1Q2014

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

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.

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 and the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty on the core-capital securities 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 and the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty on the core-capital securities 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]. To more closely reflect the scope of business, the definition has been reworked (and applied retroactively) to exclude all divestments and all volatile short-term assets used for liquidity management.

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

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

Return on equity: [result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and the additional tier-1 instruments included in equity, 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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Contents

Report on 1Q2014

- Summary 5
- Overview of results according to IFRS 8
- Overview of adjusted results 9
- Selected balance sheet data 13
- Selected ratios 13
- Strategy highlights and main events 14

Analysis of 1Q2014 results by business unit

- Breakdown by business unit 17
- Belgium Business Unit 18
- Czech Republic Business Unit 21
- International Markets Business Unit 24
- Group Centre 31

Consolidated financial statements according to IFRS

- Consolidated income statement 34
- Consolidated statement of comprehensive income (condensed) 35
- Consolidated balance sheet 36
- Consolidated statement of changes in equity 37
- Consolidated cash flow statement 38
- Notes on statement of compliance and changes in accounting policies 38
- Notes on segment reporting 39
- Other notes 42

Risk and capital management

- Credit risk 58
- Solvency 64

KBC Group Report for 1Q2014

This press release contains information that is subject to transparency regulations for listed companies.
Date of release: 15 May 2014

Summary: Good start to the year: close to 400 million euros profit.

KBC ended the first quarter of 2014 with a net profit of 397 million euros, compared with a loss of 294 million euros in the last quarter of 2013 and a profit of 520 million euros in the first quarter of 2013.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 387 million euros for the first quarter of 2014, compared with a loss of 340 million euros in the last quarter of 2013 and a profit of 359 million euros in the first quarter of 2013.

Johan Thijs, Group CEO:

'Against a background of modest economic growth, low interest rates and low inflation in Europe, KBC started 2014 with a net result of 397 million euros for the first quarter, or 387 million euros on an adjusted-profit basis. When compared with the previous quarter, the group managed to increase net interest income, with loan volumes stable and client deposits growing relative to a decrease in wholesale funding. We also collected higher revenues in the form of fees and commissions particularly in Belgium. Nevertheless, our total income was impacted by negative marked-to-market changes in the value of derivatives used for asset/liability management purposes. The low level of claims ensured that we had an excellent combined ratio for our non-life insurance activities. The cost/income ratio was rather high, owing to the Hungarian bank tax being booked for the full year and the marked-to-market changes just referred to. Loan loss impairment charges were significantly reduced in Ireland, and were very low in the other countries.

In the first quarter of 2014, the Belgium Business Unit generated a net result of 351 million euros, somewhat below the average figure of 393 million euros for the four preceding quarters and due entirely to the negative impact of the marked-to-market valuations in respect of ALM derivatives. Compared with the previous quarter, the first quarter of 2014 was characterised by higher net interest income, net fee and commission income and gains on the sale of shares, as well as a solid combined ratio for non-life insurance. However, sales of interest-guaranteed life products were lower. Costs were down slightly and impairment charges decreased. The banking activities accounted for 74% of the net result in the quarter under review, and the insurance activities for 26%.

In the quarter under review, the Czech Republic Business Unit posted a net result of 138 million euros, in line with the average figure of 139 million euros for the four preceding quarters. Compared with the previous quarter, the results for the first quarter of 2014 rose strongly and were characterised by a further weakening of the Czech koruna, higher net interest income and gains on the sale of bonds, lower net results from financial instruments and from fees and commissions, an increase in what is still a good non-life combined ratio and lower sales of unit-linked life insurance products. Costs improved, as did loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review, and the insurance activities for 4%.

In the first quarter of this year, the International Markets Business Unit recorded a net result of -26 million euros, significantly better than the average of -213 million euros for the four preceding quarters. Were the Hungarian bank tax to be spread over the year, the net result would be slightly positive. The main factor explaining the improvement on the fourth quarter of 2013 was the sharp drop in loan loss provisions at KBC Bank Ireland. The first quarter of 2014 was also characterised by higher net interest income and an improved result from financial instruments, a solid non-life combined ratio, lower net fee and commission income and flat costs, excluding the entire bank tax in Hungary being booked for the full year. Overall, the banking activities accounted for a net result of -33 million euros (the positive results in Slovakia and Bulgaria were eliminated by the negative results in Ireland and in Hungary), while the insurance activities accounted for a net result of 7 million euros.

As announced previously, we collapsed one CDO in the first quarter of 2014, which led to a further decrease in our legacy asset exposure of roughly 2 billion euros in nominal terms.

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 common equity ratio of 12.5% (Basel III fully loaded under the Danish compromise). In the first quarter, the repayment of 0.5 billion euros to the Flemish Regional Government at the beginning of January has been taken into account, as have the quarterly results and a pro rata provision for the proposed dividend to be paid over 2014. Also included in the pro forma calculation is the impact of the divestment of KBC Deutschland and Antwerp Diamond Bank, agreements for which have been signed but not yet approved by the regulators. The common equity ratio therefore continues to be well above our target of 10%.

In conclusion, our strong belief in our core business of bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria has been confirmed through these results, marking a good start to the year. We are particularly pleased with and truly grateful for the continued trust that clients and stakeholders have placed in our firm and its employees.'

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 first quarter, corporate and ABS credit spreads remained more or less stable. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, the further reduction of approximately 2 billion euros in the net exposure to legacy CDO positions, along with the termination costs, there was a positive post-tax impact of 16 million euros.
- Remaining divestments: A total post-tax negative impact of 9 million euros was recorded for this quarter, mainly to offset the positive results of Antwerp Diamond Bank given its sale.
- Impact of own credit risk valuation: The stabilisation of the credit spread on KBC debt between the end of December 2013 and the end of March 2014 resulted in a slight positive marked-to-market adjustment of 2 million euros (post tax), and had no impact on regulatory capital.

Financial highlights for 1Q2014 compared with 4Q2013:

- Good level of total income based on commercial results.
- Net interest margin up from 1.92% to 2%.[1]
- Stable loan volume; strong deposit growth in Belgium and Ireland.
- Solid mortgage growth in the Czech Republic and Slovakia.
- Excellent non-life combined ratio of 89% for the quarter, reflecting a low claims ratio in 1Q2014. Lower life insurance sales.
- Good level of dealing room income, but considerable negative impact of marked-to-market valuations of ALM derivatives.
- Higher net fee and commission income, thanks to Belgium.
- Higher cost/income ratio of 62% year-to-date, impacted by the Hungarian bank tax being booked for the full year.
- Credit cost ratio at a very low 0.29% year-to-date, thanks to the Czech Republic and Belgium.
- Consistently solid liquidity position, with an LCR at 130% and an NSFR at 108%.
- Solvency: strong capital base, with a Basel III common equity ratio (fully loaded, *pro forma*) at 12.5%, well above the 10% target.

Overview KBC Group (consolidated)	1Q2013	4Q2013	1Q2014
Net result, IFRS (in millions of EUR)	520	-294	397
Basic earnings per share, IFRS (in EUR)[1]	1.25	-0.71	0.45
Adjusted net result (in millions of EUR)	359	-340	387
Basic earnings per share, based on adjusted net result (in EUR)[1]	0.86	-0.82	0.42
Breakdown by business unit (in millions of EUR)			
Belgium	385	376	351
Czech Republic	132	119	138
International Markets	-87	-731	-26
Group Centre	-71	-104	-75
Parent shareholders' equity per share (in EUR, end of period)	30.0	28.3	28.7

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

[1] Using a new methodology for calculating the net interest margin.

Changes to the reference figures

A number of changes have affected the financial reporting figures. KBC has restated its 2013 quarterly reference figures in order to enhance comparability. The changes concern:

a) The application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but does have an impact on various items in the consolidated income statement.

b) The shift from Basel II to Basel III. Among other things, this has affected the risk-weighted asset figures and related ratios.

c) An enhanced definition for net interest margin across all business units. This is aimed at better showing the margin generated by KBC's core business. Hence, volatile assets related to general liquidity management or derivatives (such as reverse repos, cash balances with central banks, etc.) have been eliminated, while companies that have still to be divested and those in run down have been excluded from the scope (whereas in the past, it was only those companies classified as 'disposal groups' under IFRS 5).

Moreover, risk-weighted assets have also been affected by the National Bank of Belgium's request to remove the possibility of applying a zero weight to domestic sovereign exposures (Belgium, the Czech Republic, Slovakia and Hungary). This change has been taken into account as of the first quarter of 2014 (on a fully loaded basis), but the 2013 figures have not been restated.

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 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Net interest income	1 053	1 003	1 014	1 008	1 010	-	-	-
Interest income	2 161	2 079	2 037	2 067	1 930	-	-	-
Interest expense	-1 108	-1 076	-1 023	-1 060	-920	-	-	-
Non-life insurance (before reinsurance)	149	115	145	127	149	-	-	-
Earned premiums	*305*	*316*	*321*	*317*	*307*	-	-	-
Technical charges	*-156*	*-201*	*-176*	*-190*	*-158*	-	-	-
Life insurance (before reinsurance)	-59	-62	-63	-57	-59	-	-	-
Earned premiums	*271*	*241*	*238*	*381*	*308*	-	-	-
Technical charges	*-331*	*-303*	*-302*	*-438*	*-367*	-	-	-
Ceded reinsurance result	-12	13	1	-6	-17	-	-	-
Dividend income	5	20	14	8	14	-	-	-
Net result from financial instruments at fair value through profit or loss	314	425	223	229	40	-	-	-
Net realised result from available-for-sale assets	142	47	34	29	51	-	-	-
Net fee and commission income	389	381	337	362	374	-	-	-
Fee and commission income	636	560	507	564	557	-	-	-
Fee and commission expense	-247	-179	-170	-202	-182	-	-	-
Other net income	76	-20	51	15	52	-	-	-
Total income	2 058	1 921	1 754	1 715	1 615	-	-	-
Operating expenses	-1 033	-924	-918	-968	-973	-	-	-
Impairment	-350	-275	-362	-940	-114	-	-	-
on loans and receivables	-293	-254	-230	-937	-102	-	-	-
on available-for-sale assets	-13	-3	-8	-10	-5	-	-	-
on goodwill	-7	0	0	0	0	-	-	-
on other	-37	-18	-125	7	-6	-	-	-
Share in results of associated companies and joint ventures	8	8	9	6	7	-	-	-
Result before tax	683	729	483	-187	535	-	-	-
Income tax expense	-159	-210	-207	-103	-138	-	-	-
Net post-tax result from discontinued operations	0	0	0	0	0	-	-	-
Result after tax	524	520	276	-290	397	-	-	-
attributable to minority interests	4	3	4	4	0	-	-	-
attributable to equity holders of the parent	**520**	**517**	**272**	**-294**	**397**	**-**	**-**	**-**
Basic earnings per share (EUR)	1.25	1.24	-0.75	-0.71	0.45	-	-	-
Diluted earnings per share (EUR)	1.25	1.24	-0.75	-0.71	0.45	-	-	-

Note that the 2013 reference figures have been adjusted slightly following the application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but has an impact on various items in the consolidated income statement.

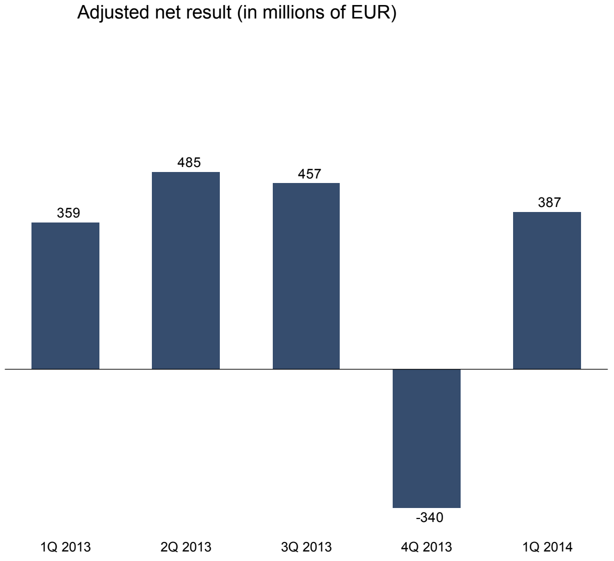
Overview of adjusted results

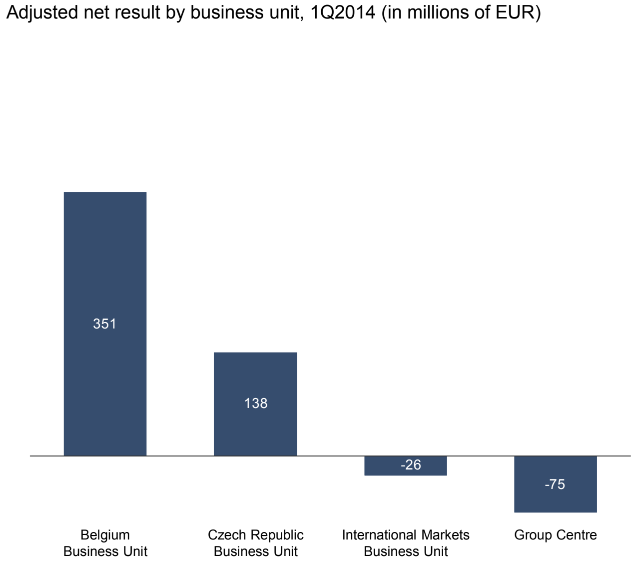
In addition to the figures according to IFRS (previous section), KBC provides figures aimed at giving more insight into the ongoing business performance. Hence, in the overview below, the impact of legacy activities (remaining divestments, CDOs) and of the valuation of own credit risk is excluded from 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 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Adjusted net result (i.e. excluding legacy business and own credit risk)								
Net interest income	1 018	976	999	996	1 002	-	-	-
Non-life insurance (before reinsurance)	149	115	145	127	149	-	-	-
Earned premiums	*305*	*316*	*321*	*317*	*307*	-	-	-
Technical charges	*-156*	*-201*	*-176*	*-190*	*-158*	-	-	-
Life insurance (before reinsurance)	-59	-62	-63	-57	-59	-	-	-
Earned premiums	*271*	*241*	*238*	*381*	*308*	-	-	-
Technical charges	*-331*	*-303*	*-302*	*-438*	*-367*	-	-	-
Ceded reinsurance result	-12	13	1	-6	-17	-	-	-
Dividend income	4	19	11	7	11	-	-	-
Net result from financial instruments at fair value through profit or loss	218	256	146	159	17	-	-	-
Net realised result from available-for-sale assets	96	46	42	29	50	-	-	-
Net fee and commission income	382	385	341	365	378	-	-	-
Other net income	76	68	151	47	52	-	-	-
Total income	1 872	1 815	1 773	1 668	1 584	-	-	-
Operating expenses	-1 023	-914	-906	-955	-965	-	-	-
Impairment	-333	-234	-208	-949	-107	-	-	-
on loans and receivables	*-293*	*-215*	*-185*	*-939*	-103	-	-	-
on available-for-sale assets	-13	-3	-2	-3	-5	-	-	-
on goodwill	-7	0	0	0	0	-	-	-
on other	-20	-15	-22	-7	0	-	-	-
Share in results of associated companies and joint ventures	8	8	9	6	7	-	-	-
Result before tax	524	675	667	-230	518	-	-	-
Income tax expense	-161	-187	-206	-106	-131	-	-	-
Result after tax	363	487	460	-336	387	-	-	-
attributable to minority interests	4	3	4	4	0	-	-	-
attributable to equity holders of the parent	**359**	**485**	**457**	**-340**	**387**	**-**	**-**	**-**
Belgium	385	418	391	376	351			
Czech republic	132	146	157	119	138			
International Markets	-87	-23	-12	-731	-26			
Group Centre	-71	-56	-79	-104	-75			
Basic earnings per share (EUR)	0.86	1.16	-0.30	-0.82	0.42	-	-	-
Diluted earnings per share (EUR)	0.86	1.16	-0.30	-0.82	0.42	-	-	-
Legacy business and own credit risk impact (after tax)								
Legacy – gains/losses on CDOs	165	180	34	65	16	-	-	-
Legacy – divestments	22	-128	-231	-10	-9	-	-	-
MTM of own credit risk	-26	-20	12	-9	2	-	-	-
Net result (IFRS)								
Result after tax, attributable to equity holders of the parent (IFRS)	**520**	**517**	**272**	**-294**	**397**	**-**	**-**	**-**

Note that the 2013 reference figures have been adjusted slightly following the application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but has an impact on various items in the consolidated income statement.

Analysis of the quarter under review (1Q2014)





The net result for the quarter under review amounted to 397 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result came to 387 million euros, as opposed to -340 million euros in 4Q2013 and 359 million euros in 1Q2013.

Total income (adjusted net result)

The year-on-year performance was affected in part by the deconsolidation of Absolut Bank. This item will be disregarded in the analysis below to enable a meaningful comparison to be made (see 'on a comparable basis').

- Net interest income stood at 1 002 million euros, up 1% quarter-on-quarter and 1% year-on-year on a comparable basis. The net interest margin, calculated on the basis of a new and refined methodology, came to 2% for the quarter under review, 8 basis points higher than the (recalculated) level of the previous quarter, and 11 basis points higher than the (recalculated) level of the year-earlier quarter. Deposit volumes were marginally up quarter-on-quarter (driven mainly by growth in demand deposits offset by maturing wholesale debt) and were down by 2% year-on-year (primarily through maturing wholesale debt). Loan volumes were flat quarter-on-quarter and declined by 2% year-on-year. The loan book in the Belgium Business Unit grew marginally quarter-on-quarter but contracted by 2% year-on-year (primarily through a reduction at the foreign branches and the decrease in shareholder loans, while mortgages grew by a modest 1%). Deposits in the Belgium Business Unit grew by 4% quarter-on-quarter (primarily demand deposits) and 1% year-on-year. The loan book in the Czech Republic increased by 6% year-on-year but contracted by 2% quarter-on-quarter, while deposits rose by 6% year-on-year and 1% quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined by 7% year-on-year, owing to the Irish and Hungarian loan portfolios, and by 1% quarter-on-quarter. Its deposit base grew by 5% year-on-year (mainly driven by Ireland, where there is a successful ongoing retail campaign), and by 1% 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 73 million euros, up 14% quarter-on-quarter but down 6% year-on-year.

  In the non-life segment, earned premiums were down 3% quarter-on-quarter, but up 1% year-on-year. Claims during the first quarter were substantially lower (17%) than their quarter-earlier level (due to storms in Belgium in 2013 and a mild winter in 2014) and marginally up (1%) on their level in the first quarter of 2013. The combined ratio came to a solid 89% year-to-date.

  In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were down 10% on their level in 4Q2013, when there had been a successful savings campaign and a seasonal effect. Year-on-year, these sales have fallen by as much as 23%, with the increase in sales of guaranteed-interest products not offsetting the decline in sales of unit-linked products.

  It should be noted that the first quarter was a good one for investment income from insurance activities, with the quarter-on-quarter results being driven by realised gains on available-for-sales assets in the investment portfolio. Lastly, the technical-financial result also benefited from general administrative expenses being kept strictly under control.

- The net result from financial instruments at fair value amounted to 17 million euros in the quarter under review, significantly below the 194-million-euro average for the four preceding quarters. This figure is driven by dealing-room income, which stood at a good level in 1Q2014, but the quarter under review was significantly impacted by negative marked-to-market valuations in respect of derivative instruments used for asset/liability management purposes. These adjustments came to -83 million euros (compared to a quarterly average in 2013 of +70 million euros).
- Net realised gains from available-for-sale assets stood at 50 million euros for the quarter under review, in line with the 53-million-euro average for the four preceding quarters. These gains were realised primarily on the sale of shares.
- Net fee and commission income amounted to 378 million euros, up 4% quarter-on-quarter and flat year-on-year (on a comparable basis). The main drivers for the quarter-on-quarter trend were the higher level of entry fees on the sale of investment products in Belgium, somewhat mitigated by the lower level of transaction fees in Hungary (payment transactions). Assets under management stood at 167 billion euros, up 2% on their level of the previous quarter (accounted for by the investment performance (+1%) and net entries (+1%)) and up 7% year-on-year, driven by the investment performance (+4%) and by net inflows (+3%).
- Other net income came to 52 million euros, lower than the 86-million-euro average for the four preceding quarters, which had benefited from a number of significant positive one-off items.

Operating expenses (adjusted net result)

- Operating expenses came to 965 million euros in 1Q2014, up 1% on their level in the previous quarter. The quarter-on-quarter increase was entirely attributable to the 2014 Hungarian bank tax being charged in full in the first quarter (51 million euros). On the other hand, there were some positive seasonal effects, such as the traditionally lower marketing costs in the first quarter. On a comparable basis, costs were down 3% year-on-year, due to a number of factors but primarily to a weaker Czech koruna and Hungarian forint, and lower pension expenses.
- The year-to-date cost/income ratio came to a relatively high 62%, but this was largely caused by the bank tax being charged for the full year in Hungary and the fact that the denominator (total income) suffered from the negative marked-to-market valuations of the ALM derivatives. Adjusted for specific items (bank tax and ALM derivatives), the cost/income ratio stood at 56%.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 103 million euros in 1Q2014, down on the 939 million euros recorded in the previous quarter and on the 293 million euros recorded a year earlier. The figure for 4Q2013 had included loan loss impairment of 773 million euros recorded at KBC Bank Ireland and 43 million euros in Hungary, which was largely related in both cases to the review of their loan books in that quarter. In 1Q2014, loan loss provisioning dropped to 48 million for Ireland and to 11 million for Hungary. The annualised credit cost ratio for the whole group stood at 0.29%. This breaks down into a very favourable 0.15% for the Belgium Business Unit (down from 0.37% for FY2013), an unsustainably low 0.03% in the Czech Republic Business Unit (down from 0.26% for FY2013), and 0.99% for the International Markets Business Unit (an improvement from 4.48% for FY2013, which had clearly been impacted by the large loan loss impairment charges in Ireland in 4Q2013).
- Impairment charges on assets other than loans were limited in the quarter under review, amounting to 5 million euros and relating to available-for-sale assets.

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

- CDOs: During the first quarter, corporate and ABS credit spreads remained more or less stable. When account is taken of the impact of the fee for the CDO guarantee scheme with the Belgian Federal Government, the further reduction of approximately 2 billion euros in the net exposure to legacy CDO positions, along with the termination costs, there was a positive post-tax impact of 16 million euros.
- Remaining divestments: A total post-tax negative impact of 9 million euros was recorded for this quarter, mainly to offset the positive results of Antwerp Diamond Bank given its sale.
- Impact of own credit risk valuation: The stabilisation of the credit spread on KBC debt between the end of December 2013 and the end of March 2014 resulted in a slight positive marked-to-market adjustment of 2 million euros (post tax), and had no impact on regulatory capital.

Breakdown by business unit

- In the first quarter of 2014, the Belgium Business Unit generated a net result of 351 million euros, somewhat below the average figure of 393 million euros for the four preceding quarters. Compared with the previous quarter, 1Q2014 was characterised by higher net interest income, net fee and commission income and gains on the sale of shares, as well as a solid combined ratio for non-life insurance. However, sales of interest-guaranteed life products were lower and the impact of marked-to-market valuations in respect of ALM derivatives was a negative one. Costs were down slightly and impairment charges decreased. The banking activities accounted for 74% of the net result in the quarter under review, and the insurance activities for 26%.
- In the quarter under review, the Czech Republic Business Unit posted a net result of 138 million euros, in line with the average figure of 139 million euros for the four preceding quarters. Compared with the previous quarter, the results for 1Q2014 were characterised by a further weakening of the Czech koruna, higher net interest income and gains on the sale of bonds, lower net results from financial instruments and from fees and commissions, an increase in what is still a good non-life combined ratio and lower sales of unit-linked life insurance products. Costs improved, as did loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review, and the insurance activities for 4%.
- In the first quarter of this year, the International Markets Business Unit recorded a net result of -26 million euros, significantly better than the average of -213 million euros for the four preceding quarters. The main factor explaining the improvement on 4Q2013 was the huge drop in loan loss provisions at KBC Bank Ireland. 1Q2014 was also characterised by higher net interest income and an improved result from financial instruments, a solid non-life combined ratio, lower net fee and commission income and flat costs, excluding the entire bank tax in Hungary being booked for the full year. Overall, the banking activities accounted for a net result of -33 million euros (the positive results in Slovakia and Bulgaria were eliminated by the negative results in Ireland and in Hungary), while the insurance activities accounted for a net result of 7 million euros.
- The Group Centre's net result amounted to -65 million euros in 1Q2014. This includes not only a number of group items and the results of companies earmarked for divestment, but also the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk. Disregarding the latter two items, the adjusted net result for the Group Centre stood at -75 million euros.

Equity and solvency

- At the end of March 2014, total equity came to 15.7 billion euros – up 1.2 billion euros on its level at the start of the year – due mainly to the inclusion of the Additional Tier-1 instrument (1.4 billion euros) issued in March. Other factors impacting total equity in the first quarter were the repayment of 0.5 billion euros (including the 50% penalty) in Flemish state aid, the inclusion of the 1Q2014 results (0.4 billion euros), the changes in the AFS reserve (0.1 billion euros) and in the cashflow reserve (-0.2 billion euros).
- The group's common equity ratio (Basel III, fully loaded, under the Danish Compromise, including the remaining aid from the Flemish Region) stood at a strong 12.2% at 31 March 2014. The *pro forma* common equity ratio came to 12.5% (including the impact of the divestment agreements signed for KBC Bank Deutschland and Antwerp Diamond Bank).
- The solvency ratio for KBC Insurance was an excellent 299% at 31 March 2014, up from the already high 281% at the end of 2013.

Liquidity

- The group's liquidity remains excellent, as reflected in an LCR ratio of 130% and an NSFR ratio of 108% at the end of the first quarter.

Selected balance sheet data

Highlights of consolidated balance sheet * KBC Group (in millions of EUR)	31-03-2013	30-06-2013	30-09-2013	31-12-2013	31-03-2014	30-06-2014	30-09-2014	31-12-2014
Total assets	255 753	250 557	247 530	238 686	246 179	-	-	-
Loans and advances to customers	127 112	129 179	125 795	120 371	120 810	-	-	-
Securities (equity and debt instruments)	64 777	65 435	63 854	64 904	66 313	-	-	-
Deposits from customers and debt certificates	164 766	164 213	166 223	161 135	163 838	-	-	-
Technical provisions, before reinsurance	18 836	18 805	18 803	18 701	18 941	-	-	-
Liabilities under investment contracts, insurance	11 664	11 606	11 684	11 787	11 976	-	-	-
Parent shareholders' equity	12 505	12 119	11 895	11 826	11 968	-	-	-
Non-voting core-capital securities	3 500	3 500	2 333	2 333	2 000	-	-	-

* Note that the 2013 reference figures have been adjusted slightly following the application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect equity, but has an impact on various items in the consolidated balance sheet. Moreover, 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.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2013	1Q2014
Profitability and efficiency (based on adjusted net result)		
Return on equity*	9%	13%
Cost/income ratio, banking	52%	62%
Combined ratio, non-life insurance	94%	89%
Solvency		
Common equity ratio (Basel III, fully loaded, including remaining state aid)**	12.8%	12.2%
Credit risk		
Credit cost ratio	1.21%	0.29%
Non-performing ratio	5.9%	5.9%

* If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and the additional tier-1 instruments included in equity, 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, the common equity ratio stood at a 12.5% at the end of 1Q2014.
Note: a number of ratios have been affected (with retroactive application) by changes due to the implementation of IFRS11, Basel III and the abolished carve-out of the zero weighting of domestic government bonds.

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. For the last two divestments (Antwerp Diamond Bank and KBC Bank Deutschland), sale agreements have been signed and are awaiting regulatory approval.
- 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 to legacy CDO positions was further reduced by approximately 2 billion euros, thanks to the continued collapsing of CDO exposures.
- In February 2014, KBC announced a further simplification of its management structure, in line with the reduced size of the group and the new situation. The Executive Committee was reduced from 8 to 6 members.
- On 12 March 2014, KBC successfully placed a non-dilutive CRD IV-compliant Additional tier-1 instrument for 1.4 billion euros. There was considerable interest in the issue, which was five times oversubscribed.
- In March 2014, KBC's long-term ratings were upgraded by S&P to 'A' for KBC Bank, 'A' for KBC Insurance, and to 'A-' for KBC Group.
- On 2 April 2014, KBC announced its intention to call its outstanding stock of 5 classic tier-1 securities following the successful closure of its AT-1 securities issue. Three of these securities have since been called.
- In May 2014, KBC's long-term ratings were upgraded by Moody's to 'A2' for KBC Bank and to 'A3' for KBC Group.

Developments on the Corporate Sustainability & Responsibility front

- KBC Group published its 'Report to Society for 2013', in which it informs the general public of what it has been doing in 2013 and why.
- ČSOB in the Czech Republic won the 'Internet Effectiveness Award 2013' in the area of non-profit sector, human rights and the environment for the pilot grant programme called 'Era Helps the Regions', which is aimed at assisting 27 non-profit and contributory organisations in nine regions. Given the success of the pilot programme, 'Era Helps the Regions' will be rolled out countrywide in 2014.
- K&H organised the 'K&H Ready, Steady, Money!' national competition in school year 2013/2014 for the fourth time: 1 081 teams from 350 schools participated in the first round of the competition and more than 4 700 pupils put their knowledge and creativity to the test in dealing with various financial tasks. Participant numbers were up 50% on their level for the previous school year.
- KBC Ireland launched a new 'KBC Bright Ideas' initiative, a fund for people from Dublin, Cork, Galway or Limerick who want to transform their communities.
- KBC joined the World Business Council for Sustainable Development (WBCSD) and participated at the liaison delegate meeting in Montreux.
- The KBC group created a blacklist of companies breaching the Global Compact Principles and reinforced the policies and procedures for exposure to soft commodities.

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.
- The global economy has left behind its weak winter period. The latest economic indicators point towards a continuation of the economic recovery, as reflected by the German Ifo indicator, among other things. Economic data in other euro zone economies are likewise pointing to improving growth performances, suggesting that the recovery in the euro zone is becoming increasingly broad-based. Moreover, the European business cycle will probably receive some extra support from a more growth-neutral fiscal policy.
- Against the background of a further, albeit moderate, improvement in the euro area's growth dynamic, the risk of a new round of the euro crisis has diminished, as well. Intra-EMU sovereign yield spreads have been narrowing significantly in recent months, due in part to the favourable outcome of the ECB's OMT programme from mid-2012, in which the ECB promised to do 'whatever it takes' to save the euro zone and, if necessary, to buy unlimited amounts of sovereign debt. Apart from that, the recent political progress towards a more genuine banking union also played a crucial part by weakening the potentially dangerous link between banks and their national sovereign. More specifically, the ongoing asset quality review and stress test by the ECB and the EBA are helping to improve transparency about the financial health of the European banking sector, while the ECB – as single supervisor from November this year – will ensure that rules are uniformly implemented. Moreover, the recent agreement on the Single Resolution Mechanism ensures that a possible bank resolution is dealt with on a European rather than a national financial level.
- This relatively favourable economic European trend is part of a more global resumption of the economic recovery. In the US, producer confidence improved again, while job creation – which is critically important to support consumption growth – rose again in April to a level clearly above its pre-severe winter level. The Japanese economy has been benefiting from the expansionary policies known as 'Abenomics', and is also digesting the recent VAT rate hike rather well. The latest Chinese economic data, however, suggest a certain moderation in growth, reflecting the difficulty that policy makers have in restraining investment growth and sufficiently stimulating private consumption growth. Relative calm has returned to the other emerging markets since the fear of an imminent rate hiking cycle by the US Fed has faded somewhat. Since some underlying issues are still present, a number of emerging markets remain vulnerable. Apart from that, political conflicts such as those in Venezuela, Thailand and particularly in Ukraine remain unresolved.

KBC Group Analysis of 1Q2014 results by business unit

Unless otherwise specified,
all amounts are given in euros

Business unit structure

In the segment reporting presentation, the segments, or business units, 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 the remaining 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).

Adjustments to the segmented information as of 1Q2014

As of 1Q2014, a number of changes affect KBC's group and segment reporting figures:

a) The application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of (until now) the proportionate consolidation method. For KBC, this mainly applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but does have an impact on various items in the consolidated income statement and balance sheet.

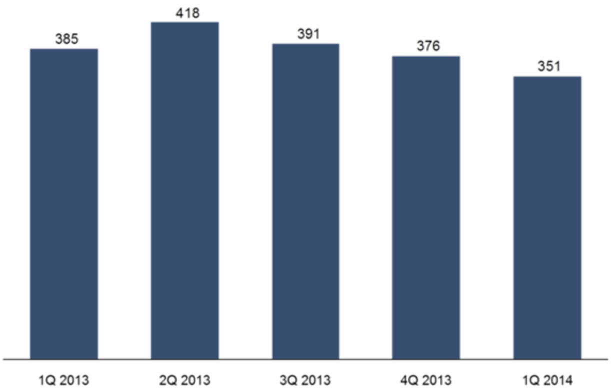
b) The shift from Basel II to Basel III. Among other things, this has affected the risk-weighted asset figures and related ratios.

c) An enhanced definition for net interest margin across all business units. This is aimed at better showing the margin generated by KBC's core business. Hence, volatile assets related to general liquidity management or derivatives (such as reverse repos, cash balances with central banks, etc.) have been eliminated, while companies that have still to be divested and those in run down have been excluded from the scope (whereas in the past, it was only those companies classified as 'disposal groups' under IFRS 5).

In order to be transparent, KBC has also applied the aforementioned changes to the 2013 quarterly reference figures.

Analysis of the results – Belgium Business Unit

Net result – Belgium
(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)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	658	640	670	680	696	-	-	-
Non-life insurance (before reinsurance)	117	96	111	86	118	-	-	-
Earned premiums	234	239	241	241	236	-	-	-
Technical charges	-117	-143	-130	-155	-118	-	-	-
Life insurance (before reinsurance)	-69	-69	-70	-66	-65	-	-	-
Earned premiums	195	180	162	295	255	-	-	-
Technical charges	-263	-249	-232	-361	-320	-	-	-
Ceded reinsurance result	-10	4	0	-1	-17	-	-	-
Dividend income	4	18	11	7	11	-	-	-
Net result from financial instruments at fair value through profit or loss	135	201	83	125	-19	-	-	-
Net realised result from available-for-sale assets	85	30	40	15	42	-	-	-
Net fee and commission income	291	288	240	241	278	-	-	-
Other net income	66	49	124	53	42	-	-	-
Total income	1 278	1 257	1 210	1 141	1 086	-	-	-
Operating expenses	-575	-544	-568	-562	-555	-	-	-
Impairment	-140	-98	-65	-59	-38	-	-	-
on loans and receivables	-138	*-82*	-43	-65	-34	-	-	-
on available-for-sale assets	-2	*-2*	-1	-2	-5	-	-	-
on goodwill	0	*0*	0	0	0	-	-	-
other	1	*-14*	-21	7	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	-1	-	-	-
Result before tax	562	615	577	519	492	-	-	-
Income tax expense	-176	-198	-186	-142	-142	-	-	-
Result after tax	386	417	391	377	351	-	-	-
attributable to minority interests	1	-1	0	0	0	-	-	-
attributable to equity holders of the parent	**385**	**418**	**391**	**376**	**351**	**-**	**-**	**-**
Banking	300	329	307	319	261	-	-	-
Insurance	85	89	83	57	90	-	-	-
Risk-weighted assets banking (end of period, Basel III)	42 287	40 947	38 491	40 307	40 858	-	-	-
Required capital insurance (end of period, Solvency I)	839	842	846	850	851	-	-	-
Allocated capital (end of period)	5 697	5 569	5 330	5 518	5 575	-	-	-
Return on allocated capital (ROAC)	26%	29%	29%	28%	25%	-	-	-
Cost/income ratio, banking	46%	44%	49%	49%	53%	-	-	-
Combined ratio, non-life insurance	85%	93%	90%	103%	88%	-	-	-
Net interest margin, banking	1.78%	1.72%	1.81%	1.87%	1.98%	-	-	-

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'. This shift does not apply to the other business units for reasons of materiality.

In 1Q2014, the Belgium Business Unit generated a net result of 351 million, somewhat below the average figure of 393 million for the four preceding quarters. Compared with the previous quarter, 1Q2014 was characterised by higher net interest income, strong net fee and commission income and gains on the sale of shares, as well as a solid combined ratio for non-life insurance. However, sales of interest-guaranteed life products were lower and the impact of marked-to-market valuations in respect of ALM derivatives was a negative one. Costs were down slightly and impairment charges decreased significantly. The banking activities accounted for 74% of the net result in the quarter under review, and the insurance activities for 26%.

Net interest income up quarter-on-quarter

Net interest income stood at 696 million in the quarter under review, up 2% on the previous quarter and up 6% on the year-earlier quarter. The quarter-on-quarter increase was driven by various items, such as the positive impact of lower funding costs (particularly on customer term deposits), the lower interest rate on saving accounts and a relatively large amount of prepayment fees, partly offset by the negative impact of the low interest yield environment in general and the lower mumber of days in 1Q2014. The year-on-year increase resulted from, *inter alia*, lower interest paid on deposits and the bigger bond portfolio at the bank, partly offset by decreasing volumes at the foreign branches and lower interest income generated on the insurer's bond portfolio (lower volume and lower average yield).

On the whole, the net interest margin at KBC Bank in Belgium widened by 11 basis points quarter-on-quarter and by 20 basis points year-on-year, amounting to 198 basis points in 1Q2014.

At the end of March 2014, the Belgium Business Unit's loan book ('Loans and advances to customers, excluding reverse repos') amounted to 82 billion, slightly up (+0.4%) quarter-on-quarter but down 2% year-on-year. The latter was still mainly due to the intentional decrease at the foreign branches of KBC Bank and the reduction in shareholder loans. Deposits ('Deposits from customers and debt certificates, excluding repos') stood at 100 billion, up 3.5% on the previous quarter's level and circa 1% year-on-year.

Non-life combined ratio at a very good level
Lower sales of life insurance products in the quarter under review

In the non-life business, premium income (236 million) was down 2% quarter-on-quarter (due mainly to the fewer days) and up 1% year-on-year (this increase was generated chiefly by the 'fire' and 'motor' classes). Technical non-life charges (118 million) were flat year-on-year and decreased by 24% quarter-on-quarter, as 4Q2013 had been impacted by such factors as higher claims in the 'Motor' and 'Fire' classes and the negative impact of storm damage, while 1Q2014 benefited from the mild winter. After taking into account the ceded reinsurance result, earned premiums less technical charges stood at 101 million in the quarter under review, compared with 85 million in 4Q2013 and 107 million in 1Q2013. As a result, the combined ratio improved significantly from 103% in the previous quarter to a solid 88% in 1Q2014.

In the life business, insurance sales (including unit-linked products which are not included in the premium figures under IFRS) amounted to 380 million in 1Q2014, somewhat down on the 396 million recorded in the previous quarter and significantly lower than the 485 million recorded in the year-earlier quarter. The quarter-on-quarter decrease was attributable to a drop in guaranteed-interest products (4Q2013 had benefited from the savings campaign in October/November and traditionally higher volumes in pension savings products in that quarter), which was only partially offset by increased unit-linked sales. Year-on-year, the decline was entirely attributable to lower sales of unit-linked insurance products (switch to mutual funds, among other things). As a result, unit-linked life insurance sales in 1Q2014 – which usually constitute the bulk of life sales – accounted for a relatively low 33% of life sales. At the end of March 2014, the life reserves of the Belgium Business Unit (including the liabilities under unit-linked contracts) amounted to 26 billion (up 2% 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.

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

Total net fee and commission income amounted to 278 million in the quarter under review, up 15% compared to the previous quarter, but 5% lower than a year earlier. Quarter-on-quarter, the positive difference was due primarily to higher entry fees on mutual funds and increased commission income on the sale of unit-linked life insurance products. The 5% year-on-year decrease in net fee and commission income was essentially due to lower commission income on the sale of unit-linked life insurance products (lower sales volumes year-on-year) and lower fees related to securities transactions, which were only partially offset by higher entry fees on mutual funds and higher management fees.

Assets under management in this business unit stood at 155 billion at the end of March 2014, up 2% on the level recorded three months previously (roughly one-third of which owing to net inflows and the remainder to a positive price effect) and up 7% on the year-earlier level (some 40% of which was attributable to net inflows and 60% 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 -19 million in the quarter under review, significantly below the positive 136 million average for the four preceding quarters. This was due to the fact that the quarter under review included large negative MTM valuations of ALM derivatives following the decrease in the 10Y IRS rate (impact of -86 million in 1Q2014, compared to a quarterly average of +63 million in 2013) which fully offset the good dealing room result in 1Q2014. Dividend income stood at 11 million, up on the 4 million recorded in the year-earlier quarter and the 7 million recorded in 4Q2013. The realised result from available-for-sale assets amounted to 42 million, in line with the average figure for the four preceding quarters. Sales of shares (almost entirely at KBC Insurance) and sales of bonds accounted for 36 million and 5 million, respectively, of the realised gains in the quarter under review. Other net income amounted to 42 million, down on the 73 million average for the four preceding quarters, which had benefited from a number of positive one-off items (recovery of moratorium interest on an old tax-related file, gains on the sale of real estate, etc.).

Costs slightly down quarter-on-quarter

The operating expenses of the Belgium Business Unit totalled 555 million in the quarter under review, slightly down (-1%) on the previous quarter, due mainly to lower marketing expenses (traditionally high in the fourth quarter) and lower post-employment benefits, but partially offset by somewhat higher bank taxes on credit institutions, higher variable staff remuneration and higher ICT expenses. Cost were down 4% on the year-earlier quarter, owing in part to lower common staff and pension expenses, lower ICT expenses and other general operational expenses.

The cost/income ratio in the quarter under review amounted to 53%, compared to 49% in 4Q2013 and 47% for FY2013. Note that the numerator of this ratio includes large *negative* MTM valuations of ALM derivatives in 1Q2014, while the reference quarters in 2013 were positively influenced by large *positive* MTM valuations of such derivatives, as well as by some other exceptional income items. Excluding such items, the cost/income ratio for 1Q2014 stood at 49%.

Impairment down on previous quarter

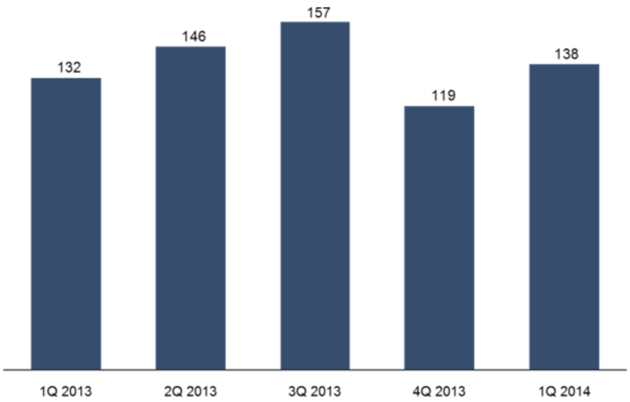
Impairment on loans and receivables (loan loss provisions) amounted to 34 million in 1Q2014, below the 65 million recorded for the previous quarter, which had been impacted by higher impairment charges in the foreign branches, among other things. Loan loss provisions were also significantly lower than the 138 million recorded in 1Q2013, which had been impacted by one large impairment file. As a result, the credit cost ratio for 1Q2014 stood at a favourable 15 basis points, an improvement on the 37 basis points recorded in FY2013.

At the end of 1Q2014, some 2.5% of the Belgian loan book was non-performing, roughly at the same level as three months earlier.

Other impairment charges amounted to 5 million in the quarter under review and related entirely to available-for-sale shares in portfolio.

Analysis of the results – Czech Republic Business Unit

Net result – Czech Republic
(in millions of EUR)



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

Income statement, Czech Republic Business Unit (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	230	232	230	214	219	-	-	-
Non-life insurance (before reinsurance)	16	3	17	26	16	-	-	-
Earned premiums	*41*	*42*	*43*	*43*	*39*	-	-	-
Technical charges	*-25*	*-39*	*-27*	*-17*	*-23*	-	-	-
Life insurance (before reinsurance)	7	5	7	6	6	-	-	-
Earned premiums	*48*	*36*	*53*	*61*	*32*	-	-	-
Technical charges	*-41*	*-30*	*-47*	*-55*	*-26*	-	-	-
Ceded reinsurance result	-1	10	0	-4	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	16	28	24	14	10	-	-	-
Net realised result from available-for-sale assets	7	6	0	4	8	-	-	-
Net fee and commission income	47	43	45	49	45	-	-	-
Other net income	3	2	8	-4	2	-	-	-
Total income	325	330	330	305	303	-	-	-
Operating expenses	-158	-156	-150	-158	-145	-	-	-
Impairment	-20	-7	-6	-16	-2	-	-	-
on loans and receivables	*-20*	*-8*	*-6*	*-13*	-2	-	-	-
on available-for-sale assets	*0*	*0*	*0*	*0*	0	-	-	-
on goodwill	*0*	*0*	*0*	*0*	0	-	-	-
Other	*0*	*0*	*0*	*-3*	0	-	-	-
Share in results of associated companies and joint ventures	7	7	8	6	6	-	-	-
Result before tax	155	174	183	136	163	-	-	-
Income tax expense	-22	-28	-26	-17	-25	-	-	-
Result after tax	132	146	157	119	138	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**132**	**146**	**157**	**119**	**138**	**-**	**-**	**-**
Banking	128	143	150	109	132	-	-	-
Insurance	5	3	7	10	6	-	-	-
Risk-weighted assets banking (end of period, Basel III)	12 234	13 119	13 164	12 563	12 618	-	-	-
Required capital insurance (end of period, Solvency I)	72	72	73	69	69	-	-	-
Allocated capital (end of period)	1 349	1 438	1 444	1 378	1 382	-	-	-
Return on allocated capital (ROAC)	38%	44%	43%	35%	40%	-	-	-
Cost/income ratio, banking	48%	46%	45%	52%	47%	-	-	-
Combined ratio, non-life insurance	99%	104%	97%	84%	94%	-	-	-
Net interest margin, banking	3.31%	3.33%	3.28%	3.09%	3.29%	-	-	-

Note that the 2013 reference figures have been adjusted slightly following the application of the FRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of (until now) the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but has an impact on various items in the consolidated income statement.

In the quarter under review, the Czech Republic Business Unit posted a net result of 138 million, in line with the average figure of 139 million for the four preceding quarters. Compared with the previous quarter, the results for 1Q2014 were characterised by a further weakening of the Czech koruna, higher net interest income and gains on the sale of bonds, lower net results from financial instruments and from fees and commissions, an increase in what is still a good non-life combined ratio and lower sales of unit-linked life insurance products. Costs improved, as did loan loss impairment charges. Banking activities accounted for 96% of the net result in the quarter under review, and the insurance activities for 4%.

Net interest income slightly up quarter-on-quarter

Net interest income generated in this business unit amounted to 219 million in the quarter under review. Excluding the effect of the exchange rate (the Czech koruna weakened by 5% on its 4Q2013 level and by 7% on its 1Q2013 level) and a one-off item (an adjustment of accrued mortgage commissions in 4Q2013), net interest income was up by 1% quarter-on-quarter and by 2% year-on-year. Technical elements (fewer days, etc.) aside, both the quarter-on-quarter and year-on-year increases came about thanks in part to margin and volume effects, which more than offset the lower reinvestment yield. The overall net interest margin of the ČSOB group in the Czech Republic amounted to 3.29% in the quarter under review, which – technical items aside – was up 6 basis points on the previous quarter and roughly flat year-on-year.

Disregarding the FX effect, the group's Czech loan book (15 billion in 'Loans and advances to customers, excluding reverse repos' at 31 March 2014) was down 2% quarter-on-quarter but up 6% year-on-year. The deposit base (22 billion in 'Deposits from customers and debt certificates, excluding repos') was up 1% quarter-on-quarter and 6% year-on-year.

Good combined ratio in non-life insurance
Low sales of unit-linked life products

In the non-life business, premium income stood at 39 million, down 7% quarter-on-quarter and roughly flat year-on-year (disregarding the FX impact). At 23 million, technical charges were up 35% on 4Q2013 (1Q2014 was negatively impacted by one big claim, while 4Q2013 had benefited from releases of provisions) and down 3% on 1Q2013 (disregarding the FX impact). When account is also taken of the impact of reinsurance, earned premiums less technical charges deteriorated by 6 million quarter-on-quarter and were more or less the same year-on-year. The combined ratio for the quarter under review stood at a good 94%, a deterioration compared to the excellent 84% registered in 4Q2013 (which had benefited from releases of provisions), but still a slight improvement on the FY2013 figure of 96%.

In the life business, sales amounted to 32 million in the quarter under review, down on the previous quarter (61 million) and year-earlier quarter (48 million). Both the quarter-on-quarter and year-on-year decreases in life sales were attributable almost entirely to the drop in sales of unit-linked products (no new tranches of Maximal Invest Life products in 1Q2014), and as a consequence, these products accounted for a comparatively low 56% of life sales in the quarter under review. At the end of March 2014, 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 45 million in the quarter under review, a 6% decrease compared with the previous quarter but a 2% increase on its 1Q2013 level (disregarding FX effects). The quarter-on-quarter decline was caused primarily by lower fees on payment cards (seasonal effect in 4Q2013). Total assets under management in this business unit came to roughly 6.4 billion at quarter-end, up 3% quarter-on-quarter (thanks mainly to net entries) and 5% year-on-year (thanks entirely to net entries).

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 10 million, lower than the average figure of 21 million for the four preceding quarters. The net realised result from available-for-sale assets stood at 8 million, double the 4 million average for the last four quarters, and comprising solely gains on the sale of bonds. Other net income totalled 2 million in the quarter under review, in line with the average for the four preceding quarters.

Costs down quarter-on-quarter

The operating expenses of this business unit came to 145 million, a 5% decrease (disregarding FX effects) compared with 4Q2013, due to lower marketing costs and lower facilities and other administrative expenses, but partially offset by higher ICT costs. Compared to 1Q2013, costs fell by 2% (disregarding FX effects), again due to somewhat lower facilities and marketing expenses, and somewhat higher ICT costs.

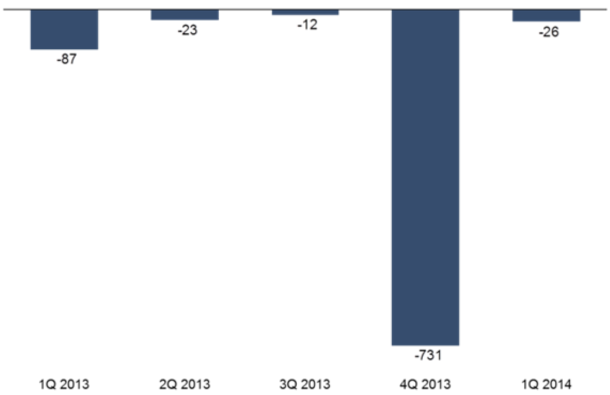
Consequently, the cost/income ratio of the Czech Republic Business Unit came to 47%, an improvement on the 52% recorded in the previous quarter and comparable to the average level recorded for FY2013.

Loan loss provisions at very low level in the quarter under review

Impairment on loans and receivables (loan loss provisions) stood at a very favourable 2 million in the quarter under review, significantly down on the 13 and 20 million recorded in the previous and year-earlier quarters, respectively, as it benefitted from some releases of provisions and model changes. As a result, the credit cost ratio of this business unit amounted to a very favourable 3 basis points for 1Q2014, a further improvement on the already good 26 basis points recorded for FY2013. At the end of the quarter under review, non-performing loans accounted for some 3.1% of the Czech loan book, the same level as three months earlier.

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

Analysis of the results – International Markets Business Unit



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

Income statement, International Markets Business Unit (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	155	160	163	155	160	-	-	-
Non-life insurance (before reinsurance)	21	19	20	20	19	-	-	-
Earned premiums	39	38	39	39	37	-	-	-
Technical charges	-18	-20	-19	-18	-18	-	-	-
Life insurance (before reinsurance)	2	0	0	2	1	-	-	-
Earned premiums	25	20	18	19	22	-	-	-
Technical charges	-23	-21	-18	-17	-21	-	-	-
Ceded reinsurance result	-2	-2	-2	-4	-2	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	21	22	29	17	25	-	-	-
Net realised result from available-for-sale assets	2	8	2	1	2	-	-	-
Net fee and commission income	41	45	50	68	49	-	-	-
Other net income	2	19	1	-2	0	-	-	-
Total income	242	272	262	258	253	-	-	-
Operating expenses	-210	-176	-156	-173	-216	-	-	-
Impairment	-127	-116	-119	-827	-64	-	-	-
on loans and receivables	-117	-114	-118	-821	-64	-	-	-
on available-for-sale assets	-10	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	-1	-1	0	-6	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	0	-	-	-
Result before tax	-95	-19	-12	-742	-27	-	-	-
Income tax expense	8	-4	0	11	1	-	-	-
Result after tax	-87	-23	-12	-731	-26	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-87**	**-23**	**-12**	**-731**	**-26**	**-**	**-**	**-**
Banking	-82	-29	-17	-735	-33	-	-	-
Insurance	-6	6	6	4	7	-	-	-
Risk-weighted assets banking (end of period, Basel III)	16 963	16 356	16 110	16 247	18 484	-	-	-
Required capital insurance (end of period, Solvency I)	43	42	42	44	44	-	-	-
Allocated capital (end of period)	1 772	1 710	1 684	1 702	1 925	-	-	-
Return on allocated capital (ROAC)	-19%	-5%	-3%	-176%	-6%	-	-	-
Cost/income ratio, banking	88%	65%	59%	67%	88%	-	-	-
Combined ratio, non-life insurance	87%	98%	97%	103%	89%	-	-	-
Net interest margin, banking	2.06%	2.10%	2.11%	2.07%	2.26%	-	-	-

In the quarter under review, the International Markets Business Unit recorded a net result of -26 million, significantly above the average of -213 million for the four preceding quarters. The main factor explaining the improvement on 4Q2013 was the huge drop in loan loss provisions at KBC Bank Ireland. 1Q2014 was also characterised by higher net interest income and an improved result from financial instruments, a solid non-life combined ratio, lower net fee and commission income and higher costs due to the entire bank tax in Hungary being booked for the full year. Overall, the banking activities accounted for a net result of -33 million (the positive results in Slovakia and Bulgaria were eliminated by the negative results in Ireland and in Hungary), while the insurance activities accounted for a net result of 7 million.

Total income down slightly quarter-on-quarter. Positive change in net interest income and net result from financial instruments offset by lower net fee and commission income.

Net interest income stood at 160 million in 1Q2014, up 3% on 4Q2013, thanks primarily to the increase in Ireland, which was largely caused by the fact that 4Q2013 had included a one-off 12-million increase in allocated liquidity costs. Net interest income was up 3% on the year-earlier figure too, owing mainly to increases in Slovakia (bigger mortgage portfolio) and Hungary, but partly offset by a decrease in Ireland (mainly due to higher reserved interest charges).

On a weighted basis, the net interest margin of this business unit amounted to 226 basis points in the quarter under review, up 19 basis points quarter-on-quarter and 20 basis points year-on-year.

The total loan portfolio of the International Markets Business Unit (21 billion in ‘Loans and advances to customers, excluding reverse repos’ at 31 March 2014) was slightly down (-0.5%) quarter-on-quarter and down almost 7% year-on-year. The year-on-year decline was almost entirely attributable to Ireland (where matured and impaired loans surpassed new production), which more than offset loan growth in Slovakia (+5%) and Bulgaria (+11%). Customer deposits for the entire business unit (14 billion in ‘Deposits from customer and debt certificates, excluding repos’) rose by 1% in the quarter under review (down in Hungary, up in Ireland), and grew by 5% compared to the situation a year ago. Almost the entire year-on-year increase was accounted for by Ireland (+28%, owing to the ongoing retail deposit campaign in that country), although deposits rose in Slovakia, too (+2%).

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 direct insurance activities in Ireland) amounted to 37 million, down 3% on both the quarter-earlier and year-earlier figures. Technical insurance charges in the non-life segment were down 1% compared with the previous quarter and up 2% year-on-year. Overall, this caused the non-life combined ratio for the quarter under review to improve to a solid 89%, compared to 103% in 4Q2013 and 95% for full-year 2013. The combined ratio for 1Q2014 breaks down into 82% for Hungary (favourable claims experience, among other things), 82% for Slovakia (release of claims reserves, etc.) and 99% for Bulgaria.

Life sales, including insurance products not recognised as earned premiums under IFRS, amounted to 27 million in the quarter under review, in line with the level recorded in the previous quarter and down some 10% on 1Q2013 (drop mainly in unit-linked products). For the business unit as a whole, sales of unit-linked products accounted for slightly over half of total life insurance sales in the quarter under review, and interest-guaranteed products for the remainder. At the end of March 2014, the business unit’s outstanding life reserves (including the liabilities under unit-linked products) stood at 0.5 billion, up 4% year-on-year.

The other income components totalled 76 million in the quarter under review. This included net fee and commission income of 49 million, down on the average of 51 million in the four preceding quarters (1Q2014 suffered from seasonal effects and fee price lowering in Hungary). Trading and fair value income (recorded under ‘Net result from financial instruments at fair value through profit or loss’) came to 25 million, up somewhat on the average figure of 22 million for the four preceding quarters. The net realised result from available-for-sale bonds and shares amounted to 2 million.

Costs up quarter-on-quarter due to Hungarian bank tax being booked for the full year

Operating expenses in the quarter under review amounted to 216 million, at first sight up 25% on the previous quarter, but this was due entirely to the 2014 Hungarian bank tax being charged in full as usual in the first quarter (51 million). Costs were up 3% year-on-year, caused mainly by Ireland, where the number of FTEs increased (particularly in the MARS support unit) and the costs rose due to the new retail strategy.

As a consequence, the cost/income ratio for the business unit as a whole stood at 88% in 1Q2014, compared with 67% for 4Q2013 and 69% for FY2013. The 1Q2014 cost/income ratio breaks down as follows per country: 98% for Ireland, 64% for Slovakia, 100% for Hungary (owing to the bank tax being charged for the full year) and 64% for Bulgaria.

Loan loss provisioning significantly down as previous quarter had included very high loan loss provisions at KBC Ireland.

Impairment on loans and receivables (loan loss provisions) amounted to 64 million, significantly down on the very high 821 million recorded in 4Q2013, which had included 773 million for Ireland as a result of the reassessment of the Irish loan book. In 1Q2014, this dropped to 48 million (37 million relating to retail loans and 11 million to corporate loans). 1Q2014 also included 4 million in loan loss provisions for Slovakia, 11 million for Hungary (significantly less than 4Q2013, which had been impacted by additional loan loss provisioning following the loan book reassessment) and 1 million for Bulgaria.

Consequently, the 1Q2014 credit cost ratio for the entire business unit improved to 99 basis points, down from a very high 448 basis points for FY2013. Broken down by country, it was 125 basis points for Ireland (672 basis points in FY2013), 90 basis points for Hungary (150 basis points in FY2013), 32 basis points for Slovakia (60 basis points in FY2013) and 54 basis points for Bulgaria (119 basis points for FY2013). At the end of March 2014, 19.7% of the International Markets Business Unit's loan book was non-performing, a little higher than the 19.2% recorded three months earlier (the business unit's figure was clearly impacted by the high non-performing ratio of 27.4% for Ireland).

There were no impairment charges on assets other than on loans and receivables for this business unit in the quarter under review.

Highlights per country (compared with 4Q2013, unless otherwise indicated)

The net result of the International Markets Business Unit (-26 million) breaks down as follows: 18 million for Slovakia, -8 million for Hungary (+34 million excluding the full year banking tax booking), 5 million for Bulgaria and -40 million for Ireland. A detailed results table and brief comments per country are provided below.

IRELAND Income statement (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	35	33	32	24	31	-	-	-
Non-life insurance (before reinsurance)	0	0	0	0	0	-	-	-
Earned premiums	0	0	0	0	0	-	-	-
Technical charges	0	0	0	0	0	-	-	-
Life insurance (before reinsurance)	0	0	0	0	0	-	-	-
Earned premiums	0	0	0	0	0	-	-	-
Technical charges	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0		0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	-3	0	0	-3	0	-	-	-
Net realised result from available-for-sale assets	0	1	0	0	0	-	-	-
Net fee and commission income	-1	-2	0	-2	-1	-	-	-
Other net income	0	0	0	0	0	-	-	-
Total income	32	31	32	19	30	-	-	-
Operating expenses	-21	-22	-25	-35	-29	-	-	-
Impairment	-99	-88	-98	-773	-48	-	-	-
on loans and receivables	-99	-88	-98	-773	-48	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	0	0	0	0	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	0	-	-	-
Result before tax	-88	-79	-92	-789	-47	-	-	-
Income tax expense	11	10	11	23	7	-	-	-
Result after tax	-77	-69	-80	-766	-40	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-77**	**-69**	**-80**	**-766**	**-40**	**-**	**-**	**-**
Banking	-77	-69	-80	-766	-40	-	-	-
Insurance	0	0	0	0	0	-	-	-
Risk-weighted assets banking (end of period, Basel III)	7 653	7 248	6 952	7 357	6 558	-	-	-
Required capital insurance (end of period, Solvency I)	0	0	0	0	0	-	-	-
Allocated capital (end of period)	765	725	695	736	656	-	-	-
Return on allocated capital (ROAC)	-39%	-36%	-45%	-444%	-23%	-	-	-
Cost/income ratio, banking	65%	69%	79%	183%	98%	-	-	-
Combined ratio, non-life insurance	-	-	-	-	-	-	-	-

- The net result in 1Q2014 was -40 million euros, compared to an average figure of -248 million for the four preceding quarters (clearly impacted by the high loss recorded in 4Q2013).
- Total income (30 million) increased by 57% quarter-on-quarter, due mainly to significantly higher net interest income (the previous quarter had been impacted by a one-off item related to allocated liquidity costs).
- Costs (29 million) were down 16% on the previous quarter, which had been impacted by a number of one-off items. The 1Q2014 cost/income ratio stood at 98%, compared with 90% for FY2013.
- Loan loss impairment (48 million) was significantly lower than the 773 million recorded in 4Q2013, which had been heavily impacted by the one-off additional impairment as a result of the loan book being reassessed. The 1Q2014 figure of 48 million breaks down into 11 million for corporate loans and 37 million for retail loans. The credit cost ratio amounted to 125 basis points in 1Q2014.

HUNGARY Income statement (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	64	69	68	68	68	-	-	-
Non-life insurance (before reinsurance)	7	7	7	5	7	-	-	-
Earned premiums	14	15	16	14	13	-	-	-
Technical charges	-7	-8	-8	-9	-6	-	-	-
Life insurance (before reinsurance)	-1	-4	-3	-2	-2	-	-	-
Earned premiums	3	3	3	4	3	-	-	-
Technical charges	-5	-7	-7	-5	-6	-	-	-
Ceded reinsurance result	0	-1	-1	-1	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	18	18	25	16	20	-	-	-
Net realised result from available-for-sale assets	2	5	0	0	1	-	-	-
Net fee and commission income	30	34	37	58	38	-	-	-
Other net income	2	13	0	-4	1	-	-	-
Total income	121	141	134	141	132	-	-	-
Operating expenses	-130	-97	-73	-78	-128	-	-	-
Impairment	-11	-11	-13	-43	-12	-	-	-
on loans and receivables	-10	-10	-12	-43	-11	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	-1	-1	0	0	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	0	-	-	-
Result before tax	-20	33	48	20	-8	-	-	-
Income tax expense	1	-7	-5	-4	0	-	-	-
Result after tax	-19	26	43	16	-8	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-19**	**26**	**43**	**16**	**-8**	**-**	**-**	**-**
Banking	-22	24	41	15	-11	-	-	-
Insurance	3	2	2	1	3	-	-	-
Risk-weighted assets banking (end of period, Basel III)	4 919	4 759	4 827	4 434	7 562	-	-	-
Required capital insurance (end of period, Solvency I)	13	13	12	14	14	-	-	-
Allocated capital (end of period)	515	499	504	469	781	-	-	-
Return on allocated capital (ROAC)	-14%	20%	34%	13%	-5%	-	-	-
Cost/income ratio, banking	112%	70%	55%	54%	100%	-	-	-
Combined ratio, non-life insurance	82%	100%	95%	120%	82%	-	-	-

- The net result in 1Q2014 was a negative 8 million euros, down on the positive 17 million average for the four preceding quarters (due to the bank tax being booked for the full year in 1Q2014 (see below)). Excluding this upfront booking of the banking tax, the 1Q2014 net result would have been a positive 34 million.
- Total income (132 million) was down 3% quarter-on-quarter (disregarding the FX impact), due mainly to lower net fee and commission income (partly a seasonal effect, partly a price effect). The 1Q2014 combined ratio for non-life insurance stood at an excellent 82%, compared with 97% in FY2013. Life insurance sales (including unit-linked products) fell by 14% quarter-on-quarter.
- Costs (128 million) were 70% higher than in 4Q2013 (disregarding the FX impact), since the first quarter included the bank tax being charged as usual for the full year (51 million). The cost/income ratio hence amounted to a high 100% for 1Q2014, compared with 71% for FY2013.
- Loan loss impairment (11 million) was down 32 million on the previous quarter, which had been affected by an additional one-off impairment relating to the loan book reassessment. The credit cost ratio amounted to 90 basis points in 1Q2014.
- Note: the increase in RWA is related to the home country government bonds carve-out being abolished.

SLOVAKIA Income statement (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	46	49	52	52	51	-	-	-
Non-life insurance (before reinsurance)	5	5	6	6	4	-	-	-
Earned premiums	6	6	7	7	7	-	-	-
Technical charges	-1	-1	-1	0	-2	-	-	-
Life insurance (before reinsurance)	3	2	2	3	3	-	-	-
Earned premiums	16	14	12	12	13	-	-	-
Technical charges	-14	-11	-9	-9	-11	-	-	-
Ceded reinsurance result	0	0	0	-1	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	6	4	5	4	4	-	-	-
Net realised result from available-for-sale assets	0	3	0	0	1	-	-	-
Net fee and commission income	11	11	11	11	11	-	-	-
Other net income	2	6	1	1	-1	-	-	-
Total income	72	81	76	76	73	-	-	-
Operating expenses	-46	-44	-44	-46	-46	-	-	-
Impairment	-4	-15	-7	-5	-4	-	-	-
on loans and receivables	-4	-14	-7	-2	-4	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
other	0	0	0	-3	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	0	-	-	-
Result before tax	23	23	25	25	23	-	-	-
Income tax expense	-5	-6	-6	-8	-6	-	-	-
Result after tax	17	16	19	17	18	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**17**	**16**	**19**	**17**	**18**	**-**	**-**	**-**
Banking	15	14	17	15	15	-	-	-
Insurance	3	2	3	2	3	-	-	-
Risk-weighted assets banking (end of period, Basel III)	3 780	3 715	3 689	3 776	3 725	-	-	-
Required capital insurance (end of period, Solvency I)	15	15	15	15	15	-	-	-
Allocated capital (end of period)	403	397	395	404	398	-	-	-
Return on allocated capital (ROAC)	17%	16%	19%	17%	17%	-	-	-
Cost/income ratio, banking	64%	54%	58%	61%	64%	-	-	-
Combined ratio, non-life insurance	65%	77%	81%	83%	82%	-	-	-

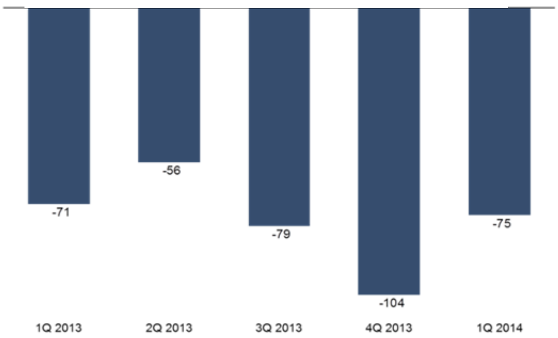
- The net result in 1Q2014 totalled 18 million euros, more or less in line with the average for the four preceding quarters.
- Total income (73 million) decreased slightly (-4%) quarter-on-quarter, with – technical items aside – only minor differences in the various income items. The 1Q2014 combined ratio for non-life insurance stood at 82%, compared with 76% for FY2013 (including releases of claims reserves in both cases). Life sales (including unit-linked products) increased slightly on their level for 4Q2013.
- Costs (46 million) were flat quarter-on-quarter. The 1Q2014 cost/income ratio stood at 64%, as opposed to 59% for FY2013.
- Loan loss impairment (4 million) rose by 1 million compared with the previous quarter. The credit cost ratio amounted to 32 basis points in 1Q2014.

BULGARIA Income statement (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	10	10	10	11	10	-	-	-
Non-life insurance (before reinsurance)	8	7	7	9	8	-	-	-
Earned premiums	18	18	17	18	17	-	-	-
Technical charges	-10	-11	-10	-9	-10	-	-	-
Life insurance (before reinsurance)	1	1	1	1	1	-	-	-
Earned premiums	5	3	3	4	5	-	-	-
Technical charges	-4	-2	-2	-3	-4	-	-	-
Ceded reinsurance result	-1	-1	-1	-1	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	-	-	-
Net realised result from available-for-sale assets	1	0	1	1	0	-	-	-
Net fee and commission income	0	0	1	0	0	-	-	-
Other net income	-2	1	0	0	0	-	-	-
Total income	16	18	20	21	18	-	-	-
Operating expenses	-13	-13	-13	-14	-12	-	-	-
Impairment	-13	-2	-1	-6	-1	-	-	-
on loans and receivables	-4	-2	-1	-2	-1	-	-	-
on available-for-sale assets	-10	0	0	0	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
Other	0	0	0	-3	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	0	-	-	-
Result before tax	-10	4	6	1	5	-	-	-
Income tax expense	1	0	0	0	0	-	-	-
Result after tax	-9	3	6	1	5	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-9**	**3**	**6**	**1**	**5**	**-**	**-**	**-**
Banking	2	2	5	0	4	-	-	-
Insurance	-11	1	1	1	1	-	-	-
Risk-weighted assets banking (end of period, Basel III)	595	620	627	668	626	-	-	-
Required capital insurance (end of period, Solvency I)	15	15	15	15	15	-	-	-
Allocated capital (end of period)	86	88	88	93	89	-	-	-
Return on allocated capital (ROAC)	-40%	16%	27%	5%	22%	-	-	-
Cost/income ratio, banking	57%	67%	61%	61%	64%	-	-	-
Combined ratio, non-life insurance	101%	103%	104%	97%	99%	-	-	-

- The net result in 1Q2014 came to 5 million, significantly up on the 0.5 million average for the four preceding quarters (which had been impacted by the loss in 1Q2013).
- Total income (18 million) decreased by 13% quarter-on-quarter, due, *inter alia*, to seasonal effects in insurance and interest income and the fact that 4Q2013 had benefited from gains on the sale of bonds. The non-life combined ratio amounted to 99% for 1Q2014, compared with 101% for FY2013. Total life insurance sales were up 39% on their level for 4Q2013, due to new products and a seasonal impact.
- Costs (12 million) fell 11% quarter-on-quarter as 4Q2013 had been impacted by seasonal factors. The 1Q2014 cost/income ratio stood at 64%, compared to 61% for FY2013.
- Loan loss impairment charges stood at 1 million, compared to 2 million in 4Q2013. The credit cost ratio amounted to 54 basis points in 1Q2014.

Analysis of the results – Group Centre

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



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

Income statement, Group Centre (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Adjusted net result (i.e. excluding legacy and own credit risk impact)								
Net interest income	-24	-57	-63	-52	-73	-	-	-
Non-life insurance (before reinsurance)	-4	-3	-3	-5	-4	-	-	-
Earned premiums	-8	-4	-3	-5	-5	-	-	-
Technical charges	4	1	1	0	1	-	-	-
Life insurance (before reinsurance)	0	1	0	1	0	-	-	-
Earned premiums	4	5	5	5	0	-	-	-
Technical charges	-3	-3	-5	-4	0	-	-	-
Ceded reinsurance result	1	0	2	2	3	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	45	4	10	3	2	-	-	-
Net realised result from available-for-sale assets	2	1	0	9	-1	-	-	-
Net fee and commission income	2	10	5	7	7	-	-	-
Other net income	5	-2	18	0	8	-	-	-
Total income	28	-44	-30	-36	-59	-	-	-
Operating expenses	-79	-39	-33	-61	-49	-	-	-
Impairment	-46	-12	-18	-46	-3	-	-	-
on loans and receivables	-18	-11	-17	-40	-3	-	-	-
on available-for-sale assets	-1	-1	-1	-1	0	-	-	-
on goodwill	-7	0	0	0	0	-	-	-
Other	-20	0	0	-5	0	-	-	-
Share in results of associated companies and joint ventures	0	0	0	0	1	-	-	-
Result before tax	-97	-95	-81	-143	-110	-	-	-
Income tax expense	29	42	6	42	34	-	-	-
Result after tax	-68	-53	-75	-101	-75	-	-	-
attributable to minority interests	3	4	4	4	0	-	-	-
attributable to equity holders of the parent	**-71**	**-56**	**-79**	**-104**	**-75**	**-**	**-**	**-**
Banking	17	-44	-49	-60	-46	-	-	-
Insurance	-11	-1	-7	-3	-1	-	-	-
Group	-78	-12	-23	-41	-28	-	-	-
Adjustments								
Legacy – gains/losses on CDOs	165	180	34	65	16	-	-	-
Legacy – divestments	22	-128	-231	-10	-9	-	-	-
MTM of own credit risk	-26	-20	12	-9	2	-	-	-
Net result	90	-24	-264	-58	-65			
Risk-weighted assets banking (end of period, Basel III)	16 813	13 141	12 189	11 031	11 145	-	-	-
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	11 068	11 068	11 068	11 068	11 068			
Required capital insurance (end of period, Solvency I)	16	15	9	4	2	-	-	-
Allocated capital (end of period)	1 709	1 341	1 234	1 111	1 118	-	-	-

The Group Centre's net result amounted to -65 million in 1Q2014. As mentioned earlier, this entity includes not only a number of group items and the results of companies earmarked for divestment, but also the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk.

Legacy and own credit risk:

- Following the reduction in the remaining legacy CDO portfolio and the virtual completion of the divestment programme, the net impact of these two *legacy* items was clearly limited in 1Q2014 (a positive 16 million and a negative 9 million, respectively). The impact of the MTM of own credit risk (changes in the fair value of own debt instruments) was likewise very limited in the quarter under review (a positive 2 million), given the stable credit spreads on KBC debt.

Other results

- Accounted for a total of -75 million in 1Q2014. This item includes the operational costs of the holding activities of the group (-19 million in total), certain capital and liquidity management-related costs (for the purpose of reaching solvency and liquidity targets at group level, such as the subordination cost of subordinated loans: -40 million in total), costs related to the holding of participations (mainly funding costs: -21 million in total) and the results of the remaining companies or activities earmarked for divestment or in run-down (KBC Bank Deutschland, Antwerp Diamond Bank, KBC Finance Ireland, etc.): +6 million in total).

KBC Group

Consolidated financial statements according to IFRS 1Q 2014

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	1Q 2013	4Q 2013	1Q 2014
Net interest income	3	1 053	1 008	1 010
Interest income		2 161	2 067	1 930
Interest expense		- 1 108	- 1 060	- 920
Non-life insurance before reinsurance	9	149	127	149
Earned premiums Non-life		305	317	307
Technical charges Non-life		- 156	- 190	- 158
Life insurance before reinsurance	9	- 59	- 57	- 59
Earned premiums Life		271	381	308
Technical charges Life		- 331	- 438	- 367
Ceded reinsurance result	9	- 12	- 6	- 17
Dividend income		5	8	14
Net result from financial instruments at fair value through profit or loss	5	314	229	40
Net realised result from available-for-sale assets	6	142	29	51
Net fee and commission income	7	389	362	374
Fee and commission income		636	564	557
Fee and commission expense		- 247	- 202	- 182
Net other income	8	76	15	52
TOTAL INCOME		2 058	1 715	1 615
Operating expenses		- 1 033	- 968	- 973
Staff expenses		- 595	- 558	- 556
General administrative expenses		- 370	- 344	- 352
Depreciation and amortisation of fixed assets		- 69	- 66	- 65
Impairment	14	- 350	- 940	- 114
on loans and receivables		- 293	- 937	- 102
on available-for-sale assets		- 13	- 10	- 5
on goodwill		- 7	0	0
on other		- 37	7	- 6
Share in results of associated companies and joint ventures		8	6	7
RESULT BEFORE TAX		683	- 187	535
Income tax expense		- 159	- 103	- 138
Net post-tax result from discontinued operations	46	0	0	0
RESULT AFTER TAX		524	- 290	397
Attributable to minority interest		4	4	0
of which relating to discontinued operations		*0*	*0*	*0*
Attributable to equity holders of the parent		**520**	**- 294**	**397**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Basic		1.25	-0.71	0.45
Diluted		1.25	-0.71	0.45

Due to the application of IFRS 11 as from 1 January 2014, the reference figures of the consolidated income statement have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a).

Consolidated statement of comprehensive income (condensed)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
RESULT AFTER TAX	524	- 290	397
attributable to minority interest	4	4	0
attributable to equity holders of the parent	520	- 294	397
Other comprehensive income - to be recycled to P&L			
Net change in revaluation reserve (AFS assets) - Equity	28	83	- 37
Net change in revaluation reserve (AFS assets) - Bonds	- 120	3	167
Net change in revaluation reserve (AFS assets) - Other	0	0	0
Net change in hedging reserve (cash flow hedge)	61	30	- 180
Net change in translation differences	- 10	- 72	- 13
Other movements	0	- 2	0
Other comprehensive income - not to be recycled to P&L			
Net change in defined benefit plans	8	135	- 19
TOTAL COMPREHENSIVE INCOME	491	- 114	315
attributable to minority interest	5	4	0
attributable to equity holders of the parent	487	- 118	315

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2013	31-03-2014
Cash and cash balances with central banks		4 294	6 930
Financial assets	18 - 26	222 887	227 135
Held for trading		16 885	11 929
Designated at fair value through profit or loss		16 441	17 646
Available for sale		27 307	28 237
Loans and receivables		130 153	137 736
Held to maturity		31 323	30 781
Hedging derivatives		777	807
Reinsurers' share in technical provisions		146	143
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		120	126
Tax assets		1 723	1 661
Current tax assets		242	146
Deferred tax assets		1 481	1 515
Non-current assets held for sale and assets associated with disposal groups	46	3 769	3 952
Investments in associated companies and joint ventures		182	209
Investment property		598	590
Property and equipment		2 457	2 424
Goodwill and other intangible assets		1 277	1 271
Other assets		1 233	1 737
TOTAL ASSETS		238 686	246 179

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2013	31-03-2014
Financial liabilities	18 - 26	199 421	204 754
Held for trading		13 119	9 704
Designated at fair value through profit or loss		24 931	25 867
Measured at amortised cost		159 693	167 234
Hedging derivatives		1 678	1 949
Technical provisions, before reinsurance		18 701	18 941
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 2	38
Tax liabilities		518	624
Current tax liabilities		109	172
Deferred tax liabilies		409	452
Liabilities associated with disposal groups	46	2 027	2 082
Provisions for risks and charges		523	573
Other liabilities		2 983	3 445
TOTAL LIABILITIES		224 172	230 457
Total equity	39	14 514	15 722
Parent shareholders' equity	39	11 826	11 968
Non-voting core-capital securities	39	2 333	2 000
Additional Tier-1 instruments included in equity	39	0	1 400
Minority interests		354	354
TOTAL LIABILITIES AND EQUITY		238 686	246 179

In line with IFRS 5, the assets and liabilities 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.

Due to the application of IFRS 11 as from 1 January 2014, the reference figures of the consolidated balance sheet have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a).

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	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-03-2013													
Balance at the beginning of the period (31-12-2012)	1 450	5 388	- 1	1 263	- 834	0	5 192	- 360	12 099	3 500	0	362	15 961
First time application IAS19 Revised	0	0	0	0	0	- 71	- 11	0	- 82	0	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	0	362	15 879
Net result for the period	0	0	0	0	0	0	520	0	520	0	0	4	524
Other comprehensive income for the period	0	0	0	- 92	61	8	0	- 10	- 33	0	0	1	- 33
Total comprehensive income	**0**	**0**	**0**	**- 92**	**61**	**8**	**520**	**- 10**	**487**	**0**	**0**	**5**	**491**
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	1	0	0	0	0	0	1	0	0	0	1
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	1	2
Change in scope	0	0	0	0	0	0	0	0	0	0	0	0	0
Total change	**0**	**0**	**1**	**- 92**	**61**	**8**	**520**	**- 10**	**488**	**0**	**0**	**6**	**494**
Balance at the end of the period	**1 450**	**5 388**	**0**	**1 171**	**- 773**	**- 63**	**5 702**	**- 370**	**12 505**	**3 500**	**0**	**368**	**16 373**
of which revaluation reserve for shares				233									
of which revaluation reserve for bonds				938									
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			- 134	- 128				- 128
31-03-2014													
Balance at the beginning of the period (31-12-2013)	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
Net result for the period	0	0	0	0	0	0	397	0	397	0	0	0	397
Other comprehensive income for the period	0	0	0	130	- 180	- 19	0	- 13	- 83	0	0	0	- 83
Total comprehensive income	**0**	**0**	**0**	**130**	**- 180**	**- 19**	**397**	**- 13**	**315**	**0**	**0**	**0**	**315**
Dividends	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 167	0	- 167	- 333	0	0	- 500
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	0	- 6	0	- 6	0	1 400	0	1 394
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in scope	0	0	0	0	0	0	0	0	0	0	0	0	0
Total change	**0**	**0**	**0**	**130**	**- 180**	**- 19**	**224**	**- 13**	**142**	**- 333**	**1 400**	**0**	**1 208**
Balance at the end of the period	**1 452**	**5 404**	**0**	**1 223**	**- 677**	**46**	**4 873**	**- 353**	**11 968**	**2 000**	**1 400**	**354**	**15 722**
of which revaluation reserve for shares				286									
of which revaluation reserve for bonds				937									
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	2				2

The changes in equity do not include any dividend or coupon for 2013 as none is paid out. For 2014, KBC foresees a dividend of up to 2 euros per share. On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.
In 1Q 2014, the placement of an additional tier-1 instrument for an amount of 1.4 billion euros positively contributed to the total equity.

In 1Q 2014, revaluation reserves (AFS assets) increased by 130 million euros mainly due to decreasing interest rates which positively contributed to reserves on bonds to the tune of +167 million euros. This was offset by a slightly negative impact on reserves on shares to the tune of -37 million euros. A negative effect, also for a large part linked to decreasing interest rates, of -180 million euros was noted on hedging reserves (cashflow hedges).

Condensed consolidated cash flow statement

In millions of EUR	1Q 2013	1Q 2014
Net cash from (used in) operating activities	13 064	5 448
Net cash from (used in) investing activities	- 449	675
Net cash from (used in) financing activities	62	- 1 871
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	12 676	4 252
Cash and cash equivalents at the beginning of the period	982	8 803
Effects of exchange rate changes on opening cash and cash equivalents	- 84	- 6
Cash and cash equivalents at the end of the period	13 574	13 049

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.

On 8 January 2014, KBC repaid 0.33 billion euros principal (plus a penalty of 50% or 0.17 billion euros) to the Flemish Regional Government. This has had an influence in the first quarter of 2014 on the net cash from financing activities to the tune of -0.5 billion euros.

The issue of an additional tier-1 instrument in March 2014 has had an influence on the net cash from financing activities to the tune of +1.4 billion euros. However, maturing senior unsecured debt and subordinated debt, more than counterbalanced this positive influence. For information on the foreseen call schedule of subordinated instruments, see note 48.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2013)

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013.

IFRS 10, 11 and 12 are the new consolidation standards that became effective in the European Union on or after 1 January 2014. IFRS 10 includes a new definition of control, which could, but at KBC did not lead to changes in the scope of consolidation. Under IFRS 11 (Joint Arrangements), it is specified that joint ventures must be accounted for using the equity method and no longer by proportionate consolidation. IFRS 12 combines all the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities (the new name for Special Purpose Entities).The main change for KBC will be the application of the equity method instead of proportionate consolidation for Českomoravská Stavební Spořitelna (ČMSS), a jointly owned subsidiary of ČSOB. This change will not affect the result after tax or parent shareholders' equity, but it will have an impact on various items in the consolidated income statement and balance sheet.

Depending on when the European Union approves IFRIC 21 (Levies), it may be necessary – as a result of the retroactive application of IFRIC 21 to restate the comparable quarterly figures (relates solely to movements between quarters and has no impact on the figures for the full-year). IFRIC 21 is expected to be approved in 2014.

Summary of significant accounting policies (note 1b in the annual accounts 2013)

A summary of the main accounting policies is provided in the Group's annual financial statements as at 31 December 2013.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2013)

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 and 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)).

Up until 1 May 2014, the management structure of the group also included an International Product Factories Business Unit. From 1 May 2014 onward, this is merged with the International Markets Business Unit. The results of the activities of the former International Product Factories Business Unit have always been and will continue to be included in the results of the business units based on geography. This merger, therefore will not influence the results of the International Markets Business Unit as compared to the situation before the merger.

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 addition to the figures according to IFRS, KBC provides 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.

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 of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking are recognised under 'net result from financial instruments at fair value', without any impact on net profit. This recognition is not done for the other business units 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
1Q 2013										
Net interest income	658	230	155	64	46	10	35	- 22	- 2	1 018
Non-life insurance before reinsurance	117	16	21	7	5	8	0	1	- 5	149
Earned premiums Non-life	234	41	39	14	6	18	0	- 3	- 5	305
Technical charges Non-life	- 117	- 25	- 18	- 7	- 1	- 10	0	4	0	- 156
Life insurance before reinsurance	- 69	7	2	- 1	3	1	0	1	- 1	- 59
Earned premiums Life	195	48	25	3	16	5	0	4	- 1	271
Technical charges Life	- 263	- 41	- 23	- 5	- 14	- 4	0	- 3	0	- 331
Ceded reinsurance result	- 10	- 1	- 2	0	0	- 1	0	1	0	- 12
Dividend income	4	0	0	0	0	0	0	0	0	4
Net result from financial instruments at fair value through profit or loss	135	16	21	18	6	0	- 3	45	0	218
Net realised result from available-for-sale assets	85	7	2	2	0	1	0	2	0	96
Net fee and commission income	291	47	41	30	11	0	- 1	- 1	3	382
Net other income	66	3	2	2	2	- 2	0	3	2	76
TOTAL INCOME	1 278	325	242	121	72	16	32	31	- 3	1 872
Operating expenses	- 575	- 158	- 210	- 130	- 46	- 13	- 21	- 82	3	- 1 023
Impairment	- 140	- 20	- 127	- 11	- 4	- 13	- 99	- 46	0	- 333
on loans and receivables	- 138	- 20	- 117	- 10	- 4	- 4	- 99	- 18	0	- 293
on available-for-sale assets	- 2	0	- 10	0	0	- 10	0	- 1	0	- 13
on goodwill	0	0	0	0	0	0	0	- 7	0	- 7
on other	1	0	- 1	- 1	0	0	0	- 20	0	- 20
Share in results of associated companies and joint ventures	0	7	0	0	0	0	0	0	0	8
RESULT BEFORE TAX	562	155	- 95	- 20	23	- 10	- 88	- 97	0	524
Income tax expense	- 176	- 22	8	1	- 5	1	11	29	0	- 161
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	386	132	- 87	- 19	17	- 9	- 77	- 68	0	363
Attributable to minority interests	1	0	0	0	0	0	0	3	0	4
ADJUSTED NET RESULT	385	132	- 87	- 19	17	- 9	- 77	- 71	0	359
Legacy CDOs	0	0	0	0	0	0	0	165	0	165
Own credit risk	0	0	0	0	0	0	0	- 26	0	- 26
Divestments	0	0	0	0	0	0	0	22	0	22
NET RESULT	385	132	- 87	- 19	17	- 9	- 77	90	0	520
1Q 2014										
Net interest income	696	219	160	68	51	10	31	- 75	2	1 002
Non-life insurance before reinsurance	118	16	19	7	4	8	0	0	- 4	149
Earned premiums Non-life	236	39	37	13	7	17	0	- 1	- 4	307
Technical charges Non-life	- 118	- 23	- 18	- 6	- 2	- 10	0	0	0	- 158
Life insurance before reinsurance	- 65	6	1	- 2	3	1	0	0	- 1	- 59
Earned premiums Life	255	32	22	3	13	5	0	0	- 1	308
Technical charges Life	- 320	- 26	- 21	- 6	- 11	- 4	0	0	0	- 367
Ceded reinsurance result	- 17	- 1	- 2	- 1	0	- 1	0	3	0	- 17
Dividend income	11	0	0	0	0	0	0	0	0	11
Net result from financial instruments at fair value through profit or loss	- 19	10	25	20	4	0	0	2	0	17
Net realised result from available-for-sale assets	42	8	2	1	1	0	0	- 1	0	50
Net fee and commission income	278	45	49	38	11	0	- 1	9	- 2	378
Net other income	42	2	0	1	- 1	0	0	5	3	52
TOTAL INCOME	1 086	303	253	132	73	18	30	- 57	- 1	1 584
Operating expenses	- 555	- 145	- 216	- 128	- 46	- 12	- 29	- 50	1	- 965
Impairment	- 38	- 2	- 64	- 12	- 4	- 1	- 48	- 3	0	- 107
on loans and receivables	- 34	- 2	- 64	- 11	- 4	- 1	- 48	- 3	0	- 103
on available-for-sale assets	- 5	0	0	0	0	0	0	0	0	- 5
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	0	0	0	0	0	0	0	0	0	0
Share in results of associated companies and joint ventures	- 1	6	0	0	0	0	0	1	0	7
RESULT BEFORE TAX	492	163	- 27	- 8	23	5	- 47	- 110	0	518
Income tax expense	- 142	- 25	1	0	- 6	0	7	34	0	- 131
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	351	138	- 26	- 8	18	5	- 40	- 75	0	387
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
ADJUSTED NET RESULT	351	138	- 26	- 8	18	5	- 40	- 75	0	387
Legacy CDOs	0	0	0	0	0	0	0	16	0	16
Own credit risk	0	0	0	0	0	0	0	2	0	2
Divestments	0	0	0	0	0	0	0	- 9	0	- 9
NET RESULT	351	138	- 26	- 8	18	5	- 40	- 65	0	397

Legacy CDO's:

Over the first quarter of 2014, a minor improvement in market price of corporate credit as reflected in tightened credit default swap spreads generated a value mark-up of KBC's CDO exposure. This was to a small extent offset by the further de-risking of the legacy CDO portfolio. The total result also includes the impact of the government guarantee and the related fee, and the coverage (60%) of the CDO-linked counterparty risk against MBIA, a US monoline insurer.

In the first quarter of 2014, there was only limited influence on the results due to 'own credit risk' and 'divestments'.

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2013									
Deposits from customers & debt certificates excl. repos	97 051	21 834	14 472	5 878	4 583	544	3 466	17 123	150 480
Loans & advances to customers excluding reverse repos	81 673	15 684	21 261	3 864	4 248	612	12 537	1 080	119 698
Term loans excl. Reverse repos	40 566	6 279	5 612	1 772	1 488	242	2 111	1 048	53 506
Mortgage loans	31 146	6 522	13 925	1 548	1 722	236	10 419	24	51 617
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
31-03-2014									
Deposits from customers & debt certificates excl. repos	100 471	22 025	14 390	5 442	4 555	547	3 846	14 152	151 039
Loans & advances to customers excluding reverse repos	81 967	15 424	21 119	3 863	4 342	603	12 311	1 095	119 606
Term loans excl. Reverse repos	40 663	5 755	5 501	1 767	1 496	232	2 006	1 063	52 982
Mortgage loans	31 183	6 633	13 833	1 520	1 780	234	10 299	24	51 674
Current accounts advances	2 093	14	659	318	340	0	0	0	2 766
Finance leases	3 178	379	486	89	391	0	6	0	4 043
Consumer credit	1 195	1 514	536	103	297	137	0	0	3 245
Other	3 655	1 128	105	67	38	0	0	8	4 896

Other notes

Net interest income (note 3 in the annual accounts 2013)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
Total	1 053	1 008	1 010
Interest income	2 161	2 067	1 930
Available-for-sale assets	225	193	194
Loans and receivables	1 298	1 159	1 068
Held-to-maturity investments	255	274	232
Other assets not at fair value	0	3	4
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 777*	*1 628*	*1 498*
Financial assets held for trading	254	228	225
Hedging derivatives	101	124	139
Other financial assets at fair value through profit or loss	29	87	69
Interest expense	-1 108	-1 060	- 920
Financial liabilities measured at amortised cost	- 613	- 512	- 431
Other	- 1	- 1	- 1
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 614*	*- 513*	*- 432*
Financial liabilities held for trading	- 286	- 285	- 270
Hedging derivatives	- 170	- 155	- 179
Other financial liabilities at fair value through profit or loss	- 35	- 103	- 37
Net interest expense on defined benefit plans	- 2	- 4	- 2

Net realised result from financial instruments at fair value through profit or loss (note 5 in the annual accounts 2013)

In 1Q 2014, the result from financial instruments at fair value through profit or loss was influenced by:

- Gains and losses on CDO's, where the minor improvement in the market price of corporate credit as reflected in tightened credit default swap spreads generated a value mark-up of KBC's CDO exposure.
- 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 -83 million euros pre tax (-55 million euros after tax) as long-term interest rates decreased over the first quarter of 2014.

Net realised result from available-for-sale assets (note 6 in the annual accounts 2013)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
Total	142	29	51
Breakdown by portfolio			
Fixed-income securities	66	10	16
Shares	77	19	35

In 1Q 2014, the net realised result from available-for-sale assets is for the largest part related to sales of shares at KBC Insurance.

Net fee and commission income (note 7 in the annual accounts 2013)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
Total	389	362	374
Fee and commission income	636	564	557
Securities and asset management	282	287	278
Margin on deposit accounting (life insurance investment contracts w ithout DPF)	47	13	20
Commitment credit	65	56	59
Payments	131	142	130
Other	111	66	71
Fee and commission expense	- 247	- 202	- 182
Commission paid to intermediaries	- 73	- 79	- 73
Other	- 174	- 123	- 109

Net other income (note 8 in the annual accounts 2013)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
Total	76	15	52
Of which net realised result following			
The sale of loans and receivables	4	- 57	0
The sale of held-to-maturity investments	0	8	0
The repurchase of financial liabilities measured at amortised cost	- 1	0	0
Other: of which:	73	64	52
Income concerning leasing at the KBC Lease-group	22	24	24
Income from Group VAB	18	15	18
Realised gains or losses on divestments	- 3	16	- 2
Legal interests	0	5	0

Breakdown of the insurance results (note 9 in the annual accounts 2013)

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
1Q 2013				
Earned premiums, insurance (before reinsurance)	272	311	-	582
Technical charges, insurance (before reinsurance)	- 330	- 156	-	- 487
Net fee and commission income	- 6	- 58	15	- 49
Ceded reinsurance result	0	- 12	0	- 12
Operating expenses	- 31	- 64	- 1	- 96
Internal costs claim paid	- 2	- 15	-	- 17
Administration costs related to acquisitions	- 8	- 18	-	- 26
Administration costs	- 21	- 31	-	- 52
Management costs investments	0	0	- 1	- 1
Technical result	- 96	21	14	- 61
Net interest income			179	179
Dividend income			3	3
Net result from financial instruments at fair value			80	80
Net realised result from AFS assets			14	14
Net other income			- 5	- 5
Impairments			- 37	- 37
Allocation to the technical accounts	163	29	- 192	0
Technical-financial result	67	50	56	174
Share in results of associated companies and joint ventures			0	0
RESULT BEFORE TAX	67	50	56	174
Income tax expense				- 63
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				111
attributable to minority interest				1
attributable to equity holders of the parent				110
1Q 2014				
Earned premiums, insurance (before reinsurance)	309	311	-	620
Technical charges, insurance (before reinsurance)	- 367	- 159	-	- 526
Net fee and commission income	- 19	- 57	14	- 62
Ceded reinsurance result	0	- 16	0	- 17
Operating expenses	- 31	- 61	0	- 92
Internal costs claim paid	- 2	- 15	-	- 17
Administration costs related to acquisitions	- 7	- 19	-	- 26
Administration costs	- 22	- 27	-	- 49
Management costs investments	0	0	0	0
Technical result	- 108	18	14	- 76
Net interest income			166	166
Dividend income			11	11
Net result from financial instruments at fair value			24	24
Net realised result from AFS assets			38	38
Net other income			- 3	- 3
Impairments			- 5	- 5
Allocation to the technical accounts	180	24	- 205	0
Technical-financial result	73	42	41	156
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	73	42	42	156
Income tax expense				- 38
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				118
attributable to minority interest				0
attributable to equity holders of the parent				118

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 2013 annual report).

Impairment – income statement (note 14 in the annual accounts 2013)

In millions of EUR	1Q 2013	4Q 2013	1Q 2014
Total	- 350	- 940	- 114
Impairment on loans and receivables	- 293	- 937	- 102
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 257	- 961	- 150
Provisions for off-balance-sheet credit commitments	- 8	- 6	- 2
Portfolio-based impairments	- 29	30	49
Breakdown by business unit			
Business unit Belgium	- 138	- 65	- 34
Business unit Czech Republic	- 20	- 13	- 2
Business unit International Markets	- 117	- 821	- 64
of which: Hungary	*- 10*	*- 43*	*- 11*
of which: Slovakia	*- 4*	*- 2*	*- 4*
of which: Bulgaria	*- 4*	*- 2*	*- 1*
of which: Ireland	*- 99*	*- 773*	*- 48*
Group Centre	- 18	- 39	- 3
Impairment on available-for-sale assets	- 13	- 10	- 5
Breakdown by type			
Shares	- 3	- 10	- 5
Other	- 10	0	0
Impairment on goodwill	- 7	0	0
Impairment on other	- 37	7	- 6
Intangible assets, other than goodwill	0	- 2	0
Property and equipment and investment property	0	7	0
Held-to-maturity assets	0	0	1
Associated companies and joint ventures	0	0	0
Other	- 36	1	- 7

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2013)

(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, 31-12-2013								
Loans and advances to credit institutions and investment firms [a]	5 100	1 596	0	9 571	-	-	-	16 267
Loans and advances to customers [b]	706	774	0	118 892	-	-	-	120 371
Excluding reverse repos	*703*	*200*	*0*	*118 796*	-	-	-	*119 698*
Discount and acceptance credit	0	0	0	605	-	-	-	605
Consumer credit	0	0	0	3 322	-	-	-	3 322
Mortgage loans	0	34	0	51 583	-	-	-	51 617
Term loans	696	697	0	52 786	-	-	-	54 179
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	25 728	1 690	31 323	-	-	63 034
Public bodies	2 385	771	17 337	118	29 630	-	-	50 240
Credit institutions and investment firms	268	195	3 289	154	1 040	-	-	4 946
Corporates	321	353	5 102	1 418	654	-	-	7 848
Derivatives	7 823	-	-	-	-	777	-	8 600
Total carrying value	16 885	16 441	27 307	130 153	31 323	777	0	222 887
[a] *Of which reverse repos*								*8 483*
[b] *Of which reverse repos*								*673*
FINANCIAL ASSETS, 31-03-2014								
Loans and advances to credit institutions and investment firms [a]	317	1 895	0	16 782	-	-	-	18 995
Loans and advances to customers [b]	18	1 411	0	119 382	-	-	-	120 810
Excluding reverse repos	*14*	*308*	*0*	*119 283*	-	-	-	*119 606*
Discount and acceptance credit	0	0	0	500	-	-	-	500
Consumer credit	0	0	0	3 245	-	-	-	3 245
Mortgage loans	0	36	0	51 638	-	-	-	51 674
Term loans	3	1 207	0	52 977	-	-	-	54 187
Finance leasing	0	0	0	4 043	-	-	-	4 043
Current account advances	0	0	0	2 766	-	-	-	2 766
Securitised loans	0	0	0	0	-	-	-	0
Other	14	168	0	4 214	-	-	-	4 396
Equity instruments	339	6	1 473	-	-	-	-	1 818
Investment contracts (insurance)	-	12 848	-	-	-	-	-	12 848
Debt instruments issued by	3 893	1 485	26 764	1 571	30 781	-	-	64 495
Public bodies	3 297	960	17 222	38	29 163	-	-	50 680
Credit institutions and investment firms	274	161	4 155	152	986	-	-	5 729
Corporates	322	364	5 387	1 381	632	-	-	8 086
Derivatives	7 361	-	-	-	-	807	-	8 169
Total carrying value	11 929	17 646	28 237	137 736	30 781	807	0	227 135
[a] *Of which reverse repos*								*9 209*
[b] *Of which reverse repos*								*1 205*

(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, 31-12-2013								
Deposits from credit institutions and investment firms [a]	939	896	-	-	-	-	12 884	14 719
Deposits from customers and debt certificates [b]	3 634	12 248	-	-	-	-	145 253	161 135
Excluding repos	*319*	*5 292*	-	-	-	-	*144 869*	*150 480*
Deposits from customers	3 348	7 836	-	-	-	-	120 538	131 722
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	-	-	-	-	1 335	1 335
Other deposits	0	0	-	-	-	-	1 378	1 378
Debt certificates	286	4 412	-	-	-	-	24 715	29 413
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	-	-	-	-	14 869	18 919
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	-	-	-	-	1 678	-	9 838
Short positions	386	0	-	-	-	-	-	386
in equity instruments	40	0	-	-	-	-	-	40
in debt instruments	345	0	-	-	-	-	-	345
Other	0	0	-	-	-	-	1 556	1 556
Total carrying value	13 119	24 931	-	-	-	1 678	159 693	199 421
[a] *Of which repos*								*1 672*
[b] *Of which repos*								*10 655*
FINANCIAL LIABILITIES, 31-03-2014								
Deposits from credit institutions and investment firms [a]	470	1 736	-	-	-	-	14 276	16 482
Deposits from customers and debt certificates [b]	831	12 155	-	-	-	-	150 852	163 838
Excluding repos	*282*	*3 778*	-	-	-	-	*146 979*	*151 039*
Deposits from customers	565	9 244	-	-	-	-	126 530	136 339
Demand deposits	0	13	-	-	-	-	41 413	41 428
Time deposits	565	9 231	-	-	-	-	47 288	57 084
Savings deposits	0	0	-	-	-	-	35 046	35 046
Special deposits	0	0	-	-	-	-	1 354	1 354
Other deposits	0	0	-	-	-	-	1 427	1 426
Debt certificates	266	2 911	-	-	-	-	24 322	27 499
Certificates of deposit	0	5	-	-	-	-	4 112	4 116
Customer savings certificates	0	0	-	-	-	-	632	632
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	266	2 368	-	-	-	-	14 090	16 724
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	538	-	-	-	-	5 488	6 026
Liabilities under investment contracts	-	11 976	-	-	-	-	0	11 976
Derivatives	7 977	0	-	-	-	1 949	-	9 925
Short positions	427	0	-	-	-	-	-	427
in equity instruments	34	0	-	-	-	-	-	34
in debt instruments	393	0	-	-	-	-	-	393
Other	0	0	-	-	-	-	2 106	2 106
Total carrying value	9 704	25 867	-	-	-	1 949	167 234	204 754
[a] *Of which repos*								*2 509*
[b] *Of which repos*								*12 799*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	31-03-2013	30-06-2013	30-09-2013	31-12-2013	31-03-2014
Total customer loans excluding reverse repo					
Business unit Belgium	83 562	83 453	82 472	81 673	81 967
Business unit Czech Republic	15 572	15 972	16 026	15 684	15 424
Business unit International Markets	22 723	22 561	22 471	21 261	21 119
of which: Hungary	*3 964*	*4 019*	*4 103*	*3 864*	*3 863*
of which: Slovakia	*4 144*	*4 187*	*4 247*	*4 248*	*4 342*
of which: Bulgaria	*544*	*546*	*566*	*612*	*603*
of which: Ireland	*14 071*	*13 808*	*13 556*	*12 537*	*12 311*
Group Centre	1 471	1 323	1 261	1 080	1 095
KBC Group	123 328	123 309	122 231	119 698	119 606
Mortgage loans					
Business unit Belgium	30 781	30 891	31 042	31 146	31 183
Business unit Czech Republic	6 533	6 611	6 805	6 522	6 633
Business unit International Markets	14 868	14 730	14 591	13 925	13 833
of which: Hungary	*1 652*	*1 618*	*1 598*	*1 548*	*1 520*
of which: Slovakia	*1 564*	*1 629*	*1 668*	*1 722*	*1 780*
of which: Bulgaria	*247*	*246*	*239*	*236*	*234*
of which: Ireland	*11 405*	*11 236*	*11 086*	*10 419*	*10 299*
Group Centre	27	27	26	24	24
KBC Group	52 209	52 259	52 465	51 617	51 674
Customer deposits and debt certificates excl. repos					
Business unit Belgium	99 635	99 672	100 071	97 051	100 471
Business unit Czech Republic	22 081	21 885	22 330	21 834	22 025
Business unit International Markets	13 725	14 300	14 730	14 472	14 390
of which: Hungary	*5 663*	*5 958*	*6 214*	*5 878*	*5 442*
of which: Slovakia	*4 457*	*4 506*	*4 508*	*4 583*	*4 555*
of which: Bulgaria	*593*	*550*	*534*	*544*	*547*
of which: Ireland	*3 012*	*3 287*	*3 474*	*3 466*	*3 846*
Group Centre	17 847	17 786	17 578	17 123	14 152
KBC Group	153 287	153 643	154 709	150 480	151 039

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance In millions of EUR	31-03-2013		30-06-2013		30-09-2013		31-12-2013		31-03-2014	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 514	11 730	13 483	11 673	13 493	11 754	13 493	11 864	13 589	12 052
Business unit Czech Republic	589	601	573	569	570	578	530	546	527	526
Business unit International Markets	226	248	228	261	228	266	228	272	221	271
of which: Hungary	*52*	*180*	*54*	*189*	*54*	*189*	*54*	*193*	*53*	*186*
of which: Slovakia	*138*	*66*	*138*	*69*	*139*	*74*	*139*	*78*	*133*	*84*
of which: Bulgaria	*36*	*2*	*36*	*2*	*35*	*2*	*35*	*1*	*36*	*1*
Group Centre	35	60	48	64	52	62	54	65	0	0
KBC Group	14 365	12 640	14 332	12 566	14 342	12 660	14 304	12 747	14 338	12 848

Financial assets and liabilities measured at fair value – fair value hierarchy (note 24 in the annual accounts 2013)

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 2013.

In millions of EUR	31-12-2013				31-03-2014			
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	2 556	11 846	2 483	16 885	3 549	5 918	2 462	11 929
Designated at fair value	13 444	2 615	382	16 441	13 662	3 572	412	17 646
Available for sale	21 444	4 091	1 772	27 307	23 323	2 865	2 049	28 237
Hedging derivatives	0	777	0	777	0	807	0	807
Total	37 444	19 330	4 637	61 411	40 534	13 162	4 923	58 619
Financial liabilities measured at fair value								
Held for trading	374	10 088	2 658	13 119	428	6 615	2 661	9 704
Designated at fair value	11 787	12 600	543	24 931	11 976	13 040	852	25 867
Hedging derivatives	0	1 678	0	1 678	0	1 949	0	1 949
Total	12 161	24 365	3 201	39 728	12 404	21 604	3 513	37 520

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 25 in the annual accounts 2013)

In the first quarter of 2014, an approximate total amount of 0.1 billion euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also reclassified around 0.9 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 2013)

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at **31-03-2014**, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading				Designated at fair value				Available for sale		Hedging derivatives
	Equity instruments	Investment contracts	Debt instruments	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt instruments	Equity instruments	Debt instruments	Derivatives
Opening balance	1	0	342	2 141	24	5	0	352	300	1 472	0
Total gains/losses	0	0	8	114	0	1	0	11	1	6	0
in profit and loss*	0	0	8	114	0	1	0	11	0	3	0
in other comprehensive income	0	0	0	0	0	0	0	0	1	4	0
Acquisitions	0	0	6	88	0	0	0	23	0	575	0
Sales	0	0	- 10	- 86	0	- 4	0	0	- 6	- 50	0
Settlements	0	0	0	- 117	- 1	0	0	0	0	- 431	0
Transfers into level 3	0	0	1	0	0	0	0	0	0	235	0
Transfers out of level 3	0	0	- 26	0	0	0	0	- 2	0	- 94	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	0	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	41	0	0
Closing balance	1	0	322	2 139	24	3	0	385	336	1 714	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	9	113	0	1	0	8	0	3	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading					Designated at fair value				Hedging derivatives
	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	102	0	2 542	13	0	0	543	0	0	0
Total gains/losses	- 6	0	103	0	0	0	- 6	0	0	0
in profit and loss*	- 6	0	103	0	0	0	- 6	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0
Issues	0	0	79	1	0	0	314	0	0	0
Repurchases	- 1	0	0	0	0	0	0	0	0	0
Settlements	- 15	0	- 146	- 13	0	0	0	0	0	0
Transfers into level 3	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
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	1	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Closing balance	81	0	2 579	1	0	0	852	0	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	- 6	0	101	0	0	0	- 6	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'.

Mostly thanks to the further de-risking of the legacy CDO portfolio in 1Q 2014, the P/L sensitivity of this portfolio to a +50% credit spread widening decreased from 92 million euros as at 31 December 2013 to 52 million euros at 31 March 2014.

Parent shareholders’ equity, additional tier-1 capital and non-voting core-capital securities (note 39 in the annual accounts 2013)

in number of shares	31-12-2013	31-03-2014
Ordinary shares	417 364 358	417 364 358
of which ordinary shares that entitle the holder to a dividend payment	*417 364 358*	*417 364 358*
of which treasury shares	*802*	*2*
Non-voting core-capital securities	79 096 044	67 796 608
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels) 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 2013.
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). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.

On 13 March 2014, KBC placed CRD IV-compliant additional tier-1 securities for a total consideration of 1.4 billion euros. These securities qualify as additional tier-1 capital under the Basel III standards (as transposed in CRD IV) and therefore positively influence KBC’s tier-1 capital. The securities are perpetual with an optional call from year 5 onwards. Following the instruments’ classification as equity, the coupon of 5.625% per annum, payable each quarter is accounted for as dividend. This transaction has no impact on the number of shares.

Related-party transactions (note 42 in the annual accounts 2013)

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

Over 2013 results, KBC does not pay a coupon on the remaining non-voting core capital securities, given that no dividend is paid on ordinary shares. For 2014, KBC intends to pay a dividend on ordinary shares and therefore also intends to pay a coupon (payment in 2015) on the remaining non-voting core capital securities.

Main changes in the scope of consolidation (note 45 in the annual accounts 2013)

Company	Consolidation method	Ownership percentage at group level		Comments
For income statement comparison		1Q 2013	1Q 2014	
Additions				
None				
Exclusions				
Absolut Bank	Full	100%	------	Sold in 2Q 2013
KBC Banka A.D.	Full	100%	------	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 Global Services NV	Full	100%	------	Merged with KBC Group NV on 1 July 2013
KBC Consumer Finance NV	Full	100%	------	Merged with KBC Bank NV on 1 January 2014
For balance sheet comparison		31/12/2013	31/03/2014	
Additions				
None				
Exclusions				
None				
Name Changes				
None				
Changes in ownership percentage and internal mergers				
KBC Consumer Finance NV	Full	100%	------	Merged with KBC Bank NV on 1 January 2014

Due to the application of IFRS 11 as from 1 January 2014, the reference figures throughout the consolidated financial statement have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a).

Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2013)

Situation as at 31 March 2014

On 31 March 2014, 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 March 2014

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 had 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 (impact calculated at the time of signing). 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	31-12-2013	31-03-2014
Assets		
Cash and cash balances with central banks	57	50
Financial assets	3 627	3 833
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	0
Tax assets	49	46
Investments in associated companies and joint ventures	0	0
Investment property and property and equipment	22	10
Goodwill and other intangible assets	2	2
Other assets	13	10
Total assets	3 769	3 952
Liabilities		
Financial liabilities	1 977	2 028
Technical provisions insurance, before reinsurance	0	0
Tax liabilities	11	14
Provisions for risks and charges	10	10
Other liabilities	28	30
Total liabilities	2 027	2 082
Other comprehensive income		
Available-for-sale reserve	- 3	- 3
Deferred tax on available-for-sale reserve	0	0
Cash flow hedge reserve	0	0
Translation differences	0	0
Total other comprehensive income	- 4	- 3

Post-balance sheet events (note 48 in the annual accounts 2013)

Significant events between the balance sheet date (31 March 2014) and the publication of this report (15 May 2014):

The following five outstanding classic subordinated Tier-1 securities have been/will be called on their respective call dates:

- KBC Funding Trust II (XS 0099124793, EUR 119 m), 30 June 2014
- KBC Funding Trust III (USU2445QAA68/US48239AAA79, USD 169 m), 2 May 2014
- KBC Funding Trust IV (US48239FAA66/USU2445TAA08, EUR 121 m), 10 May 2014
- KBC Bank NV (BE0934378747, EUR 1 250 m), 14 May 2014
- KBC Bank NV (XS0368735154, EUR 700 m), 27 June 2014

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Report of the statutory auditor to the shareholders of KBC Group nv on the review of the interim condensed consolidated financial statements as of 31 March 2014 and for the three-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group nv and its subsidiaries (collectively referred to as "the Group") as at 31 March 2014 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed cash flow statement for the three-month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 246.179 million and a consolidated profit (share of the group) for the three-month period then ended of € 397 million. Management is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report of the statutory auditor dated 15 May 2014 on the interim condensed consolidated financial statements of KBC Group nv for the three-month period ended 31 March 2014 (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements does not present fairly, in all material respects, the financial position of the Group as at 31 March 2014, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussel, 15 May 2014

Ernst & Young Réviseurs d'Entreprises
Statutory auditor
represented by

Christel Weymeersch
Partner

Jean-François Hubin
Partner

14CW0214

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KBC Group

Risk and capital management 1Q 2014

This section is not reviewed by the auditors.

Credit risk

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

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2013)'. Following entities have been recognized as 'disposal groups' under IFRS 5 and have been excluded from the figures since 30-06-2012: Antwerp Diamond Bank and KBC Bank Deutschland. Moreover, the reference figures of the loan portfolio have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a of the Consolidated financial statements of this interim report.).

Credit risk: loan portfolio overview	31-12-2013	31-03-2014
Total loan portfolio (in billions of EUR)		
Amount granted	159	160
Amount outstanding[1]	134	135
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	65%
Czech Republic	13%	13%
International Markets	19%	19%
Group Centre	3%	3%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	13 641	14 149
Specific loan impairments	5 423	5 479
Portfolio-based loan impairments	279	230
Credit cost ratio, per business unit[3]		
Belgium	0.37%	0.15%
Czech Republic	0.26%	0.03%
International Markets	4.48%	0.99%
Slovakia	0.60%	0.32%
Hungary	1.50%	0.90%
Bulgaria	1.19%	0.54%
Ireland	6.72%	1.25%
Group Centre[2]	2.90%	0.24%
Total[2]	1.22%	0.30%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 878	8 009
Specific loan impairments for NP loans	3 868	3 995
Non-performing ratio, per business unit		
Belgium	2.5%	2.5%
Czech Republic	3.1%	3.1%
International Markets	19.2%	19.7%
Group Centre	5.9%	4.7%
Total	5.9%	5.9%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	49%	50%
Idem, excluding mortgage loans	60%	62%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	72%	71%
Idem, excluding mortgage loans	90%	88%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees. ;
2. Including IFRS 5 entities the CCR per 31-03-2014 would be 0.16% for Group Centre and 0.29% for the Total.
3. Annualized credit cost.

In the table above non-performing loans (NPL) are based on the current definition (i.e. PD 11 & 12, see annual report FY 2013 - section on credit risk for more information on PD classification). Had PD 10 also been included in the NPL total, the total NPL amount outstanding would have risen to 14 149 million EUR and the NPL ratio to 10.5%, while the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' would have fallen to 40%.

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 31-03-2014, in millions of EUR	**Belgium**			**Foreign branches**			**Total Belgium**	
Total outstanding amount	81 367			5 639			87 006	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*
SME / corporate	21 591	*26.5%*		5 639	*100.0%*		27 230	*31.3%*
retail	59 776	*73.5%*		0	*0.0%*		59 776	*68.7%*
o/w private	32 222	*39.6%*		0	*0.0%*		32 222	*37.0%*
o/w companies	27 554	*33.9%*		0	*0.0%*		27 554	*31.7%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	31 143	*38.3%*	59%	0	*0.0%*	-	31 143	*35.8%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*
o/w vintage 2007 and 2008	3 046	*3.7%*	-	0	*0.0%*	-	3 046	*3.5%*
o/w ind. LTV > 100%	1 591	*2.0%*	-	0	*0.0%*	-	1 591	*1.8%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	59 559	*73.2%*		3 179	*56.4%*		62 738	*72.1%*
medium risk (pd 5-7; 0.80%-6.40%)	15 957	*19.6%*		1 467	*26.0%*		17 424	*20.0%*
high risk (pd 8-10; 6.40%-100.00%)	3 804	*4.7%*		734	*13.0%*		4 538	*5.2%*
non-performing loans (pd 11 - 12)	1 919	*2.4%*		247	*4.4%*		2 166	*2.5%*
unrated	128	*0.2%*		12	*0.2%*		140	*0.2%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	1 919	*2.4%*		247	*4.4%*		2 166	*2.5%*
provisions for NPL	1 079			175			1 254	
all provisions (specific + portfolio based)	n.a.			n.a.			1 774	
cover NPL by all provisions (specific + portfolio)	n.a.			n.a.			82%	
2013 Credit cost ratio (CCR)	n.a.			n.a.			0.37%	
YTD 2014 CCR	n.a.			n.a.			0.15%	

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

(1) mortgage loans: only to private persons and before impairments (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 and KBC Bank Deutschland as from 30-06-2012.

Loan portfolio Business Unit Czech Republic 31-03-2014, in millions of EUR	Czech republic			For information: CMSS (consolidated via equity-method as from 1Q14) Czech Rep (CMSS)		
Total outstanding amount	17 819			2 503		
Counterparty break down		*% outst.*			*% outst.*	
SME / corporate	6 441	*36.1%*		68	*2.7%*	
retail	11 378	*63.9%*		2 435	*97.3%*	
o/w private	7 954	*44.6%*		2 420	*96.7%*	
o/w companies	3 424	*19.2%*		15	*0.6%*	
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	7 275	*40.8%*	67%	1 869	*74.7%*	60%
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-
o/w vintage 2007 and 2008	1 392	*7.8%*	-	182	*7.3%*	-
o/w ind. LTV > 100%	326	*1.8%*	-	114	*4.5%*	-
Probability of default (PD)		*% outst.*			*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	12 184	*68.4%*		1 451	*58.0%*	
medium risk (pd 5-7; 0.80%-6.40%)	4 240	*23.8%*		819	*32.7%*	
high risk (pd 8-10; 6.40%-100.00%)	719	*4.0%*		183	*7.3%*	
non-performing loans (pd 11 - 12)	560	*3.1%*		51	*2.0%*	
unrated	117	*0.7%*		0	*0.0%*	
Other risk measures (2)		*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	560	*3.1%*		51	*2.0%*	
provisions for NPL	354			23		
all provisions (specific + portfolio based)	412			30		
cover NPL by all provisions (specific + portfolio)	74%			59%		
2013 Credit cost ratio (CCR)	0.26%			n/a		
YTD 2014 CCR	0.03%			n/a		

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

Loan portfolio Business Unit International Markets 31-03-2014, in millions of EUR	Ireland (3)			Slovakia			Hungary (4)			Bulgaria			Total Int Markets	
Total outstanding amount	15 118			4 757			5 031			736			25 815	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	3 052	*20.2%*		2 043	*42.9%*		2 683	*53.3%*		309	*42.0%*		8 260	*32.0%*
retail	12 066	*79.8%*		2 714	*57.1%*		2 348	*46.7%*		427	*58.0%*		17 555	*68.0%*
o/w private	12 066	*79.8%*		2 162	*45.5%*		1 927	*38.3%*		261	*35.4%*		16 417	*63.6%*
o/w companies	0	*0.0%*		552	*11.6%*		421	*8.4%*		166	*22.5%*		1 138	*4.4%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	12 066	*79.8%*	116%	1 794	*37.7%*	58%	1 745	*34.7%*	85%	121	*16.5%*	59%	15 726	*60.9%*
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	1 379	*27.4%*	94%	75	*10.2%*	55%	1 454	*5.6%*
o/w vintage 2007 and 2008	4 457	*29.5%*	-	206	*4.3%*	-	907	*18.0%*	-	41	*5.6%*	-	5 611	*21.7%*
o/w ind. LTV > 100%	7 485	*49.5%*	-	0	*0.0%*	-	565	*11.2%*	-	12	*1.6%*	-	8 063	*31.2%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	2 337	*15.5%*		2 743	*57.7%*		1 872	*37.2%*		101	*13.7%*		7 089	*27.5%*
medium risk (pd 5-7; 0.80%-6.40%)	3 995	*26.4%*		1 357	*28.5%*		1 927	*38.3%*		293	*39.9%*		7 545	*29.2%*
high risk (pd 8-10; 6.40%-100.00%)	4 645	*30.7%*		396	*8.3%*		619	*12.3%*		58	*7.8%*		5 883	*22.8%*
non-performing loans (pd 11 - 12)	4 141	*27.4%*		159	*3.3%*		588	*11.7%*		203	*27.6%*		5 091	*19.7%*
unrated	0	*0.0%*		102	*2.1%*		25	*0.5%*		81	*11.0%*		207	*0.8%*
Other risk measures (2)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	4 141	*27.4%*		159	*3.3%*		588	*11.7%*		203	*27.6%*		5 091	*19.7%*
provisions for NPL	1 793			85			329			92			2 298	
all provisions (specific + portfolio based)	2 765			117			407			94			3 382	
cover NPL by all provisions (specific + portfolio)	67%			73%			69%			46%			66%	
2013 Credit cost ratio (CCR)	6.72%			0.60%			1.50%			1.19%			4.48%	
YTD 2014 CCR	1.25%			0.32%			0.90%			0.54%			0.99%	

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 and before impairments (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 2013 - section on credit risk for more information on PD classification). Had PD 10 also been included in the NPL total, the total NPL amount outstanding would have risen to 7 710 million EUR, while the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' would have fallen to 36%.

(4) Non-performing loans (NPL) as based on the current definition (i.e. PD 11 & 12, see annual report FY 2013 - section on credit risk for more information on PD classification). Had PD 10 also been included in the NPL total, the total NPL amount outstanding would have risen to 772 million EUR, while the cover ratio of 'specific and portfolio-based loan impairments for performing and NPL/outstanding NPL' would have fallen to 53%.

Loan portfolio Group Centre 31-03-2014, 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	4 104			1 484			2 399		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	4 104	100.0%		1 484	100.0%		2 399	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%)	1 855	45.2%		78	5.3%		1 124	46.9%	
medium risk (pd 5-7; 0.80%-6.40%)	1 445	35.2%		1 008	67.9%		878	36.6%	
high risk (pd 8-10; 6.40%-100.00%)	547	13.3%		170	11.4%		252	10.5%	
non-performing loans (pd 11 - 12)	193	4.7%		215	14.5%		130	5.4%	
unrated	65	1.6%		13	0.9%		15	0.6%	
Other risk measures (2)		% outst.			% outst.			% outst.	
outstanding non-performing loans (NPL)	193	4.7%		215	14.5%		130	5.4%	
provisions for NPL	89			172			101		
all provisions (specific + portfolio based)	141			183			138		
cover NPL by all provisions (specific + portfolio)	73%			85%			106%		
2013 Credit cost ratio (CCR)	2.90%			0.97%			1.31%		
YTD 2014 CCR	0.24%			-0.04%			0.16%		

Remarks

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

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

(2) individual CCR in local currency

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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 (i) 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 (ii) in ABS in the table 'other legacy ABS exposure'.

Starting in 4Q13 and extended in the first quarter of 2014, KBC decided to lift the strict moratorium on investments in ABS and to allow *treasury investments* ('treasury ABS exposure' in the table) in high quality ABS. This allows a further diversification of the investment portfolios.
Important to note is that the moratorium on investments in synthetic securitizations or resecuritisation continues to exist.

KBC investments in structured credit products (CDOs and ABS), in billions of EUR	31-03-2014
Total net exposure	5.5
o/w legacy CDO exposure protected with MBIA	*3.2*
o/w other legacy CDO exposure	*0.9*
o/w other legacy ABS exposure	*0.8*
o/w treasury ABS exposure	*0.6*
Cumulative value markdowns on outstanding legacy investments (mid 2007 to date)*	-0.2
Value markdowns	-0.2
for *other legacy CDO exposure*	*-0.1*
for *legacy ABS exposure*	*-0.1*
Credit value adjustment (CVA) on MBIA cover (related to legacy CDO exposure)	-0.0
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.

In the first quarter of 2014 the net exposure on legacy CDO positions has decreased further by -2.2 billion euros thanks to further collapsing of CDO exposure. Further on, KBC's legacy ABS portfolio reduced by an amount of -0.3 billion euros over the first quarter of 2014 mainly due to a selective transfer of assets to the treasury ABS exposure. In KBC's treasury portfolio, investments to the tune of 230 million euros were done in RMBS assets.

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 3.8 billion euros, down from 20.0 billion euros at inception, of which 3.2 billion euros relates to the exposure insured by MBIA. For the positions insured by MBIA, a counterparty credit risk provision is in place. Based on a fundamental internal analysis the provisioning rate is determined. Per end March 2014 it was kept constant at 60%. The remaining 0.6 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	31-03-2014
Total insured amount (notional amount of super senior swaps)*	3.2
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	0.0
- CVA for counterparty risk, MBIA	-0.0
(as a % of fair value of insurance coverage received)	60%

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

Solvency

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

Under Basel III (CRDIV/CRR), which is the applicable guideline as from 1 January 2014 onward, for group solvency the insurance participation is to be deducted from common equity at KBC Group level, unless the competent authority grants the permission to apply a risk weighting instead. KBC received this permission from the National Bank of Belgium (NBB) and 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 'building block' method. 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%.

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

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 March 2014, the fully loaded common equity ratio stood at 12.2% (12.9% on a phased-in basis).

The pro forma common equity ratio at 31 March 2014 includes the impact of the sale of Antwerp Diamond Bank and KBC Deutschland, and amounts to approximately 12.5%.

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 11.8% as at the end of March 2014.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculated KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 84% of the weighted credit risks, of which approx. 56% according to Advanced and approx. 28% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 16%) are calculated according to the Standardised approach. The latter, under the Danish Compromise, includes the risk-weighted own funds instruments of the insurance company.

In millions of EUR	31-12-2013	31-03-2014
Danish compromise - Fully loaded		
Total regulatory capital, KBC Group (after profit appropriation)	16 258	15 550
Tier-1 capital	11 711	12 902
Common equity	11 711	11 502
Parent shareholders' equity (after deconsolidating KBC Insurance)	11 361	11 344
Non-voting core capital securities	2 333	2 000
Intangible fixed assets (incl deferred tax impact) (-)	- 341	- 353
Goodwill on consolidation (incl deferred tax impact) (-)	- 950	- 776
Minority interests	- 3	- 3
Hedging reserve (cash flow hedges) (-)	497	706
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 6	- 13
Equalization reserve (-)	- 131	0
Dividend payout (-)	0	- 209
Renumeration of government securities (-)	0	- 42
Renumeration of AT1 instruments (-)	0	- 2
Deduction re. financing provided to shareholders (-)	- 176	- 176
IRB provision shortfall (-)	- 225	- 248
Deferred tax assets on losses carried forward (-)	- 648	- 727
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	0	1 400
Grandfathered innovative hybrid tier-1 instruments	0	0
Grandfathered non-innovative hybrid tier-1 instruments	0	0
CRR compliant AT1 instruments	0	1 400
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	4 547	2 648
IRB provision excess (+)	342	360
Subordinated liabilities[1]	4 206	2 288
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Capital requirement		
Total weighted risk volume[2,3,4]	91 216	94 173
Banking	80 189	83 122
Insurance	11 068	11 068
Holding activities	72	66
Elimination of intercompany transactions	- 113	- 83
Solvency ratios		
Common equity ratio	12.84%	12.21%
Tier-1 ratio	12.84%	13.70%
CAD ratio	17.82%	16.51%

1. The decrease in subordinated liabilities mainly follows the application of the minority rule, which on the level of KBC Group limits the capital value for solvency reasons of subordinated instruments externally issued by KBC Bank.
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).
3. The reference figures on total weighted risk volume have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a of the Consolidated financial statements of this interim report.).
4. The increase in RWA is mainly driven by a change in methodology whereby the 'carve out' of the home-country sovereign bonds (risk weighting these at zero percent) was not applied anymore. This change increased RWA by approximately 4.4 billion euros.

When applying the building block method the fully loaded common equity ratio per 31-03-2014 would stand at 12.4%.

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel III/CRD IV Danish Compromise 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 31-12-2013 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)	31-12-2013	31-03-2014
Total regulatory capital, after profit appropriation	14 400	15 354
Tier-1 capital	9 602	10 966
Of which common equity	9 602	9 561
Tier-2 and tier-3 capital	4 797	4 388
Total weighted risks	79 822	82 755
Credit risk	64 776	68 328
Market risk	4 308	3 689
Operational risk	10 738	10 738
Solvency ratios		
Common equity ratio	12.0%	11.6%
Tier-1 ratio	12.0%	13.3%
CAD ratio	18.0%	18.6%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2013	31-03-2014
Available capital	2 721	2 891
Required solvency margin	968	965
Solvency ratio and surplus		
Solvency ratio (%)	281%	299%
Solvency surplus (in millions of EUR)	1 753	1 925