDOs	0	0	0	0	0	0	0	446	0	446
Own credit risk	0	0	0	0	0	0	0	- 43	0	- 43
Divestments	0	0	0	0	0	0	0	- 348	0	- 348
NET RESULT	1 570	554	- 853	66	70	2	- 992	- 256	0	1 015

Legacy CDO's:

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

Own credit risk:

The negative impact on the results over the full year 2013 can be explained by a decrease of the senior and subordinated credit spreads of KBC over the period, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss. Only in the third quarter of 2013 there was a slight increase offsetting the overall decrease.

Divestments:

The negative result for FY 2013 was mainly driven by:

- a negative influence in 3Q 2013 of -43 million euros after tax as a result of transferring 0.3 billion euros worth of loans granted to KBC shareholders to a third party on 3 July 2013;
- an impairment of -50 million euros after tax for a subordinated loan to Nova Ljubljanska Banka (-20 million euros in 2Q 2013 and -30 million euros in 3Q 2013);
- a negative result of -0.1 billion euros post tax related to the closing of the sale of Absolut Bank in the second quarter of 2013;
- a total negative influence of -64 million euros post tax linked to the signing of the sale of KBC Banka (-17 million euros in 1Q 2013, -55 million euros in 3Q 2013 and +8 million euros in 4Q 2013);
- a total negative influence of -78 million euros after tax related to the divestment of Antwerp Diamond Bank which is composed of -73 million euros in 3Q 2013 to revalue the business following the progress made with the divestment process and another -5 million euros in 4Q 2013 upon signing of a sales agreement;
- a compensation by positive results for an amount of 50 million euros before tax (43 million euros after tax) related to the sale of the stake in Bank Zachodni WBK in the first quarter of 2013.

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2012									
Deposits from customers & debt certificates excl. repos	95 073	26 228	13 426	5 749	4 389	601	2 687	18 728	153 454
Loans & advances to customers excluding reverse repos	83 332	18 581	23 103	4 057	4 129	557	14 360	1 495	126 510
Term loans excl. Reverse repos	42 151	7 590	6 217	1 719	1 615	175	2 708	1 468	57 426
Mortgage loans	30 847	7 919	15 069	1 701	1 519	255	11 594	27	53 862
Current accounts advances	2 623	15	653	291	349	0	12	0	3 291
Finance leases	3 224	373	512	104	363	0	46	0	4 110
Consumer credit	1 282	1 561	520	152	241	127	0	0	3 364
Other	3 204	1 122	131	90	41	0	0	0	4 458
31-12-2013									
Deposits from customers & debt certificates excl. repos	97 051	24 840	14 472	5 878	4 583	544	3 466	17 123	153 487
Loans & advances to customers excluding reverse repos	81 673	18 103	21 261	3 864	4 248	612	12 537	1 080	122 117
Term loans excl. Reverse repos	40 566	6 848	5 612	1 772	1 488	242	2 111	1 048	54 074
Mortgage loans	31 146	8 373	13 925	1 548	1 722	236	10 419	24	53 468
Current accounts advances	1 847	19	586	262	324	0	0	0	2 451
Finance leases	3 200	359	484	92	385	0	7	0	4 044
Consumer credit	1 251	1 538	533	112	287	134	0	0	3 322
Other	3 663	967	121	80	41	0	0	8	4 758

Other notes

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

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
Total	1 121	1 028	1 020	4 669	4 132
Interest income	2 382	2 066	2 095	10 134	8 464
Available-for-sale assets	265	198	194	1 203	836
Loans and receivables	1 458	1 235	1 186	6 047	4 997
Held-to-maturity investments	269	266	274	941	1 054
Other assets not at fair value	6	5	2	28	14
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 998*	*1 705*	*1 656*	*8 218*	*6 901*
Financial assets held for trading	228	196	228	1 185	916
Hedging derivatives	129	127	124	569	467
Other financial assets at fair value through profit or loss	27	39	87	162	179
Interest expense	-1 261	-1 039	-1 075	-5 465	-4 332
Financial liabilities measured at amortised cost	- 751	- 567	- 528	-3 058	-2 323
Other	- 2	- 1	- 1	- 10	- 5
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 753*	*- 568*	*- 529*	*-3 068*	*-2 328*
Financial liabilities held for trading	- 290	- 236	- 285	-1 419	-1 097
Hedging derivatives	- 190	- 187	- 155	- 799	- 679
Other financial liabilities at fair value through profit or loss	- 28	- 45	- 103	- 179	- 217
Net interest expense on defined benefit plans	-	- 2	- 4	-	- 12

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

Over the full year 2013, the result from financial instruments at fair value through profit or loss was influenced by:

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

- MtM ALM Derivatives, where fair value changes (due to mark-to-market accounting) of a large proportion of ALM hedging instruments (that are treated as trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. The net realised result from these financial instruments at fair value through profit or loss amounted to +280 million euros pre tax (of which 85 million euros in 1Q 2013, 126 million euros in 2Q 2013, 39 million euros in 3Q 2013 and 30 million euros in 4Q 2013).

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

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
Total	85	34	29	181	252
Breakdown by portfolio					
Fixed-income securities	77	28	10	22	126
Shares	8	6	19	160	126

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

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

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

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
Total	360	340	366	1 315	1 484
Fee and commission income	541	512	569	2 005	2 286
Securities and asset management	230	246	287	847	1 091
Margin on deposit accounting (life insurance investment contracts w ithout DPF)	43	12	13	124	103
Commitment credit	74	62	57	291	246
Payments	149	137	142	570	539
Other	45	55	69	173	307
Fee and commission expense	- 181	- 171	- 203	- 690	- 802
Commission paid to intermediaries	- 85	- 74	- 80	- 361	- 307
Other	- 96	- 97	- 123	- 329	- 495

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

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
Total	187	51	15	734	123
Of which net realised result following					
The sale of loans and receivables	- 22	- 97	- 57	- 96	- 157
The sale of held-to-maturity investments	0	0	8	- 7	8
The repurchase of financial liabilities measured at amortised cost	0	0	0	- 1	- 1
Other: of which:	210	148	64	837	273
KBC Lease UK	41	0	0	126	0
Income concerning leasing at the KBC Lease-group	23	25	24	86	93
Income from consolidated private equity participations	0	0	0	15	0
Income from Group VAB	15	15	15	63	65
5/5/5 loans	0	0	0	- 56	0
Realised gains or losses on divestments	136	0	16	562	- 78
Legal interests	0	66	5	0	71

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

In 3Q 2013:

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

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
2012				
Earned premiums, insurance (before reinsurance)	1 477	1 521	-	2 998
Technical charges, insurance (before reinsurance)	- 1 710	- 887	-	- 2 597
Net fee and commission income	- 85	- 267	77	- 274
Ceded reinsurance result	- 1	- 12	0	- 13
Operating expenses	- 137	- 287	- 5	- 429
Internal costs claim paid	- 8	- 68	-	- 76
Administration costs related to acquisitions	- 39	- 82	-	- 121
Administration costs	- 90	- 137	-	- 227
Management costs investments	0	0	- 5	- 5
Technical result	- 457	68	73	- 316
Net interest income			834	834
Dividend income			31	31
Net result from financial instruments at fair value			381	381
Net realised result from AFS assets			93	93
Net other income			381	381
Impairments			- 166	- 166
Allocation to the technical accounts	739	141	- 880	0
Technical-financial result	739	141	674	1 554
Share in results of associated companies			0	0
RESULT BEFORE TAX	282	210	747	1 238
Income tax expense				- 236
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				1 003
attributable to minority interest				1
attributable to equity holders of the parent				1 001
2013				
Earned premiums, insurance (before reinsurance)	1 134	1 279	-	2 413
Technical charges, insurance (before reinsurance)	- 1 373	- 723	-	- 2 096
Net fee and commission income	- 63	- 229	75	- 217
Ceded reinsurance result	- 2	- 3	0	- 5
Operating expenses	- 128	- 242	0	- 370
Internal costs claim paid	- 8	- 59	-	- 67
Administration costs related to acquisitions	- 30	- 76	-	- 106
Administration costs	- 91	- 107	-	- 198
Management costs investments	0	0	0	0
Technical result	- 432	81	75	- 276
Net interest income			703	703
Dividend income			29	29
Net result from financial instruments at fair value			308	308
Net realised result from AFS assets			53	53
Net other income			- 46	- 46
Impairments			- 81	- 81
Allocation to the technical accounts	702	99	- 801	0
Technical-financial result	702	99	165	966
Share in results of associated companies			0	0
RESULT BEFORE TAX	270	180	240	690
Income tax expense				- 227
Net post-tax result from discontinued operations				
RESULT AFTER TAX				463
attributable to minority interest				0
attributable to equity holders of the parent				462

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

The decrease in earned premiums 'Life' between FY 2012 and FY 2013 is largely attributable to the divestment of TUIR Warta SA in July 2012. For Non-Life this divestment explains fully the decrease in earned premiums.

Operating expenses (note 12 in the annual accounts 2012)

The operating expenses for the second quarter of 2013 include the expenses related to a special one-off additional Financial Transaction Levy-related charge imposed on financial institutions in Hungary (27 million euros cost pre-tax and 22 million euros post-tax, deductible charges).

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

In millions of EUR	4Q 2012	3Q 2013	4Q 2013	2012	2013
Total	- 463	- 363	- 942	- 2 511	- 1 933
Impairment on loans and receivables	- 330	- 231	- 938	- 1 072	- 1 719
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 328	- 217	- 963	- 1 113	- 1 679
Provisions for off-balance-sheet credit commitments	- 17	15	- 6	- 39	1
Portfolio-based impairments	15	- 28	30	81	- 42
Breakdown by business unit					
Business unit Belgium	- 139	- 43	- 65	- 246	- 328
Business unit Czech Republic	- 21	- 7	- 14	- 63	- 52
Business unit International Markets	- 98	- 118	- 821	- 609	- 1 171
of which: Hungary	*- 8*	*- 12*	*- 43*	*- 44*	*- 76*
of which: Slovakia	*- 2*	*- 7*	*- 2*	*- 11*	*- 27*
of which: Bulgaria	*- 1*	*- 1*	*- 2*	*- 7*	*- 9*
of which: Ireland	*- 87*	*- 98*	*- 773*	*- 547*	*- 1 059*
Group Centre	- 73	- 62	- 39	- 154	- 169
Impairment on available-for-sale assets	- 11	- 8	- 10	- 95	- 34
Breakdown by type					
Shares	- 12	- 8	- 10	- 45	- 24
Other	0	0	0	- 50	- 10
Impairment on goodwill	- 8	0	0	- 421	- 7
Impairment on other	- 114	- 125	7	- 923	- 173
Intangible assets, other than goodwill	0	0	- 2	0	- 2
Property and equipment and investment property	- 33	- 31	7	- 62	- 39
Held-to-maturity assets	- 2	0	0	- 2	0
Associated companies	- 99	0	0	- 433	0
Other	20	- 93	1	- 425	- 132

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

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

In 3Q 2013:

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

In 4Q 2013 and following the paper published by the European Banking Authority on forbearance and non-performing loans, KBC reassessed its loan book. This had a significant heightening effect on impairment levels especially in Ireland and Hungary. which resulted in:

- a total impairment on Irish loans and receivables of -773 million euros (pre tax = post tax) mainly linked to reclassifying 2 billion euros worth of restructured mortgages and slower than expected recovery of the SME sector, leading to a more prudent outlook of future cashflows and collateral values;
- an overall impairment on loans and receivables in Hungary to the tune of -43 million euros pre tax..

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

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2012								
Loans and advances to credit institutions and investment firms [a]	3 802	916	0	11 363	-	-	-	16 081
Loans and advances to customers [b]	600	2 197	0	125 695	-	-	-	128 492
Excluding reverse repos								*126 510*
Discount and acceptance credit	0	0	0	131	-	-	-	131
Consumer credit	0	0	0	3 364	-	-	-	3 364
Mortgage loans	0	184	0	53 678	-	-	-	53 862
Term loans	600	2 013	0	56 795	-	-	-	59 407
Finance leasing	0	0	0	4 110	-	-	-	4 110
Current account advances	0	0	0	3 291	-	-	-	3 291
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	4 327	-	-	-	4 327
Equity instruments	451	53	1 931	-	-	-	-	2 435
Investment contracts (insurance)		11 847	-	-	-	-	-	11 847
Debt instruments issued by	4 210	1 282	28 691	2 167	28 510	-	-	64 860
Public bodies	3 390	811	19 929	190	27 346	-	-	51 666
Credit institutions and investment firms	361	199	3 335	158	670	-	-	4 724
Corporates	459	272	5 427	1 819	494	-	-	8 471
Derivatives	12 095	-	-	-	-	1 088	-	13 183
Total carrying value including accrued interest income	21 159	16 295	30 622	139 225	28 510	1 088	0	236 898
[a] *Of which reverse repos*								*5 160*
[b] *Of which reverse repos*								*1 981*
FINANCIAL ASSETS, 31-12-2013								
Loans and advances to credit institutions and investment firms [a]	5 100	1 596	0	9 562	-	-	-	16 257
Loans and advances to customers [b]	706	774	0	121 311	-	-	-	122 790
Excluding reverse repos	*703*	*200*	*0*	*121 215*	-	-	-	*122 117*
Discount and acceptance credit	0	0	0	605	-	-	-	605
Consumer credit	0	0	0	3 322	-	-	-	3 322
Mortgage loans	0	34	0	53 434	-	-	-	53 468
Term loans	696	697	0	53 355	-	-	-	54 747
Finance leasing	0	0	0	4 044	-	-	-	4 044
Current account advances	0	0	0	2 451	-	-	-	2 451
Securitised loans	0	0	0	0	-	-	-	0
Other	10	43	0	4 101	-	-	-	4 154
Equity instruments	283	8	1 579	-	-	-	-	1 870
Investment contracts (insurance)	-	12 745	-	-	-	-	-	12 745
Debt instruments issued by	2 974	1 319	26 002	1 690	31 323	-	-	63 307
Public bodies	2 385	771	17 570	118	29 630	-	-	50 473
Credit institutions and investment firms	268	195	3 330	154	1 040	-	-	4 986
Corporates	321	353	5 102	1 418	654	-	-	7 848
Derivatives	7 823	-	-	-	-	777	-	8 600
Total carrying value including accrued interest income	16 885	16 441	27 581	132 562	31 323	777	0	225 570
[a] *Of which reverse repos*								*8 483*
[b] *Of which reverse repos*								*673*

In 2013, a total amount of 1.8 billion euros of debt instruments was reclassified from available-for-sale (AFS) to held-to-maturity. Following this reclassification the AFS revaluation reserves on these instruments are no longer subject to fluctuations in interest rates. The AFS revaluation reserves on these instrument were fixed at reclassification and amortise over the remaining maturity of the debt instruments.

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2012								
Deposits from credit institutions and investment firms [a]	375	884	-	-	-	-	21 660	22 919
Deposits from customers and debt certificates [b]	4 161	8 782	-	-	-	-	146 689	159 632
Excluding repos								*153 454*
Deposits from customers	3 776	3 420	-	-	-	-	121 062	128 258
Demand deposits	0	0	-	-	-	-	37 477	37 477
Time deposits	3 776	3 336	-	-	-	-	43 491	50 602
Savings deposits	0	0	-	-	-	-	34 904	34 904
Special deposits	0	0	-	-	-	-	3 941	3 941
Other deposits	0	84	-	-	-	-	1 250	1 334
Debt certificates	385	5 362	-	-	-	-	25 627	31 373
Certificates of deposit	0	27	-	-	-	-	6 209	6 236
Customer savings certificates	0	0	-	-	-	-	522	522
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	385	4 705	-	-	-	-	12 914	18 003
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	630	-	-	-	-	5 982	6 612
Liabilities under investment contracts	-	10 853	-	-	-	-	0	10 853
Derivatives	14 432	0	-	-	-	2 430	-	16 861
Short positions	491	0	-	-	-	-	-	491
in equity instruments	17	0	-	-	-	-	-	17
in debt instruments	475	0	-	-	-	-	-	475
Other	0	44	-	-	-	-	2 465	2 509
Total carrying value including accrued interest expense	19 459	20 563	-	-	-	2 430	170 813	213 265
[a] *Of which repos*								*1 589*
[b] *Of which repos*								*6 178*
FINANCIAL LIABILITIES, 31-12-2013								
Deposits from credit institutions and investment firms [a]	939	896	-	-	-	-	12 440	14 275
Deposits from customers and debt certificates [b]	3 634	12 248	-	-	-	-	148 260	164 141
Excluding repos	*319*	*5 292*	-	-	-	-	*147 876*	*153 487*
Deposits from customers	3 348	7 836	-	-	-	-	123 575	134 758
Demand deposits	0	50	-	-	-	-	38 999	39 049
Time deposits	3 347	7 786	-	-	-	-	43 837	54 970
Savings deposits	0	0	-	-	-	-	34 990	34 990
Special deposits	0	0	-	-	-	-	4 370	4 370
Other deposits	0	0	-	-	-	-	1 380	1 380
Debt certificates	286	4 412	-	-	-	-	24 685	29 383
Certificates of deposit	0	6	-	-	-	-	3 540	3 546
Customer savings certificates	0	0	-	-	-	-	473	473
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	286	3 763	-	-	-	-	14 839	18 889
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	643	-	-	-	-	5 832	6 475
Liabilities under investment contracts	-	11 787	-	-	-	-	0	11 787
Derivatives	8 161	0	-	-	-	1 678	-	9 838
Short positions	386	0	-	-	-	-	-	386
in equity instruments	40	0	-	-	-	-	-	40
in debt instruments	345	0	-	-	-	-	-	345
Other	0	0	-	-	-	-	1 566	1 566
Total carrying value including accrued interest expense	13 119	24 931	-	-	-	1 678	162 266	201 994
[a] *Of which repos*								*1 672*
[b] *Of which repos*								*10 655*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	31-12-2012	31-03-2013	30-06-2013	30-09-2013	31-12-2013
Total customer loans excluding reverse repo					
Business unit Belgium	83 332	83 562	83 453	82 472	81 673
Business unit Czech Republic	18 581	18 213	18 562	18 609	18 103
Business unit International Markets	23 103	22 723	22 561	22 471	21 261
of which: Hungary	*4 057*	*3 964*	*4 019*	*4 103*	*3 864*
of which: Slovakia	*4 129*	*4 144*	*4 187*	*4 247*	*4 248*
of which: Bulgaria	*557*	*544*	*546*	*566*	*612*
of which: Ireland	*14 360*	*14 071*	*13 808*	*13 556*	*12 537*
Group Centre	1 495	1 471	1 323	1 261	1 080
KBC Group	126 510	125 970	125 899	124 813	122 117
Mortgage loans					
Business unit Belgium	30 847	30 781	30 891	31 042	31 146
Business unit Czech Republic	7 919	7 860	7 928	8 770	8 373
Business unit International Markets	15 069	14 868	14 730	14 591	13 925
of which: Hungary	*1 701*	*1 652*	*1 618*	*1 598*	*1 548*
of which: Slovakia	*1 519*	*1 564*	*1 629*	*1 668*	*1 722*
of which: Bulgaria	*255*	*247*	*246*	*239*	*236*
of which: Ireland	*11 594*	*11 405*	*11 236*	*11 086*	*10 419*
Group Centre	27	27	27	26	24
KBC Group	53 862	53 536	53 576	54 430	53 468
Customer deposits and debt certificates excl. Repos[1]					
Business unit Belgium	95 073	99 635	99 672	100 071	97 051
Business unit Czech Republic	26 228	25 309	25 085	25 519	24 840
Business unit International Markets	13 426	13 725	14 300	14 730	14 472
of which: Hungary	*5 749*	*5 663*	*5 958*	*6 214*	*5 878*
of which: Slovakia	*4 389*	*4 457*	*4 506*	*4 508*	*4 583*
of which: Bulgaria	*601*	*593*	*550*	*534*	*544*
of which: Ireland	*2 687*	*3 012*	*3 287*	*3 474*	*3 466*
Group Centre	18 728	17 847	17 786	17 578	17 123
KBC Group	153 454	156 516	156 843	157 898	153 487

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-12-2012		31-03-2013		30-06-2013		30-09-2013		31-12-2013	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	14 195	10 917	13 514	11 730	13 483	11 673	13 493	11 754	13 493	11 864
Business unit Czech Republic	608	631	589	601	573	569	570	578	530	546
Business unit International Markets	228	241	226	248	228	261	228	266	228	272
of which: Hungary	*55*	*179*	*52*	*180*	*54*	*189*	*54*	*189*	*54*	*193*
of which: Slovakia	*137*	*59*	*138*	*66*	*138*	*69*	*139*	*74*	*139*	*78*
of which: Bulgaria	*35*	*2*	*36*	*2*	*36*	*2*	*35*	*2*	*35*	*1*
Group Centre	34	59	35	60	48	64	52	62	54	65
KBC Group	15 065	11 848	14 365	12 640	14 332	12 566	14 342	12 660	14 304	12 747

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

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

In millions of EUR	31-12-2012				31-12-2013			
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 285	15 112	3 762	21 159	2 556	11 846	2 483	16 885
Designated at fair value	12 661	3 287	347	16 295	13 444	2 615	382	16 441
Available for sale	24 414	3 431	2 777	30 622	21 677	4 132	1 772	27 581
Hedging derivatives	0	1 088	0	1 088	0	777	0	777
Total	39 360	22 919	6 885	69 163	37 677	19 370	4 637	61 684
Financial liabilities measured at fair value								
Held for trading	498	13 801	5 160	19 459	374	10 088	2 658	13 119
Designated at fair value	10 853	8 300	1 410	20 563	11 787	12 600	543	24 931
Hedging derivatives	0	2 430	0	2 430	0	1 678	0	1 678
Total	11 351	24 531	6 570	42 451	12 161	24 365	3 201	39 728

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

In 2013, an approximate total amount of 0.3 billion euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also reclassified around 0.7 billion euros in financial instruments at fair value from level 2 to level 1.

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

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at **31-12-2013**, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Equity instruments	Debt instruments	Derivatives
Opening balance	0	197	0	523	3 041	27	50	0	269	1 117	1 660	0
Total gains/losses	0	- 7	0	31	- 186	3	- 11	0	161	8	- 100	0
in profit and loss*	0	- 7	0	31	- 186	3	- 11	0	161	3	1	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	5	- 101	0
Acquisitions	0	0	0	183	287	0	0	0	0	14	743	0
Sales	0	0	0	- 219	- 21	0	- 7	0	- 49	- 840	- 179	0
Settlements	0	- 170	0	- 19	- 664	- 4	0	0	0	0	- 498	0
Transfers into level 3	0	0	0	25	102	0	0	0	23	3	107	0
Transfers out of level 3	0	0	0	- 153	0	0	0	0	0	0	- 223	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	- 26	0	0	0	0	0
Translation differences	0	- 1	0	- 16	- 13	- 1	- 1	0	- 14	- 1	- 15	0
Changes in scope	0	- 19	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	- 13	- 406	0	0	0	- 38	0	- 24	0
Closing balance	0	1	0	342	2 141	24	5	0	352	300	1 472	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	0	37	- 205	3	- 10	0	157	0	37	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading						Designated at fair value				Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Other	
Opening balance	0	181	0	4 979	0	0	0	1 366	0	44	0
Total gains/losses	0	36	0	- 1 267	0	0	0	41	0	0	0
in profit and loss*	0	36	0	- 1 267	0	0	0	41	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	250	13	0	0	0	0	0	0
Repurchases	0	0	0	- 1	0	0	0	0	0	0	0
Settlements	0	- 97	0	- 829	0	0	0	- 368	0	- 44	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	- 5	0	- 23	0	0	0	- 8	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	- 13	0	- 567	0	0	0	- 488	0	0	0
Closing balance	0	102	0	2 542	13	0	0	543	0	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	34	0	- 1 214	0	0	0	39	0	0	0

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

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

in number of shares	31-12-2012	31-12-2013
Ordinary shares	416 967 355	417 364 358
of which ordinary shares that entitle the holder to a dividend payment	*416 967 355*	417 364 358
of which treasury shares	*302*	*802*
Non-voting core-capital securities	118 644 067	79 096 044
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

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

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

On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (583 million euros in total). For more information on the repayment of a further 0.3 billion euros on 8 January 2014, see ‘post balance sheet events (note 48)’.

In 4Q 2013 the total number of shares increased by 0.4 million shares due to the yearly increase specifically targeting personnel.

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

On 3 July 2013, KBC transferred 0.3 billion euros of loans granted to KBC shareholders to a third party and repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government plus a penalty of 583 million euros

On 19 November 2013, two core shareholders of KBC, namely Cera and KBC Ancora, in total sold 19 million KBC shares to third parties. Subsequently, a total of 0.7 billion euros worth of loans granted to Cera and KBC Ancora were bought back.

Over 2013 results, KBC does not intend to pay a coupon on the remaining non-voting core capital securities, given that no dividend will be paid on ordinary shares.

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

Company	Consolidation method	Ownership percentage at group level		Comments
For balance sheet comparison		2012	2013	
Additions				
None				
Exclusions				
TUIR WARTA SA	Full	------	------	Deconsolidated on 30 June 2012 following sale
KBL EPB (Group)	Full	------	------	Sold in 3Q 2012
Kredyt Bank SA	Full	------	------	Deconsolidated on 31 December 2012 following merger with Bank Zachodni WBK
KBC Private Equity NV	Full	100.00%	------	Deconsolidated in 1Q13 due to immateriality
Nova Ljubljanska banka d.d. (group)	Equity	22.04%	------	Sold in 1Q 2013
Absolut Bank	Full	99.00%	------	Sold in 2Q 2013
KBC Banka A.D.	Full	100.00%	------	Sold in 4Q 2013
Name Changes				
None				
Changes in ownership percentage and internal mergers				
VAB Group	Full	79.81%	95.00%	Stake increased with 15,19% in 2Q 2013
KBC Real Estate NV	Full	100.00%	------	Merged with KBC Bank on 1 July 2012
KBC Global Services NV	Full	100.00%	------	Merged with KBC Group NV on 1 July 2013

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

Situation as at 31 December 2013

On 31 December 2013, following planned divestments fulfill the criteria of IFRS 5:

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

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

Summary of facts and circumstances regarding divestments which have been signed, but not yet closed on 31 December 2013

Antwerp Diamond Bank:

Activity:	Banking
Segment:	Group Centre
Other information:	On 19 December 2013, KBC has reached an agreement with the Shanghai-based Yinren Group for the sale of its subsidiary Antwerp Diamond Bank (ADB). The sale will have only a negligible upfront impact on the KBC group's earnings. The deal will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets, which will ultimately improve KBC's tier-1 ratio (Basel II) by almost 0.2% (pro forma impact calculated based on 30 September 2013 data). Before the deal is closed, part of ADB's loan portfolio – primarily the higher risk and non-performing loans with a net book value of 0.4 billion euros (out of a loan portfolio of 1.2 billion euros in total) – will be transferred to KBC Bank N.V. and put in ordinary run-down. After closure of the deal, KBC will also provide funding to ADB totalling 0.2 billion euros for a maximum period of two years and on a secured basis. Closing of the transaction is subject to the customary regulatory approvals and closure can be expected in the coming quarters.

KBC Bank Deutschland:

Activity:	Banking
Segment:	Group Centre
Other information:	On 24 September 2013, KBC has reached an agreement to sell KBC Bank Deutschland AG, a wholly-owned subsidiary of KBC Bank NV, to several investors including affiliates of Teacher Retirement System of Texas (TRS), Apollo Global Management, LLC (NYSE: APO), Apollo Commercial Real Estate Finance, Inc. (NYSE: ARI), and Grovepoint Capital LLP (Grovepoint). This deal will free up around 0.1 billion euros of capital for KBC, primarily by reducing risk-weighted assets and will have no material impact on KBC's financial results. This will result in an improvement of KBC's solvency position with roughly 15bp. The agreement allows KBC to continue supporting its homemarket corporate customers requiring financial services for their German business activities. Closing of the transaction is subject to the customary regulatory approvals and closure can be expected in the coming quarters.

Financial impact:

NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS	31-12-2012	*of which: Discontinued operations*	31-12-2013	*of which: Discontinued operations*
Assets				
Cash and cash balances with central banks	484	0	57	0
Financial assets	6 407	0	3 627	0
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0	0	0
Tax assets	83	0	49	0
Investments in associated companies	3	0	0	0
Investment property and property and equipment	113	0	22	0
Goodwill and other intangible assets	14	0	2	0
Other assets	35	0	13	0
Total assets	7 138	0	3 769	0
Liabilities				
Financial liabilities	3 657	0	1 977	0
Technical provisions insurance, before reinsurance	0	0	0	0
Tax liabilities	12	0	11	0
Provisions for risks and charges	9	0	10	0
Other liabilities	61	0	28	0
Total liabilities	3 739	0	2 027	0
Other comprehensive income				
Available-for-sale reserve	101	78	- 3	0
Deferred tax on available-for-sale reserve	- 27	- 22	0	0
Cash flow hedge reserve	7	0	0	0
Translation differences	55	- 4	0	0
Total other comprehensive income	136	52	- 4	0

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

Significant events between the balance sheet date (31 December 2013) and the publication of this report (13 February 2014):

On 8 January 2014, KBC repaid a second instalment (0.5 billion euros in total, comprising 0.33 billion euros in principal plus a penalty of 50% or 0.17 billion euros) to the Flemish Regional Government. This repayment together with the one made on 3 July 2013 (1.17 billion euros plus a penalty of 50% or 583 million euros) reduces the overall repayment to be settled with the Flemish Regional Government from the initial 3.5 billion euros (+ 50% penalty) to a remaining 2 billion euros (+ 50% penalty).

In the first quarter of 2014, KBC further collapsed a part of its CDO portfolio. The impact on KBC's financial results will be negligible. For more information reference is made to this report's section on 'Risk and capital management'.

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KBC Group

Risk and capital management 4Q 2013

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

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

Credit risk: loan portfolio overview	31-12-2012	31-12-2013
Total loan portfolio (in billions of EUR)		
Amount granted	167	162
Amount outstanding[1]	141	137
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	64%
Czech Republic	15%	15%
International Markets	19%	19%
Group Centre	3%	3%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 757	13 717
Specific loan impairments	4 614	5 451
Portfolio-based loan impairments	244	281
Credit cost ratio, per business unit		
Belgium	0.28%	0.37%
Czech Republic	0.31%	0.25%
International Markets	2.26%	4.48%
Slovakia	0.25%	0.60%
Hungary	0.78%	1.50%
Bulgaria	0.94%	1.19%
Ireland	3.34%	6.72%
Group Centre[2]	1.06%	2.90%
Total[2]	0.69%	1.20%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 397	7 928
Specific loan impairments for NP loans	3 626	3 894
Non-performing ratio, per business unit		
Belgium	2.3%	2.5%
Czech Republic	3.2%	3.0%
International Markets	17.6%	19.2%
Group Centre	1.3%	5.9%
Total	5.3%	5.8%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	49%	49%
Idem, excluding mortgage loans	63%	60%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	66%	72%
Idem, excluding mortgage loans	91%	90%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
2. Including IFRS 5 entities the CCR per 31-12-2013 would be 1.85% for Group Centre and 1.19% for the Total.

In the table above non-performing loans (NPL) are based on the current definition (i.e. PD 11 & 12, see annual report FY 2012 - section on credit risk for more information on PD classification). When applying the new definition (includes PD 10) which was aligned with by the European Banking Authority's definition, the total NPL amount outstanding would increase to 13 717 million EUR and the NPL ratio to 10.0%.
This change in definition would also reduce the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' from 72% to 42%.

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

Legend:

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

Loan portfolio Business Unit Belgium 31-12-2013, in millions of EUR	Belgium			Foreign branches			Total Belgium	
Total outstanding amount	81,107			5,807			86,913	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*
SME / corporate	21,351	*26.3%*		5,807	*100.0%*		27,158	*31.2%*
retail	59,756	*73.7%*		0	*0.0%*		59,756	*68.8%*
o/w private	32,263	*39.8%*		0	*0.0%*		32,263	*37.1%*
o/w companies	27,493	*33.9%*		0	*0.0%*		27,493	*31.6%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	31,080	*38.3%*	61%	0	*0.0%*	-	31,080	*35.8%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*
o/w vintage 2007 and 2008	3,129	*3.9%*	-	0	*0.0%*	-	3,129	*3.6%*
o/w ind. LTV > 100%	2,015	*2.5%*	-	0	*0.0%*	-	2,015	*2.3%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	59,880	*73.8%*		3,405	*58.6%*		63,285	*72.8%*
medium risk (pd 5-7; 0.80%-6.40%)	15,430	*19.0%*		1,394	*24.0%*		16,824	*19.4%*
high risk (pd 8-10; 6.40%-100.00%)	3,859	*4.8%*		720	*12.4%*		4,580	*5.3%*
non-performing loans (pd 11 - 12)	1,861	*2.3%*		279	*4.8%*		2,140	*2.5%*
unrated	77	*0.1%*		8	*0.1%*		85	*0.1%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	1,861	*2.3%*		279	*4.8%*		2,140	*2.5%*
provisions for NPL	1,049			195			1,244	
all provisions (specific + portfolio based)	n.a.			n.a.			1,786	
cover NPL by all provisions (specific + portfolio)	n.a.			n.a.			83%	
2012 Credit cost ratio (CCR)	n.a.			n.a.			0.28%	
2013 Credit cost ratio (CCR)	n.a.			n.a.			0.37%	

Remarks

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

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

* Following entities have been recognized as ‘disposal groups’ under IFRS 5 and have been excluded from the figures: Antwerp Diamond Bank, KBC Bank Deutschland and KBC Banka are excluded as from 30-06-2012; Absolut Bank since 30-06-2013.

Loan portfolio Business Unit Czech Republic 31-12-2013, in millions of EUR	**Czech republic**		
Total outstanding amount	20,234		
Counterparty break down		*% outst.*	
SME / corporate	6,522	*32.2%*	
retail	13,712	*67.8%*	
o/w private	10,314	*51.0%*	
o/w companies	3,398	*16.8%*	
Mortgage loans (1)		*% outst.*	ind. LTV
total	9,067	*44.8%*	66%
o/w FX mortgages	0	*0.0%*	-
o/w vintage 2007 and 2008	1,699	*8.4%*	-
o/w ind. LTV > 100%	467	*2.3%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	12,346	*61.0%*	
medium risk (pd 5-7; 0.80%-6.40%)	6,179	*30.5%*	
high risk (pd 8-10; 6.40%-100.00%)	903	*4.5%*	
non-performing loans (pd 11 - 12)	601	*3.0%*	
unrated	206	*1.0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	601	*3.0%*	
provisions for NPL	372		
all provisions (specific + portfolio based)	448		
cover NPL by all provisions (specific + portfolio)	75%		
2012 Credit cost ratio (CCR) (2)	0.31%		
2013 Credit cost ratio (CCR) (2)	0.25%		

Remarks

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

(2) individual CCR in local currencies.

Loan portfolio Business Unit International Markets 31-12-2013, in millions of EUR	Ireland(3)			Slovakia			Hungary(4)			Bulgaria			Total Int Markets	
Total outstanding amount	15 280			4 635			5 080			747			25 894	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	3 155	*20.6%*		1 954	*42.2%*		2 714	*53.4%*		327	*43.8%*		8 303	*32.1%*
retail	12 125	*79.4%*		2 681	*57.8%*		2 365	*46.6%*		419	*56.2%*		17 591	*67.9%*
o/w private	12 125	*79.4%*		2 093	*45.2%*		1 960	*38.6%*		258	*34.6%*		16 437	*63.5%*
o/w companies	0	*0.0%*		588	*12.7%*		405	*8.0%*		161	*21.6%*		1 154	*4.5%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	12 125	*79.4%*	117%	1 735	*37.4%*	58%	1 769	*34.8%*	83%	122	*16.3%*	60%	15 750	*60.8%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	1 398	*27.5%*	91%	77	*10.3%*	55%	1 474	*5.7%*
o/w vintage 2007 and 2008	4 483	*29.3%*	-	216	*4.7%*	-	914	*18.0%*	-	43	*5.7%*	-	5 656	*21.8%*
o/w ind. LTV > 100%	7 606	*49.8%*	-	0	*0.0%*	-	531	*10.5%*	-	12	*1.6%*	-	8 150	*31.5%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	2 384	*15.6%*		2 590	*55.9%*		2 092	*41.2%*		82	*10.9%*		7 177	*27.7%*
medium risk (pd 5-7; 0.80%-6.40%)	4 052	*26.5%*		1 387	*29.9%*		1 808	*35.6%*		285	*38.1%*		7 520	*29.0%*
high risk (pd 8-10; 6.40%-100.00%)	4 846	*31.7%*		384	*8.3%*		541	*10.7%*		64	*8.6%*		5 970	*23.1%*
non-performing loans (pd 11 - 12)	3 997	*26.2%*		170	*3.7%*		614	*12.1%*		201	*26.9%*		4 981	*19.2%*
unrated	0	*0.0%*		105	*2.3%*		25	*0.5%*		115	*15.5%*		246	*0.9%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	3 997	*26.2%*		170	*3.7%*		614	*12.1%*		201	*26.9%*		4 981	*19.2%*
provisions for NPL	1 667			82			330			93			2 172	
all provisions (specific + portfolio based)	2 721			114			409			96			3 340	
cover NPL by all provisions (specific + portfolio)	68%			67%			67%			48%			67%	
2012 Credit cost ratio (CCR) (2)	3.34%			0.25%			0.78%			0.94%			2.26%	
2013 Credit cost ratio (CCR) (2)	6.72%			0.60%			1.50%			1.19%			4.48%	

Remarks

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

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

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

(2) individual CCR in local currency

(3) Non-performing loans (NPL) as based on the current definition (i.e. PD 11 & 12, see annual report FY 2012 - section on credit risk for more information on PD classification). When applying the new definition (includes PD 10) which was aligned with the European Banking Authority's definition, the total NPL amount outstanding would increase to 7 304 million EUR. This change in definition would also reduce the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' from 68% to 37%.

(4) Non-performing loans (NPL) as based on the current definition (i.e. PD 11 & 12, see annual report FY 2012 - section on credit risk for more information on PD classification). When applying the new definition (includes PD 10) which was aligned with the European Banking Authority's definition, the total NPL amount outstanding would increase to 780 million EUR. This change in definition would also reduce the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' from 67% to 52%.

Loan portfolio Group Centre 31-12-2013, in millions of EUR	**Total Group Centre** (mainly KBC Finance Ireland and KBC Credit Investments)			**For information: entities marked as 'disposal groups' under IFRS 5** **Belgium** (Antwerp Diamond Bank)			**Western Europe** (KBC Deutschland)		
Total outstanding amount	3 483			1 356			2 315		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*	
SME / corporate	3 483	*100.0%*		1 356	*100.0%*		2 315	*100.0%*	
retail	0	*0.0%*		0	*0.0%*		0	*0.0%*	
o/w private	0	*0.0%*		0	*0.0%*		0	*0.0%*	
o/w companies	0	*0.0%*		0	*0.0%*		0	*0.0%*	
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w vintage 2007 and 2008	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w ind. LTV > 100%	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	1 263	*36.3%*		60	*4.4%*		1 202	*51.9%*	
medium risk (pd 5-7; 0.80%-6.40%)	1 478	*42.4%*		950	*70.0%*		718	*31.0%*	
high risk (pd 8-10; 6.40%-100.00%)	531	*15.3%*		126	*9.3%*		262	*11.3%*	
non-performing loans (pd 11 - 12)	206	*5.9%*		208	*15.3%*		133	*5.7%*	
unrated	5	*0.1%*		13	*1.0%*		0	*0.0%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	206	*5.9%*		208	*15.3%*		133	*5.7%*	
provisions for NPL	105			178			105		
all provisions (specific + portfolio based)	157			183			137		
cover NPL by all provisions (specific + portfolio)	76%			88%			103%		
2012 Credit cost ratio (CCR) (2)	1.06%			1.51%			1.89%		
2013 Credit cost ratio (CCR) (2)	2.90%			0.97%			1.31%		

Remarks

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

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

Structured credit exposure (banking and insurance activities)

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

Since 2008 KBC has a tight strategy in place related to structured credit products and gradually imposed a moratorium on all origination and investment activity in CDOs and ABS. Before this time KBC acted as an *originator* of and *investor* in structured credit transactions. The remainder of the investments from before 2008 are referred to as 'legacy exposure'. Three categories of legacy investments are distinguished:

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

- KBC invested in structured credit products, both in CDOs (notes and super senior tranches)
  - largely those originated by KBC itself and some other CDO's, in the table 'other legacy CDO exposure'
  - and in ABS, 'in the table 'other legacy ABS exposure'.

In 2013, KBC decided to lift the strict moratorium on investments in ABS and to allow *treasury investments* ('treasury ABS exposure' in the table) in liquid high quality non-synthetic European ABS, which are also accepted as eligible collateral for the ECB. This allows a further diversification of the investment portfolios.
Important to note is that the moratorium on CDOs and synthetic securitizations continues to exist.

KBC investments in structured credit products (CDOs and ABS), in billions of EUR	31-12-2013
Total net exposure	7.5
o/w legacy CDO exposure protected with MBIA	5.3
o/w other legacy CDO exposure	1.1
o/w other legacy ABS exposure	1.2
o/w treasury ABS exposure	0.0
Cumulative value markdowns on outstanding legacy investments (mid 2007 to date)*	-0.4
Value markdowns	-0.3
for *other legacy CDO exposure*	-0.2
for *legacy ABS exposure*	-0.1
Credit value adjustment (CVA) on MBIA cover (related to legacy CDO exposure)	-0.1
Cumulative value markdowns on treasury ABS	0.0

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

Over the fourth quarter of 2013 KBC's legacy CDO and ABS portfolio reduced by an amount of -0.1 billion euros fully due to redemptions in the other legacy ABS portfolio.

In KBC's treasury portfolio over the fourth quarter 2013, investments to the tune of 45 million euros were done in two RMBS assets.

Note that for the first quarter of 2014 the net exposure on legacy CDO positions will decrease further by approximately 2 billion euros thanks to further collapsing of CDO exposure.

Protection for CDO exposure

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

Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009. The contract with the Belgian State has a remaining nominal value of 5.9 billion euros, down from 20.0 billion euros at inception, of which 5.3 billion euros relates to the exposure insured by MBIA. It should be noted that the provisioning rate of MBIA was reduced from 80% to 60% per end June 2013 based on a fundamental internal analysis. Per end December 2013 it was kept at 60%. The remaining 0.7 billion euros of exposure covered by the contract with the Belgian State relates to part of the 'other legacy CDO exposure'. Of this portfolio (i.e. other legacy CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

Details on the CDO exposure protected with MBIA (insurance for CDO-linked risks received from MBIA), in billions of EUR	31-12-2013
Total insured amount (notional amount of super senior swaps)*	5.3
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	0.1
- CVA for counterparty risk, MBIA	-0.1
(as a % of fair value of insurance coverage received)	60%

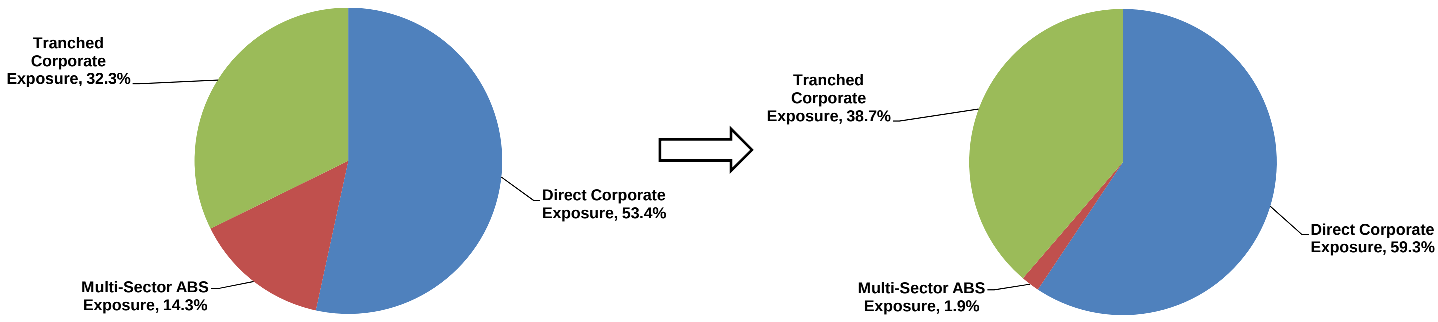
* The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).

A. Details of the underlying assets to KBC's CDOs originated by KBC FP

Overview of the portfolio

Average % as of initial total deal notional exposure. Figures as of 7 January 2014.

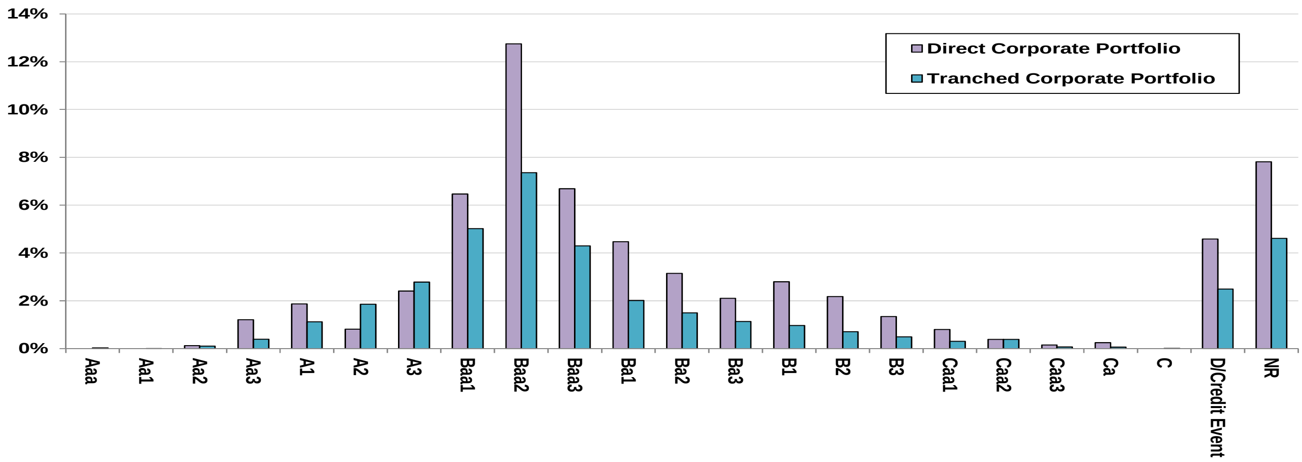
Average % as of current total deal notional exposure. Figures as of 7 January 2014.



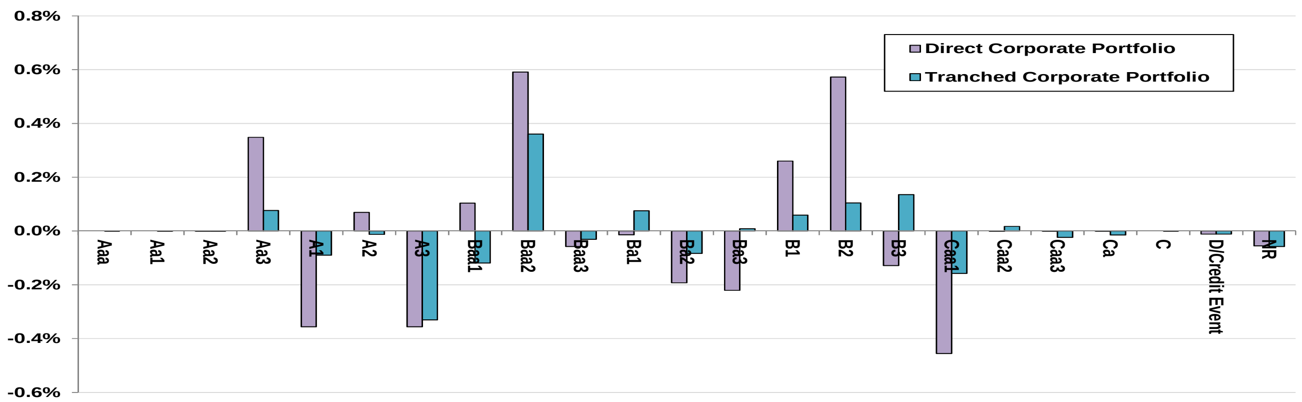
A.1. Breakdown towards Corporate portion

A.1.a. Corporate ratings distribution

Figures as of 7 January 2014, based on Moody's Ratings Direct Corporate exposure as a % of the Direct Corporate Portfolio; Tranched Corporate exposure as a % of Tranched Corporate Portfolio.

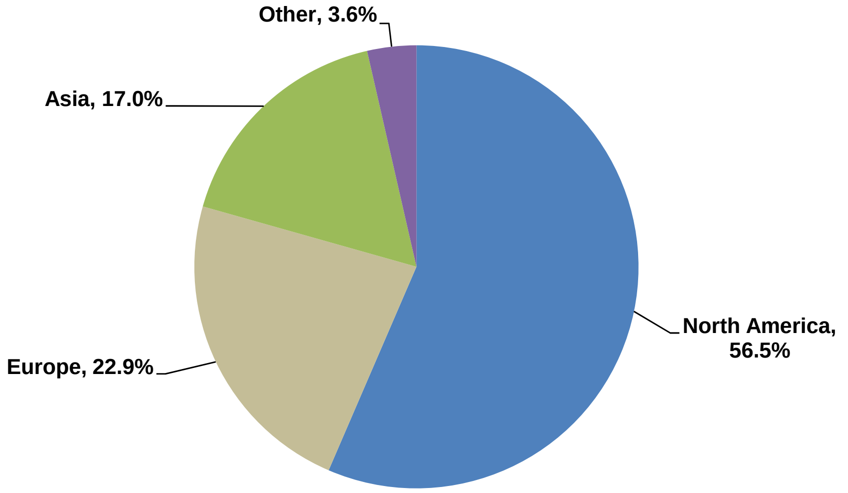


Migration in Corporate ratings distribution, compared to the situation per 7 October 2013.



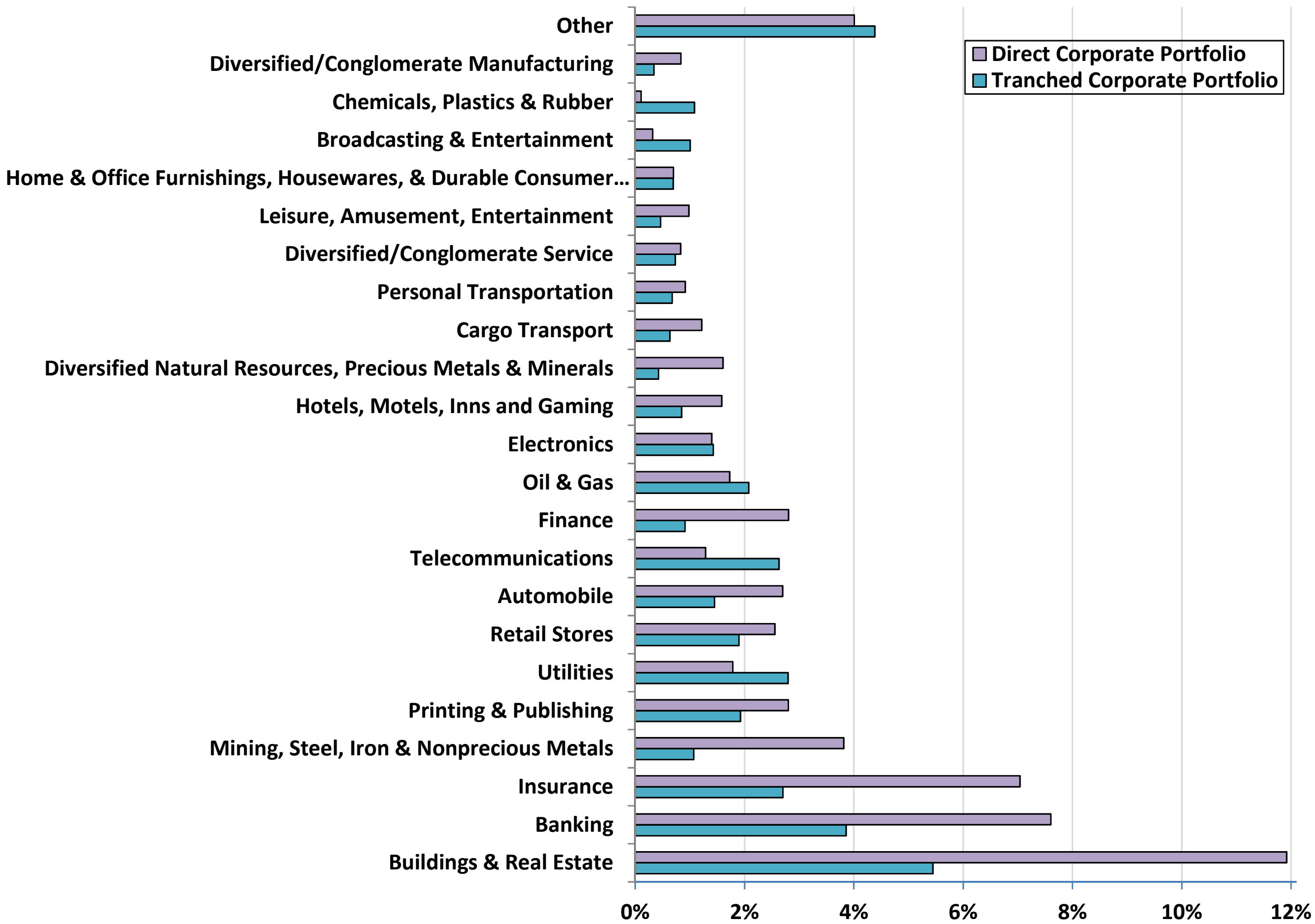
A.1.b. Corporate geographical distribution

Total Corporate Portfolio - Direct and Inner Tranches; figures as of 7 January 2014.



A.1.c. Corporate industry distribution

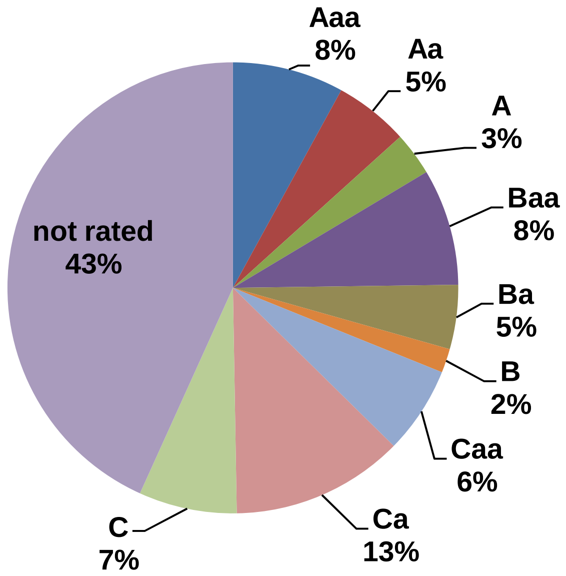
Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 7 January 2014.



A.2. Breakdown towards multi-sector ABS portion

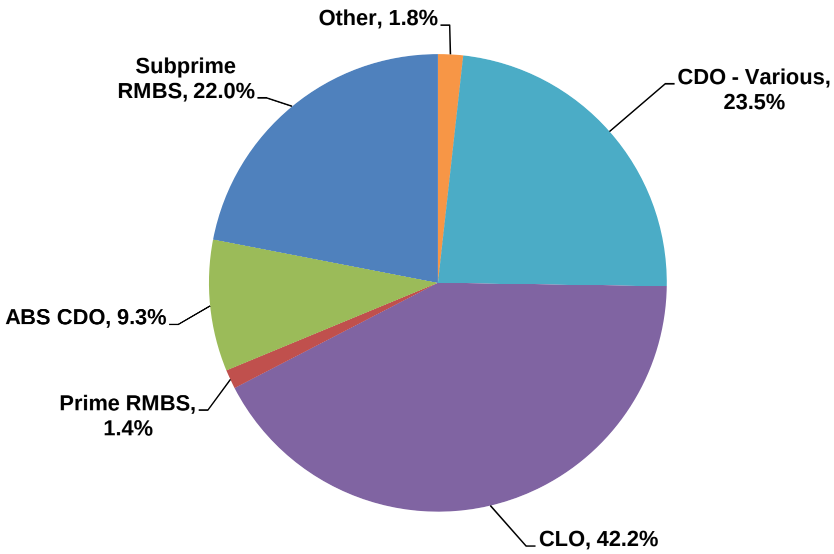
A.2.a. Ratings distribution

Based on Moody's ratings as of 7 January 2014, 75% of the underlying assets are rated below 'Baa'**.**



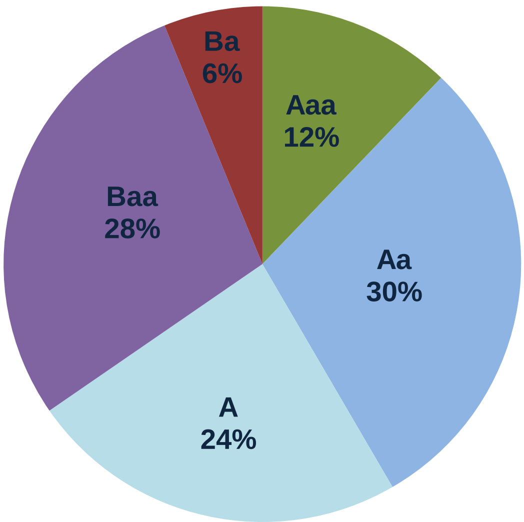
A.2.b. Type distribution

Figures as of 7 January 2014.

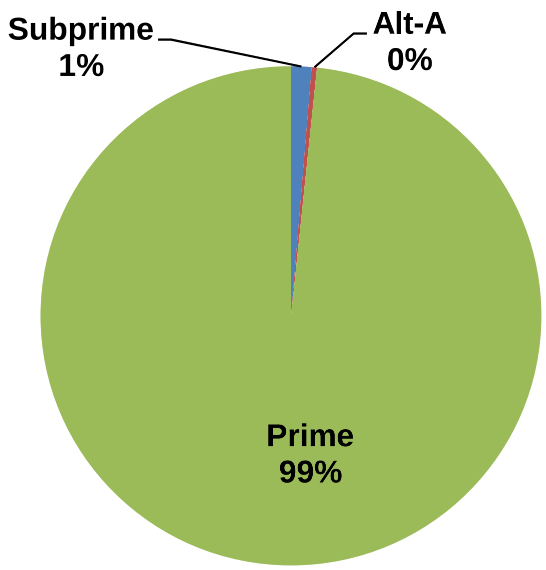


B. Details of the underlying assets of other legacy ABS exposure

B.1. Ratings Distribution of the other legacy ABS exposure
(based on Basel II-mapped Ratings; figures 31 December 2013)



B.2. Legacy RMBS breakdown; total amount approximately 1 billion euros.
(figures as of 31 December 2013)



Solvency

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the Belgian regulator.

Solvency KBC Group – Basel II

Up until and including 31 December 2013, Basel II is the applicable guideline, and for group solvency the so-called 'building block' method is used. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%.

In millions of EUR	31-12-2012	31-12-2013
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	16 113	17 169
Tier-1 capital	14 062	14 286
Core Tier-1 capital	*11 951*	*12 184*
Parent shareholders' equity	12 099	11 826
Non-voting core-capital securities	3 500	2 333
Intangible fixed assets (-)	- 356	- 341
Goodwill on consolidation (-)	- 987	- 950
Innovative hybrid tier-1 instruments	419	409
Non-innovative hybrid tier-1 instruments	1 692	1 693
Direct & indirect funding of investments in own shares	- 250	0
Minority interests	- 5	- 3
Equity guarantee (Belgian State)	276	22
Revaluation reserve available-for-sale assets (-)	- 1 263	- 1 094
Hedging reserve, cashflow hedges (-)	834	497
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 22	25
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	0	0
Equalization reserve (-)	- 111	- 131
Dividend payout (-)	- 960	0
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 227	0
Items to be deducted[1] (-)	- 577	0
Tier-2 & 3 capital	2 051	2 883
Perpetuals (incl. hybrid tier-1 not used in tier-1)	0	0
Revaluation reserve, available-for-sale shares (at 90%)	185	290
Minority interest in revaluation reserve AFS shares (at 90%)	0	0
IRB provision excess (+)	130	342
Subordinated liabilities	2 268	2 237
Tier-3 capital	44	15
IRB provision shortfall (50%) (-)	0	0
Items to be deducted[1] (-)	- 577	0
Capital requirement		
Total weighted risks	102 148	90 541
Banking[2]	89 532	78 486
Insurance	12 386	12 096
Holding activities	304	72
Elimination of intercompany transactions between banking and holding activities	- 74	- 113
Solvency ratios		
Tier-1 ratio	13.77%	15.78%
Core Tier-1 ratio	11.70%	13.46%
CAD ratio	15.77%	18.96%

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

The pro forma tier-1 ratio at 31 December 2013 includes the impact of the second instalment to the Flemish regional government, the sale of Antwerp Diamond Bank and KBC Deutschland and amounts to approximately 15.6%.

Basel II IRB, since its implementation in 2008, is the primary approach (used for approximately 91% of the weighted credit risks, of which approx. 65% according to Advanced and approx. 26% according to Foundation approach). Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 9%) are calculated according to the Standardised approach.

Solvency KBC Group – Basel III

Under Basel III (CRDIV/CRR), which is the applicable guideline from 1 January 2014 onward, for group solvency the insurance participation is to be deducted from common equity at KBC Group level, unless the competent authority grants the permission to apply a risk weighting instead. KBC received this permission from the National Bank of Belgium (NBB) and will allocate a 370% weighting to the holdings of own funds instruments of the insurance company, after having deconsolidated KBC Insurance from the KBC Group consolidated figures. This is the so-called 'Danish compromise'.
In addition to this calculation method, KBC has to disclose also the capital adequacy ratio as calculated in accordance with the abovementioned 'building block' method

The NBB has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under CRDIV. For information on the partial reimbursement of the 7 billion euros worth of non-voting core capital securities sold to the Belgian and Flemish government see note on parent shareholders' equity and non-voting core-capital securities (note 39).

KBC's internal minimum target for the common equity ratio is 10% on a fully loaded basis (presuming full implementation of all CRDIV/CRR rules and including the remaining Flemish government support until 2018). On 31 December 2013, the fully loaded common equity ratio stood at 12.8% (13.2% on a phased-in basis).

Moreover, the supervisory authorities, with the NBB as the consolidating supervisor, have requested KBC to minimally uphold a fully loaded common equity ratio, excluding latent gains, of 9.25%. According to this calculation, KBC's fully loaded common equity ratio stood at 12.5% as at end 2013.

In millions of EUR	31-12-2013
Danish compromise - Fully loaded	
Total regulatory capital, KBC Group (after profit appropriation)	16 258
Tier-1 capital	11 711
Common equity	11 711
Parent shareholders' equity (excluding YES'es & minorities)*	11 361
Non-voting core capital securities	2 333
Intangible fixed assets (-)	- 341
Goodwill on consolidation (-)	- 950
Minority interests	- 3
Hedging reserve (cash flow hedges) (-)	497
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 6
Equalization reserve (-)	- 131
Dividend payout (-)	0
Renumeration of government securities (-)	0
Deduction re. financing provided to shareholders (-)	- 176
IRB provision shortfall (-)	- 225
Deferred tax sssets on losses carried forward (-)	- 648
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0
Additional going concern capital	0
Grandfathered innovative hybrid tier-1 instruments	0
Grandfathered non-innovative hybrid tier-1 instruments	0
CRR compliant AT1 instruments	0
Minority interests to be included in additional going concern capital	0
Tier 2 capital	4 547
IRB provision excess (+)	342
Subordinated liabilities	4 206
Subordinated loans non-consolidated financial sector entities (-)	0
Minority interests to be included in tier 2 capital	0
Capital requirement	
Total weighted risk volume	91 426
Banking	80 399
Insurance	11 068
Holding activities	72
Elimination of intercompany transactions	- 113
Solvency ratios	
Common equity ratio	12.81%
Tier-1 ratio	12.81%
CAD ratio	17.78%

* After deconsolidating KBC Insurance.

When applying the building block method the fully loaded common equity ratio per 31-12-2013 would stand at 13.2%.

Solvency banking and insurance activities separately

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

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2012	31-12-2013
Total regulatory capital, after profit appropriation	14 390	15 537
Tier-1 capital	12 235	12 631
Tier-2 and tier-3 capital	2 154	2 906
Total weighted risks	88 927	78 120
Credit risk	69 149	63 073
Market risk	8 733	4 308
Operational risk	11 045	10 738
Solvency ratios		
Tier-1 ratio	13.8%	16.2%
of which core tier-1 ratio	11.4%	13.5%
CAD ratio	16.2%	19.9%
Solvency, KBC Insurance consolidated (in millions of EUR)	**31-12-2012**	**31-12-2013**
Available capital	3 190	2 721
Required solvency margin	991	968
Solvency ratio and surplus		
Solvency ratio (%)	322%	281%
Solvency surplus (in millions of EUR)	2 199	1 753

The drop in available capital of KBC Insurance is primarily caused by the application of more stringent rules imposed by the regulator regarding partial inclusion of the latent gains in the available capital.