KBC Group Extended Quarterly Report

1Q2015

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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

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

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

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

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

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

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

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

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

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

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

Net interest margin of the group: [net interest income of the banking activities] / [average interest-bearing assets of the banking activities]. To more closely reflect the scope of business, the definition has been reworked since 2014 (and applied retroactively) to exclude all divestments and all volatile short-term assets used for liquidity management.

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

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

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

Return on equity: [result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is paid on the core-capital securities sold to the government or a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator..

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

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Report for 1Q2015

This press release contains information that is subject to transparency regulations for listed companies.
Date of release: 12 May 2015

Summary: exceptionally good start to the year with first-quarter profit of 510 million euros

KBC ended the first quarter of 2015 with a net profit of 510 million euros, compared with 473 million euros in the last quarter of 2014 and 347 million euros in the first quarter of 2014.

Johan Thijs, Group CEO:

'*Although the global economy dipped in the first quarter of 2015, the economies in our Central European markets and Ireland were relatively strong. The persistence of low interest rates remained a challenge for the whole financial sector. Against this backdrop, KBC posted an exceptionally good net result of 510 million euros for the first quarter of 2015. We earned substantially higher fees and commissions, particularly in our asset management activities, and assets under management have now surpassed 200 billion euros. Besides an increase in sales of non-life insurance products, the combined ratio was excellent. Sales of unit-linked life insurance products were flat compared with their level in the fourth quarter and sales of guaranteed-interest life insurance products fell. As expected, net interest income decreased, with the net interest margin narrowing, but loan volumes and client deposits grew further in the majority of our core markets. Operating expenses were heavily distorted by the application of IFRIC21 as a result of which a significant proportion of the special bank taxes for the full year had to be taken in the first quarter of 2015 (264 million euros). The cost/income ratio adjusted for specific items continued to be very strong. Impairment charges were very low, probably in an unsustainable way.*

In the first quarter, the Belgium Business Unit generated a net result of 330 million euros, up on the 304 million euros recorded in the first quarter of 2014, but since – in application of IFRIC 21 – the bulk of special bank taxes for the full year 2015 was recognised in the first quarter of the year, obviously below the previous quarter's result. Compared with that previous quarter, the quarter under review was characterised by increased net fee and commission income and lower net interest income, a very good combined ratio for non-life insurance thanks to a low claims level, a decrease in sales of life insurance products, lower trading and fair value income, high realised gains on the sale of bonds and shares, and lower other net income. Costs were impacted by the posting of a significant proportion of the special bank taxes for the full year. Excluding those taxes, costs went down, as did impairment charges. The banking activities accounted for two-thirds of the net result in the quarter under review, and the insurance activities for one-third. Lastly, the first quarter was also impacted by one-off negative tax adjustments.

In the quarter under review, the Czech Republic Business Unit posted a net result of 143 million euros, higher than the 132-million-euro average for the four preceding quarters. Compared with the previous quarter, the results for the first quarter of 2015 featured (on a comparable basis) more or less stable net interest income despite the low interest rate environment, an increase in the net interest margin, slightly lower net fee and commission income, higher net results from financial instruments and from the sale of bonds and shares, a good non-life combined ratio, and a drop in sales of life insurance products. Costs were impacted by the recognition in the quarter under review of a significant proportion of the special bank taxes for the full year; excluding those taxes, costs went down. Loan loss impairment charges were extremely low. Banking activities accounted for 97% of the net result in the quarter under review, and insurance activities for 3%.

In the quarter under review, the International Markets Business Unit recorded a positive net result of 24 million euros, a vast improvement on the -46-million-euro average for the four preceding quarters (which had been affected by provisions related to the new retail loans act in Hungary (Curia provision) and by loan loss impairments in Ireland). Compared with the previous quarter, the first quarter of 2015 was characterised by slightly higher net interest income, lower net fee and commission income, a strong result from financial instruments at fair value, and an increase in other income due to a partial release of a provision set aside at an earlier stage for the Curia law regarding retail loans. There was also an improvement in the non-life combined ratio and an increase in life insurance sales. Costs were impacted by the posting of a significant proportion of the special bank taxes for the full year in the first quarter; excluding those taxes, costs went down. Loan loss provisions were down significantly on the previous quarter. Overall, the banking activities accounted for a net result of 18 million euros (positive results in Slovakia and Bulgaria, but negative results in Hungary and Ireland), while the insurance activities accounted for a net result of 6 million euros.

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

Our capital position also continues to be very robust, as illustrated by a common equity ratio of 14.9% (Basel III fully loaded under the Danish compromise) and 15.4% (under the FICOD method). This figure is well above the regulator's double solvency target of 10.5%. We further optimised the capital structure of the group through the replacement of shareholder capital at KBC Insurance by an intra-group tier-2 loan in the amount of 500 million euros, which KBC Group NV subscribed to in the quarter under review. The leverage ratio for the Group (Basel III fully loaded) stood at 6.4%

Our ambition is to be among the best-performing, retail-focused financial institutions in Europe and to become the reference in bank-insurance in our core markets. 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.

Our goal is to ensure that our clients, shareholders and other stakeholders benefit from our activities and all our employees are very committed to working towards this goal. We are truly grateful for the trust that continues to be placed in our company and our employees.'

Financial highlights for 1Q2015 compared with 4Q2014

- Strong performance of the commercial bank-insurance franchises in our core markets and core activities
- Strong loan growth in Belgium, the Czech Republic and Slovakia
- Very strong deposit growth in Belgium, Ireland and Bulgaria
- Lower net interest income, net interest margin narrows from 2.16% to 2.08%
- Good non-life sales and excellent non-life combined ratio of 82% year-to-date
- Net fee and commission income up by 13%, AUM surpasses 200 billion euros
- Decrease in guaranteed-interest life insurance sales
- Lower net gains from financial instruments at fair value and lower net other income, but higher gains on available-for-sale assets
- Cost/income ratio of 52% year-to-date, adjusted for specific items
- Credit cost ratio at a very low 0.21% year-to-date
- Consistently solid liquidity position, with an LCR of 132% and an NSFR of 126%
- Solvency: strong capital base, with a Basel III common equity ratio (fully loaded, Danish compromise) of 14.9% and 15.4% (FICOD method), both well above the 10.5% regulator's target. Leverage ratio (Basel III fully loaded) of 6.4%

Overview KBC Group (consolidated)	**1Q2014[1]**	**4Q2014**	**1Q2015[1]**
Net result, IFRS (in millions of EUR)	347	473	510
Basic earnings per share, IFRS (in EUR)[2]	0.32	1.00	1.19
Adjusted net result (in millions of EUR)	337	493	510
Breakdown of the net result, IFRS, by business unit (in millions of EUR)			
Belgium	304	414	330
Czech Republic	138	121	143
International Markets	-28	-7	24
Group Centre	-67	-54	13
Parent shareholders' equity per share (in EUR, end of period)	28.7	31.4	33.3

1 Distorted by the booking of the largest part of the special bank taxes for the year in the first quarter (IFRIC 21).
2 Note: if a coupon is paid on the core-capital securities sold to the Flemish Regional Government and a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid on the core-capital securities, it will likewise be deducted.

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, as well as several notes to the accounts, are also available in the same section.

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Net interest income	1 010	1 056	1 120	1 123	1 091
Interest income	1 930	1 971	2 010	1 982	1 850
Interest expense	-920	-915	-890	-860	-759
Non-life insurance (before reinsurance)	149	102	139	123	167
Earned premiums	*307*	*315*	*321*	*322*	*320*
Technical charges	*-158*	*-214*	*-183*	*-200*	*-153*
Life insurance (before reinsurance)	-59	-56	-57	-45	-48
Earned premiums	*308*	*297*	*299*	*343*	*302*
Technical charges	*-367*	*-353*	*-355*	*-388*	*-350*
Ceded reinsurance result	-17	19	4	10	-11
Dividend income	14	24	9	9	12
Net result from financial instruments at fair value through profit or loss	40	44	34	109	57
Net realised result from available-for-sale assets	51	49	28	22	80
Net fee and commission income	374	387	402	410	459
Fee and commission income	557	533	579	577	632
Fee and commission expense	-182	-147	-177	-167	-174
Other net income	52	-99	73	68	49
Total income	1 615	1 526	1 752	1 827	1 855
Operating expenses	-1 049	-908	-897	-964	-1 125
Impairment	-114	-142	-58	-193	-77
on loans and receivables	-102	-136	-190	-158	-73
on available-for-sale assets	-5	-3	-6	-14	-3
on goodwill	0	0	0	0	0
other	-6	-3	139	-21	-1
Share in results of associated companies and joint ventures	7	7	6	6	6
Result before tax	459	483	803	675	659
Income tax expense	-112	-149	-194	-202	-149
Net post-tax result from discontinued operations	0	0	0	0	0
Result after tax	347	334	608	473	510
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**347**	**334**	**608**	**473**	**510**
Basic earnings per share (EUR)	0.32	0.67	1.32	1.00	1.19
Diluted earnings per share (EUR)	0.32	0.67	1.32	1.00	1.19

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

Overview of adjusted results

In addition to the figures according to IFRS (previous section) and until the end of 2014, KBC provided figures aimed at giving more insight into its ongoing business performance. Hence, in the table 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 under the heading 'Legacy business and own credit risk impact (after tax)' in the table (under segment reporting, these items are all included in the Group Centre). In view of their immateriality (finalisation of the divestments, no CDO exposure anymore), these items are no longer stated separately, starting from the first quarter of 2015.

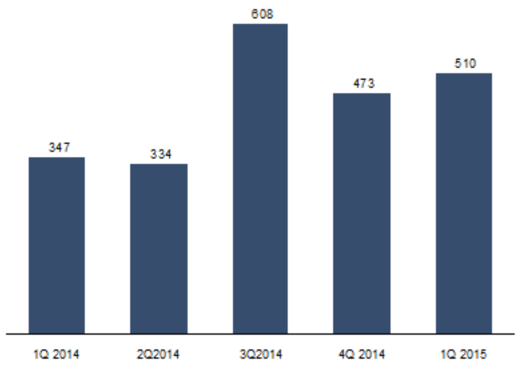
Moreover, capital-market income is treated differently for accounting purposes for the Belgium Business Unit (with all trading results recorded under 'Net result from financial instruments at fair value'). This treatment was continued in the first quarter of 2015. A full explanation of the differences 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 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Adjusted net result (i.e. excluding legacy business and own credit risk)					
Net interest income	1 002	1 047	1 109	1 110	1 072
Non-life insurance (before reinsurance)	149	102	139	123	167
Earned premiums	*307*	*315*	*321*	*322*	*320*
Technical charges	*-158*	*-214*	*-183*	*-200*	*-153*
Life insurance (before reinsurance)	-59	-56	-57	-45	-48
Earned premiums	*308*	*297*	*299*	*343*	*302*
Technical charges	*-367*	*-353*	*-355*	*-388*	*-350*
Ceded reinsurance result	-17	19	4	10	-11
Dividend income	11	22	6	7	11
Net result from financial instruments at fair value through profit or loss	17	37	49	130	74
Net realised result from available-for-sale assets	50	49	27	18	79
Net fee and commission income	378	389	404	410	462
Other net income	52	-124	64	70	49
Total income	1 584	1 485	1 746	1 832	1 855
Operating expenses	-1 041	-901	-872	-961	-1 125
Impairment	-107	-134	-183	-191	-77
on loans and receivables	*-103*	*-130*	*-165*	*-156*	-73
on available-for-sale assets	*-5*	*-3*	*-6*	*-14*	-3
on goodwill	*0*	*0*	*0*	*0*	0
other	*0*	*0*	*-12*	*-21*	-1
Share in results of associated companies and joint ventures	7	7	6	6	6
Result before tax	442	457	696	685	659
Income tax expense	-106	-152	-202	-192	-149
Result after tax	337	305	494	493	510
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**337**	**305**	**494**	**493**	**510**
Legacy business and own credit risk impact (after tax)					
Legacy – gains/losses on CDOs	16	30	-24	-7	-
Legacy – divestments	-9	8	132	-15	-
MTM of own credit risk	2	-8	6	1	-
Result after tax, attributable to equity holders of the parent	**347**	**334**	**608**	**473**	**510**
Belgium	304	398	399	414	330
Czech Republic	138	140	130	121	143
International Markets	-28	-175	28	-7	24
Group Centre	-67	-29	51	-54	13

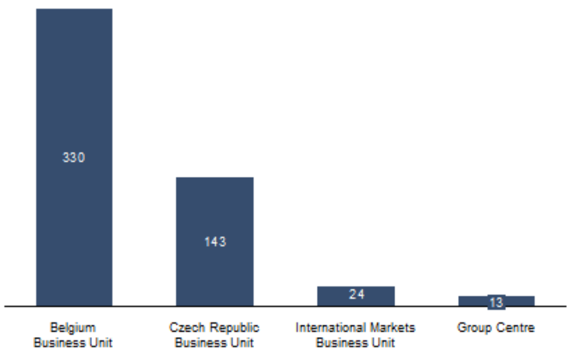
IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 in 2015 is that certain levies have to be recognised in advance, which adversely impacted the results for the first quarter of 2015. As it needs to be applied retroactively,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

Analysis of the quarter under review (1Q2015)

Net result (in millions of EUR)



Net result by business unit, 1Q2015 (in millions of EUR)



The net result for the quarter under review amounted to 510 million euros, compared to 473 million euros in 4Q2014 and 347 million euros in 1Q2014.

Total income

- In addition to the figures according to IFRS (previous section) and until the end of 2014, KBC provided figures aimed at giving more insight into its ongoing business performance. Hence, in the analysis below, the impact of legacy activities (remaining divestments and CDOs) and of the valuation of own credit risk is excluded from P/L for all 2014 quarterly data, to allow for a relevant comparison. Moreover, capital-market income is treated differently for accounting purposes for the Belgium Business Unit (with all trading results recording under 'Net result from financial instruments at fair value').
- The year-on-year performance was also partly affected by the deconsolidation of KBC Bank Deutschland and by a number of other minor changes. These items will be disregarded to enable a meaningful comparison to be made ('on a comparable basis').
- Net interest income stood at 1 072 million euros, down 3% quarter-on-quarter but up 7% year-on-year. On a comparable basis, this item was up 9% year-on-year. The net interest margin came to 2.08% for the quarter under review, 8 basis points lower than the level of the previous quarter, and 8 basis points higher than the (recalculated) level of the year-earlier quarter. The quarter-on-quarter decrease in net interest income was driven primarily by lower upfront refinancing fees on mortgage loans in Belgium and lower revenues on previously refinanced mortgages in Belgium but also by lower reinvestment yields on the investment portfolio. Year-on-year the increase was driven by sound commercial margins, volume increases, lower funding costs and higher prepayment fees. Deposit volumes were up 3% quarter-on-quarter and 6% year-on-year. Loan volumes increased by 1% quarter-on-quarter and 4% year-on-year. The loan book in the Belgium Business Unit grew by 1% quarter-on-quarter and by 5% year-on-year. Deposits in the Belgium Business Unit grew by 5% quarter-on-quarter and by 11% year-on-year. The loan book in the Czech Republic increased by 9% year-on-year and 2% quarter-on-quarter, while deposits rose by 7% year-on-year and stayed flat quarter-on-quarter. The loan portfolio in the International Markets Business Unit was almost flat year-on-year, owing to the contraction in the Irish loan portfolio offsetting strong growth in Hungary, Bulgaria and Slovakia, and was also virtually unchanged quarter-on-quarter. Its deposit base grew by 8% year-on-year (driven mainly by Ireland, where there is a successful ongoing retail campaign, and Bulgaria), and went up by 3% quarter-on-quarter.
- The life and non-life insurance businesses delivered gross earned premiums less gross technical charges and the ceded reinsurance result totalling 108 million euros in the quarter under review, up 23% quarter-on-quarter, driven mainly by lower technical charges in the non-life segment, and up 48% year-on-year, driven chiefly by higher earned premiums in the non-life segment and lower technical charges in the life segment.

  In the non-life segment, earned premiums were down 1% on the previous quarter but up 4% on the year-earlier figure. Claims during the first quarter were down 23% compared to their quarter-earlier level and down 3% on their level in the first quarter of 2014. The quarter-on-quarter decrease was driven by lower claims, both normal and large, in Belgium. As a consequence, the combined ratio came to an excellent 82% year-to-date.

Sales of life insurance products (including unit-linked products not included in premium income) were down 8% on their level in 4Q2014, with a significant decline in guaranteed-interest life products and no change in the level of sales of unit-linked life products. Year-on-year, life insurance sales were up by 6%.

It should be noted that, during the first quarter, investment income derived from insurance activities was up 21% on its level of the previous quarter, and flat relative to the year-earlier quarter. The quarter-on-quarter change was driven chiefly by a higher net realised result from available-for-sale assets as well as lower impairment charges. Lastly, the technical-financial result also benefited from general administrative expenses being kept strictly under control, 5% lower than the previous quarter.

- The net result from financial instruments at fair value amounted to 74 million euros in the quarter under review, well above the 58-million-euro average for the four preceding quarters but lower than the previous quarter. The quarter-on-quarter decrease in this item was accounted for by positive CVA (due mainly to model changes) in the previous quarter. The valuations in respect of ALM derivative instruments came to -3 million euros in the quarter under review (compared to a quarterly average of -50 million euros in 2014 and of -7 million euros in the fourth quarter of 2014). Dealing room income, which also drives this item, stood at a modest level in 1Q2015, impacted partly by the revaluation of the Swiss franc during the period.
- Net realised gains from available-for-sale assets stood at 79 million euros for the quarter under review, up on the 36-million-euro average for the four preceding quarters and higher than the previous quarter. These gains were realised both on the sale of shares and bonds on the back of buoyant markets.
- Net fee and commission income amounted to 462 million euros, up 13% quarter-on-quarter and 22% year-on-year (23% on a comparable basis) owing primarily to the higher entry fees on investment products and higher level of management fees for mutual funds. Assets under management stood at 208 billion euros, up 12% on their level of the previous quarter (accounted for by the investment performance (+8%) and net entries (+4%)) and up 25% year-on-year, driven by the investment performance (+16%) and by net inflows (+9%).
- Other net income came to 49 million euros, substantially higher than the 16-million-euro average for the four preceding quarters (the latter figure had been impacted to the tune of -231 million euros by provisioning for the new Hungarian act on retail loans in 2Q2014, whereas the first quarter of 2015 included a reversal of that provision of 17 million euros).

Operating expenses

- Operating expenses came to 1 125 million euros in the first quarter, up 17% on their level in the previous quarter and 8% year-on-year (9% on a comparable basis). The increase was distorted by the posting of a significant proportion of the special bank taxes for the full 2015 year in the quarter under review in application of IFRIC 21 (264 million euros); on a like-for-like comparison (i.e. excluding the effect of the bank tax and on a comparable basis), the other expenses decreased by 6% quarter-on-quarter and went up by 3% year-on-year. The quarter-on-quarter decline was attributable to lower marketing expenses in Belgium and the Czech Republic, lower staff expenses in Belgium and Ireland and some one-off items in Hungary in the fourth quarter of 2014. Making a year-on-year comparison, the increase was accounted for by higher staff expenses in Belgium, the Czech Republic and Ireland and higher general expenses in Ireland (ongoing retail campaign, among other things).
- The year-to-date cost/income ratio came to a relatively high 63%, but this was largely caused by the recognition of 264 million euros in the first quarter to cover the largest part of full-year bank taxes. Adjusted for specific items (*inter alia* the bank tax, tax adjustments and divestments), the cost/income ratio stood at 52%.

Impairment charges

- Loan losses stood at 73 million euros in the first quarter of 2015, down on the 156 million euros recorded in the previous quarter and lower than the 103 million euros recorded a year earlier. This sizeable decline was accounted for chiefly by a decrease of 33 million euros in Ireland, 14 million euros in the Czech Republic Business Unit, and 11 million euros in both the Belgium Business Unit and the Group Centre. The annualised credit cost ratio for the whole group stood at 0.21%. This breaks down into 0.28% for the Belgium Business Unit (up from 0.23% for FY2014), a low 0.04% in the Czech Republic Business Unit (down from 0.18% for FY2014), and 0.25% for the International Markets Business Unit (an improvement from 1.06% for FY2014).
- Impairment charges on assets other than loans were limited in the quarter under review and amounted to 4 million euros, 3 million euros of which related to available-for-sale assets.

Breakdown by business unit

- In the first quarter of 2015, the Belgium Business Unit generated a net result of 330 million euros, up on the 304 million euros recorded in 1Q2014, but since – in application of IFRIC 21 – the bulk of special bank taxes for the full year 2015 was recognised in the first quarter of the year, evidently below the previous quarter's result. Compared with that previous quarter, 1Q2015 was characterised by increased net fee and commission income and lower net interest income, a very good combined ratio for non-life insurance thanks to a low claims level, a decrease in sales of life insurance products, lower trading and fair value income, high realised gains on the sale of bonds and shares, and lower other net income. Costs were impacted by the posting of a significant proportion of the special bank taxes (among which the contribution to the European Single Resolution Fund) for the full year; excluding those taxes, costs went down, as did impairment charges. The banking activities accounted for two-thirds of the net result in the quarter under review, and the insurance activities for one-third. Lastly, 1Q2015 was also impacted by one-off negative tax adjustments.
- In the quarter under review, the Czech Republic Business Unit posted a net result of 143 million euros, higher than the 132-million-euro average for the four preceding quarters. Compared with the previous quarter, the results for 1Q2015 featured (on a comparable basis) more or less stable net interest income despite the low interest rate environment, an increase in the net interest margin, slightly lower net fee and commission income, higher net results from financial instruments at fair value and from the sale of bonds and shares, a good non-life combined ratio, and a drop in sales of life insurance products. Costs were impacted by the recognition in the quarter under review of a significant proportion of the special bank taxes (among which the contribution to the European Single Resolution Fund) for the full year; excluding those taxes, costs went down. Loan loss impairment charges were extremely low. Banking activities accounted for 97% of the net result in the quarter under review, and insurance activities for 3%.
- In the quarter under review, the International Markets Business Unit recorded a positive net result of 24 million euros, a vast improvement on the -46–million-euro average for the four preceding quarters (which had been affected by provisions related to the new retail loans act in Hungary (Curia provisions) and by loan loss impairments in Ireland). Compared to the previous quarter, 1Q2015 was characterised by slightly higher net interest income, lower net fee and commission income, a strong result from financial instruments at fair value, and an increase in other income due to a partial release of previously recorded provisions for the new retail loans act in Hungary. There was also an improvement in the non-life combined ratio and an increase in life insurance sales. Costs were impacted by the recording of a significant proportion of the special bank taxes for the full year (among which the contribution to the European Single Resolution Fund); excluding those taxes, costs went down. Loan loss provisions were significantly down on the previous quarter. Overall, the banking activities accounted for a net result of 18 million euros (positive results in Slovakia and Bulgaria, but negative results in Hungary and Ireland), while the insurance activities accounted for a net result of 6 million euros.
- The Group Centre's net result amounted to 13 million euros in 1Q2015. This entity includes a number of group items and the results of companies earmarked for divestment. It also includes the impact of the legacy business (CDOs and divestments) and the valuation of own credit risk. Whereas these items were stated separately in 2014, the fact that the amounts are now immaterial means that they are once again included in the various P/L lines as of 1Q2015.

Equity, solvency and liquidity

- At the end of the first quarter of 2015, total equity came to 17.3 billion euros – up 0.8 billion euros on its level at the start of the year – due mainly to the inclusion of first-quarter results (+0.5 billion euros), the change in the AFS revaluation reserve (+0.5 billion euros), the cash flow hedges (-0.3 billion euros) and some minor items.
- At 31 March 2015, the group's common equity ratio (Basel III, fully loaded, under the Danish compromise, including the remaining aid from the Flemish Regional Government) stood at a strong 14.9%. Under the Financial Conglomerates Directive (FICOD), the group's common equity ratio stood at 15.4% (fully loaded, including the remaining aid from the Flemish Regional Government). Therefore, both ratios easily pass the regulator's double solvency test of minimum 10.5%. The leverage ratio for the Group (Basel III fully loaded) stood at 6.4%
- The solvency ratio for KBC Insurance was an excellent 334% at 31 March 2015, up from the already high 323% at the end of 2014.
- The group's liquidity position remains excellent, as reflected in an LCR ratio of 132% and an NSFR ratio of 126% at the end of the first quarter of 2015.

Selected balance sheet data

Highlights of consolidated balance sheet* KBC Group (in millions of EUR)	31-03-2014	30-06-2014	30-09-2014	31-12-2014	31-03-2015
Total assets	246 179	252 768	251 612	245 174	258 396
Loans and advances to customers	120 810	124 661	125 898	124 551	124 632
Securities (equity and debt instruments)	66 313	68 380	69 530	70 359	71 948
Deposits from customers and debt certificates	163 838	166 407	166 843	161 783	167 922
Technical provisions, before reinsurance	18 941	19 007	19 065	18 934	19 181
Liabilities under investment contracts, insurance	11 976	12 322	12 540	12 553	13 263
Parent shareholders' equity	11 968	12 318	12 840	13 125	13 928
Non-voting core-capital securities	2 000	2 000	2 000	2 000	2 000

* 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)	FY2014	1Q2015
Profitability and efficiency		
Return on equity*	14%	17%
Cost/income ratio, banking (based on adjusted net result for 2014)	57%	63%
Combined ratio, non-life insurance	94%	82%
Solvency		
Common equity ratio (Basel III, fully loaded, including remaining state aid)	14.3%	14.9%
Common equity ratio (FICOD method, including remaining state aid)	14.6%	15.4%
Credit risk		
Credit cost ratio	0.42%	0.21%
Impaired loans ratio	9.9%	9.6%
for loans more than 90 days overdue	5.5%	5.5%

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

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.
- After obtaining the approval of the National Bank of Belgium, the Boards of Directors of KBC Group NV and KBC Insurance NV decided on 18 December 2014 to further optimise the capital structure of both companies. These decisions were approved by the (Extraordinary) General Meeting of Shareholders of KBC Insurance NV. The transactions involved KBC Insurance NV buying back 203 million euros' worth of its own shares from KBC Group NV before the end of 2014 and shareholder capital being replaced by an intra-group tier-2 loan in the amount of 500 million euros subscribed by KBC Group NV in the first quarter of 2015. As a result of the transactions, the solvency/CET1 ratio of KBC Group NV improved, whilst the solvency of KBC Insurance NV remains exceptionally solid (and its return on equity increased).
- The new and autonomous management team of KBC Brussels got underway on 1 March 2015. It is composed of experts from KBC and CBC who recently made the switch to KBC Brussels. They will manage the branch and agency network of KBC Brussels, draw up their own commercial policy for that entity and form the backbone of its operational structure.
- In March 2015, KBC was informed by the European Central Bank of its decision establishing prudential requirements, which sets the following minimum requirements for capital and liquidity for the KBC group and its main banking entities: a common equity tier-1 ratio (CET1) of at least 10.5% on a fully loaded CRD IV basis (including state aid) on the basis of both the Danish Compromise and the FICOD method and a LCR above 100% as from 1 October 2015. KBC currently easily exceeds the new targets.
- In March 2015, KBC Group successfully launched its second euro Tier-2 benchmark issue for an amount of 750 million euros with a 12 year maturity callable after 7years.

Developments on the Corporate Sustainability & Responsibility front (4Q to date)

- KBC Ireland has been awarded the 'best corporate reputation' in the Irish retail banking sector for the fourth year in a row according to the annual RepTrak study, acknowledging KBC as the top reputable retail bank in Ireland. RepTrak studies how an organisation rates across key areas such as performance, innovation, leadership, products and services, governance, workplace and citizenship.
- As part of its financial education programme, 'Ready, Steady, Money!', K&H in Hungary organised targeted financial awareness courses in March 2015. In February, the sports equipment tender results were announced, with five winners and total prize money of 2 million Hungarian forint, for the internal refurbishment of the winners' gyms and the replacement of their sports equipment, focusing on the most underprivileged small regions. Three hospitals within the underprivileged areas received equipment valued at 3 million Hungarian forint.
- In February, the 10th edition of the largest amateur running event in Slovakia – the ČSOB Bratislava Marathon – broke several records: more than 10 000 runners registered to participate in different running disciplines, the marathon was broadcast live on Slovak national television for the first time, and 526 employees of ČSOB and their relatives and 527 clients of ČSOB Financial Group participated.
- ČSOB Foundation donated one euro for every registered participant at the event to *Konto Bariery* (Barrier´s Account) to purchase special medical devices and chairs and to pay for helpers for disabled children. To meet ČSOB's slogan 'ČSOB. For you personally.', several members of staff participated in a small internal campaign 'I am running personally for...', in which they devoted their run to disabled and handicapped children.
- Client centricity is at the heart of KBC Ireland and its Voice of the Customer Programme. The bank runs this extensive programme to ensure that client initiatives are at the centre of the 'Bank of You'. The bank measures net easy (how easy is it to do business with KBC), client satisfaction and net promoter scores to get accurate feedback on how it is performing in terms of client ratings.
- In the Czech Republic, ČSOB's 'Era Helps the Regions' won the Grand Prix Internet Effectiveness Award for the 2014 campaign supporting the grant programme and related activities focusing on support to individual fundraising.
- On 4 March, ČSOB launched another year of its grant programme 'Poštovní spořitelna Regional Development Fund'. In its spring round, up to 2 million Czech koruna will be distributed among projects focusing on good neighbourhoods and improving relations in the communities, and designed to involve local residents and governments. The programme is guaranteed by Czech Republic's VIA Foundation.
- At an official meeting of the Global Compact Network Bulgaria at the beginning of April, CIBANK received official accreditation for membership of the UN Global Compact to support sustainable development of the global economy.
- On 2 April, KBC published its *Annual Report*, with integrated non-financial data, and the fourth edition of its *Report to Society*.
- In the Czech Republic, ČSOB and Era developed *Klikni a daruj* (Click and Donate), an app allowing users to donate money safely and easily to a variety of transparent NGOs. Users can choose from 91 projects run by 77 NGOs.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, capital markets risk, currency risk, liquidity and funding risk, insurance underwriting risk, exposure to emerging markets, changes and/or increase in regulations, customer litigation, as well as the economy in general.

- One element of the business risk is that the macroeconomic environment may have a negative impact on asset values or could generate additional charges beyond anticipated levels.

- Furthermore, KBC closely monitors the operational risks that it is exposed to, in particular cyber risk, which has become one of the challenges during the past years, not only in the financial sector.

- Risk management data are provided in KBC's annual reports, extended quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.

- Global economic growth dipped in the first quarter of 2015. In the US, real GDP grew at a disappointingly low annualised rate of 0.2%. The general weakness in the first quarter was also reflected by the decline in producer confidence in the manufacturing sector in the US and Japan and ambiguous data from China indicating a pause in the growth momentum. During the period under review, Chinese economic growth slowed to 1.3% from 1.5% in the previous quarter. However, KBC expects that the soft patch in the US economy in the first quarter was temporary, since the data for that quarter were distorted by bad weather conditions and strikes in ports on the West Coast.

- The only region with overall accelerating growth in the first quarter was Europe. In the UK, the euro area and Central European economies, sentiment improved markedly and consumer confidence in particular increased to or close to post-crisis record levels. Private consumption was fuelled by real income growth, resulting from low oil prices, rising nominal wages and the introduction of minimum wages in Germany. Moreover, the labour market in the euro area continued its gradual improvement. Besides private consumption, the weaker euro exchange rate helped to improve the euro area's competitiveness, lending support to the export sector. The weakening of the euro exchange rate is to a large extent the result of the ECB's highly accommodating monetary policy. Moreover, the ECB's Bank Lending Survey for the first quarter indicates that credit conditions are further easing in the euro area. Last but not least, overall fiscal policy in 2015 is expected to be more growth-neutral.

- Since March, the downward 'deflationary' trend of the Consumer Price Index, particularly in the euro area, seems to be turning. In April, inflation reached 0% again, which is a small increase from -0.6% in January 2015. Inflation expectations for the euro area have been rising since the end of January, although they are still well below 2%. This suggests on the one hand that financial markets do not expect the ECB to reach its inflation target soon, but on the other hand also illustrates that deflationary worries are fading. The bottoming out of headline inflation and inflation expectations follows the rebound of the oil price from its bottom level at the end of 2014 and the depreciation of the euro, which together imply that the oil price in euros rose by more than 30% since year-end 2014. Another factor explaining higher inflation expectations was the announcement and start of the Expanded Asset Purchase Programme by the ECB.

- Global bond yields continued their downward trend in the first quarter. In the US, this was related to the Fed's dovish comments and latest economic projections, hinting that the start of its rate-hiking cycle may start somewhat later and be more moderate than previously expected. In the euro area, German 10-year government bond yields fell below 20 basis points at the end of the quarter, mainly as a result of the massive bond buying by the ECB that started in March. The yield on 10-year German bonds reached a record low level of 7 basis points in mid-April. In late April, however, it bottomed out and rose surprisingly quickly to its current level of 37 basis points. The further gradual rise of inflation expectations probably played a role in this.

- Monetary policy divergence between the Fed and the ECB led to a weakening of the euro against the US dollar in the first quarter from 1.21 to 1.07 US dollars per euro, with a temporary low of 1.05. After this, a more dovish tone of the Fed led again to a moderate depreciation of the US dollar to a current level of 1.12 US dollars per euro.

- Against the background of an improving European economic environment, the main risk for the European economy is the political situation in Greece. The most pressing problem is the bridge-financing of the Greek budget until the end of June, when the extension of the current programme ends. Moreover, negotiations about the inevitable third assistance programme need to start at some point. This programme, covering Greece's financial needs for the rest of this decade, will probably amount to around 50 billion euros. All things considered, KBC believes that the rational political will on both sides will ultimately avoid a Greek sovereign default. However, the probability of an accidental default or a change of the political mindset towards a Grexit is not negligible. Such a scenario would create uncertainty and volatility on markets, but not amount to the same existential threat to the euro as it did in 2010 or 2012. The underlying reasons for this are the decreased exposure of the euro-area financial sector to Greece, the creation of the European Banking Union and, no less importantly, the stabilising role of the ECB.

KBC Group

Analysis of 1Q2015 results by business unit

Unless otherwise specified, all amounts are given in euros.

Breakdown by business unit

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.

End of the 'adjusted' net result as of 1Q2015

Up to and including 2014, KBC provided, in addition to the figures according to IFRS, additional figures aimed at giving more insight into its ongoing business performance. This meant that, over and above the IFRS income statement, an *adjusted* income statement was provided in which a limited number of non-operating items were excluded from P/L and summarised in three lines under a separate heading in the table. Segment reporting was based on this reworked presentation.

The items in question were legacy CDO activities (mainly changes in the value of CDOs and fees for the CDO guarantee agreement), legacy divestment activities (impairment and gains/losses in relation to the remaining divestments) and the impact of changes in the fair value of own debt instruments due to own credit risk. In the segment reporting presentation, these items were all assigned to the Group Centre (hence, there was no additional 'adjusted' net result total for the other business units).

Following the completion of the divestment programme (the last file, Antwerp Diamond bank, is in run-off) and the fact that the full CDO exposure was reduced to zero, the rationale for calculating an adjusted result largely disappeared. As a consequence, and starting in 1Q2015, KBC will no longer provide adjusted figures (but will temporarily keep the 2014 adjusted figures as a reference).

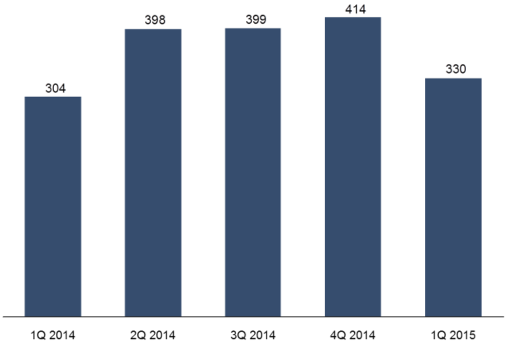
The only change that is still being applied is the shifting of all trading-related income items in the Belgium Business Unit from various income headings to 'Net result from financial instruments at fair value through profit or loss'.

Application of IFRIC 21 (Levies), with retroactive effect

IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. As a consequence, certain levies need to be taken upfront and this negatively impacts the 1Q results (but will not impact the full-year results). This also applies to the contribution to the new European Single Resolution Fund (ESRF). As regards the latter, for all entities (except K&H in Hungary), the contribution to the ESRF will be recognised in 1Q2015 at 70% (actual estimated cash out), whereas the remaining 30% will be considered as an irrevocable payment commitment (recorded off-balance-sheet as a contingent liability), as permitted under EU legislation. Pursuant to local legislation, the K&H contribution to the ESRF will be posted in full in 1Q2015 . As IFRIC 21 needs to be applied retroactively, KBC has restated the comparable quarterly figures for 2014. Details per country follow in the footnotes on the following pages.

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.).

Income statement, Belgium Business Unit (in millions of EUR)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	696	697	735	750	694
Non-life insurance (before reinsurance)	118	66	113	77	131
Earned premiums	*236*	*240*	*244*	*243*	*243*
Technical charges	*-118*	*-174*	*-132*	*-166*	*-111*
Life insurance (before reinsurance)	-65	-65	-66	-56	-58
Earned premiums	*255*	*234*	*228*	*287*	*248*
Technical charges	*-320*	*-299*	*-293*	*-343*	*-306*
Ceded reinsurance result	-17	22	-2	16	-7
Dividend income	11	20	6	7	10
Net result from financial instruments at fair value through profit or loss	-19	-6	27	85	25
Net realised result from available-for-sale assets	42	33	18	16	51
Net fee and commission income	278	283	296	303	364
Other net income	42	104	58	65	45
Total income	1 086	1 154	1 185	1 263	1 255
Operating expenses	-626	-544	-539	-573	-695
Impairment	-38	-36	-81	-96	-65
on loans and receivables	-34	-34	*-64*	*-73*	-62
on available-for-sale assets	-5	-3	*-5*	*-14*	-3
on goodwill	0	0	*0*	*0*	0
other	0	1	*-12*	*-8*	0
Share in results of associated companies and joint ventures	-1	0	0	0	-1
Result before tax	422	574	565	594	494
Income tax expense	-118	-176	-165	-179	-164
Result after tax	304	398	399	415	330
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**304**	**398**	**399**	**414**	**330**
Banking	215	312	322	356	212
Insurance	90	86	78	58	117
Risk-weighted assets, banking (end of period, Basel III)	40 858	41 032	42 235	42 919	44 310
Required capital, insurance (end of period, Solvency I)	851	854	859	868	866
Allocated capital (end of period)	5 779	5 803	5 939	6 026	6 168
Return on allocated capital (ROAC)	21%	27%	27%	28%	22%
Cost/income ratio, banking	61%	49%	47%	46%	61%
Combined ratio, non-life insurance	88%	97%	92%	100%	79%
Net interest margin, banking	1.98%	1.96%	2.04%	2.08%	1.94%

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

In 1Q2015, the Belgium Business Unit generated a net result of 330 million, up on the 304 million recorded in 1Q2014, and, since the bulk of special bank taxes is recognised in the first quarter of the year following the application of IFRIC 21, evidently below the previous quarter's result. Compared with that previous quarter, 1Q2015 was characterised by increased net fee and commission income and lower net interest income, a very good combined ratio for non-life insurance thanks to a low claims level, a decrease in the sale of life insurance products, lower trading and fair value income, high realised gains on the sale of bonds and shares, and lower other net income. Costs were impacted by the posting of a significant proportion of the special bank taxes for the full year. Excluding those taxes, costs went down, as did impairment charges. The banking activities accounted for two-thirds of the net result in the quarter under review, and the insurance activities for one-third. Lastly, 1Q2015 was also impacted by one-off negative tax adjustments.

Net interest income down quarter-on-quarter, partly related to lower home loan refinancings

Net interest income stood at 694 million in the quarter under review, down 7% on the previous quarter and more or less unchanged compared to the year-earlier quarter. While 1Q2015 still included a significant level of prepayment fees resulting from home loans being refinanced, there were far fewer refinancing deals and thus lower prepayment fees than in 4Q2014. This, together with the resulting pro-rata loss on previously refinanced home loans and the low reinvestment yields in general, explains a significant part of the quarter-on-quarter decrease in net interest income. Part of the decline was offset by the impact of the rate cuts for savings accounts, lower term funding costs and volume increases. There was also a shift of 8 million of commitment fees from net interest income to net fee and commission income. Year-on-year, net interest income was roughly flat, resulting from, *inter alia*, the positive impact of the still relatively high level of refinancing of home loans in 1Q2015, the rate cuts for savings accounts, decreasing funding costs on term deposits, volume increases and higher lending related income, and the negative impact of the pro-rata impact of previously refinanced home loans, the already mentioned 8 million shift to net fee and commission income and the low reinvestment yield in general.

At the end of March 2015, the Belgium Business Unit's loan book ('Loans and advances to customers, excluding reverse repos') amounted to 85 billion, up 1% quarter-on-quarter and 5% year-on-year. Term loans (49%) and mortgage loans (38%) made up the bulk of the loan book. Deposits ('Deposits from customers and debt certificates, excluding repos') stood at 111 billion, up 5% on the previous quarter's level and 11% year-on-year. Current accounts (27%), savings accounts (35%) and term deposits (18%) accounted for the majority of the deposits.

On the whole, the net interest margin in Belgium shrank by 14 basis points quarter-on-quarter and by 4 basis points year-on-year, amounting to 194 basis points in 1Q2015 (201 basis points for FY2014).

Very good non-life combined ratio; sales of life insurance products down on the previous quarter

In the non-life insurance business, earned premium income stood at 243 million, more or less unchanged quarter-on-quarter (notwithstanding the lower number of days in the first quarter of the year) and up 3% year-on-year (increases in most classes). Technical non-life charges amounted to a relatively low 111 million, down 33% compared to 4Q2014 (which included higher normal claims combined with some high major claims) and 5% less than the year-earlier quarter. After taking into account the effect of ceded reinsurance, the figure for earned premiums less technical charges stood at 124 million in the quarter under review, up significantly on the 93 million in 4Q2014 and the 101 million in 1Q2014. As a result, the combined ratio came to an excellent 79% in the quarter under review, compared to the 94% recorded for FY2014.

In the life business, insurance sales (including unit-linked products which are not included in the premium figures under IFRS) stood at 397 million in 1Q2015, down somewhat on the 437 million recorded in the previous quarter and up on the 380 million recorded in the year-earlier quarter. The drop in life insurance sales in the quarter under review was attributable entirely to the guaranteed-interest-products class (the fourth quarter of the year benefitted from savings campaigns and the traditional high pension savings volumes), which nevertheless still accounted for 62% of total life sales in the quarter under review.

At the end of March 2015, the life reserves of the Belgium Business Unit (including the liabilities under unit-linked contracts) amounted to 27 billion (up 6% 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 obviously 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.

Significantly higher level of fee and commission income and increased assets under management

Total net fee and commission income amounted to 364 million in the quarter under review, up 20% on the figure for the previous quarter and up 31% on its year-earlier level. Both the quarter-on-quarter and year-on-year increases were related predominantly to the mutual fund business, where fee income increased as a result of higher entry fees, which were the result of higher sales, and increased management fees that were a consequence of higher assets under management (AUM; see below). Other items contributing to the increase of net fee and commission income were higher entry fee income related to unit-linked insurance (driven by switches between products), and, to a lesser extent, higher fees from securities transactions and credit files and lower commission paid on insurance sales.There was also a shift of 8 million of commitment fees from net interest income to net fee and commission income.

AUM in this business unit stood at 193 billion at the end of March 2015, up 12% on the level recorded three months previously, roughly 3 percentage points of which was due to net inflows and 9 percentage points due to a positive price effect thanks to the strong market performance. Constant Proportion Portfolio Insurance (CPPI) in particular continued to put in a strong performance, with quarter-on-quarter growth of 21%, half of which thanks to new entries. Discretionary asset management also went up significantly, thanks to a strong increase in private banking mandates. Total AUM were up by as much as 25% on their year-earlier level, some 8 percentage points of which was attributable to net inflows and 16 percentage points to a positive price effect. Year-on-year CPPI growth amounted to 55% (36 percentage points of which was due to new entries).

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 25 million in the quarter under review, slightly above the 22 million average for the four preceding quarters. The 1Q2015 figure includes -10 million related to the negative marked-to-market valuation of ALM derivatives (compared to -14 million in the previous quarter) and Credit/Funding Value Adjustments (CVA/FVA) impact of -33 million (compared to +49 million in the previous quarter which had benefitted from the positive impact of a new CVA model). Dividend income stood at 10 million, compared to 7 million in the previous quarter and in line with the figure for the year-earlier quarter. Thanks to favourable market conditions, relatively high net gains (51 million) were realised on the sale of available-for-sale assets, significantly up on the average figure of 27 million for the four preceding quarters. The figure included 40 million in net gains from the sale of shares (mainly from the insurer's portfolio) and 10 million from the sale of bonds. Other net income amounted to 45 million, below the 67 million average for the four preceding quarters. Apart from the usual items (such as the results from KBC Autolease, VAB, etc.), there were no significant special items included under the Other net income heading in the current quarter.

Costs up quarter-on-quarter, due to application of IFRIC 21

The operating expenses of the Belgium Business Unit totalled 695 million in the quarter under review, at first glance up 21% on the previous quarter. This was, however, attributable entirely to the contribution to the new European Single Resolution Fund combined with the application of IFRIC 21 (Levies), as a consequence of which the bulk of the special banking taxes[1] have to be recognised in the first quarter of the year. Disregarding all special banking taxes (160 million in total in 1Q2015), the other costs went down by 4% relative to 4Q2014 (lower marketing and communication expenses, lower staff expenses since 4Q2014 included some exceptional items, but higher ICT expenses) and were up 3% compared to 1Q2014 (mainly higher staff expenses).

The cost/income ratio in the quarter under review amounted to 61%, compared to 50% for FY2014. Excluding non-operational and exceptional items from the calculation (and spreading the special bank tax charge over the quarters), the 'sustainable' cost/income ratio stood at approximately 49% in 1Q2015, in line with the figure recorded for FY2014.

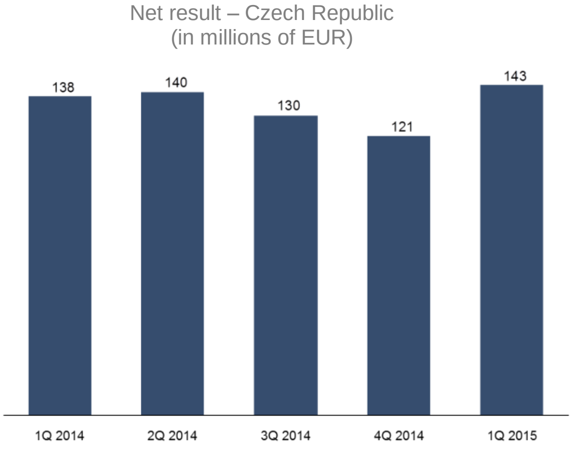
Impairment down quarter-on-quarter

Impairment on loans and receivables (loan loss provisions) amounted to 62 million in 1Q2015, down on the 73 million recorded in the previous quarter, but up on the 34 million recorded in 1Q2014. The quarter-on-quarter decrease related mainly to lower impairments on the Belgian retail loan and corporate books and for the foreign branches. For 1Q2015, the annualised credit cost ratio stood at a favourable 28 basis points, albeit a little higher than the 23 basis points recorded in FY2014.
At the end of 1Q2015, some 4.2% of the Belgian loan book was impaired, an improvement on the 4.3% recorded at the end of 2014. Impaired loans that are more than 90 days overdue accounted for 2.5%, compared to the 2.2% recorded at the end of 2014.

All other impairment charges combined totalled 3 million in the quarter under review and related to available-for-sale assets.

[1] Contributions to the European Single Resolution Fund (70%), tax on credit institutions (100%) and the Financial Stability Contribution (100%) are recorded upfront in the first quarter. Contributions to the Deposit Guarantee Fund remain spread throughout the four quarters.

Czech Republic Business Unit



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

Income statement, Czech Republic Business Unit (in millions of EUR)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	219	220	211	211	212
Non-life insurance (before reinsurance)	16	19	19	21	18
Earned premiums	*39*	*41*	*42*	*43*	*41*
Technical charges	*-23*	*-21*	*-23*	*-22*	*-23*
Life insurance (before reinsurance)	6	6	6	7	6
Earned premiums	*32*	*41*	*51*	*37*	*30*
Technical charges	*-26*	*-35*	*-45*	*-30*	*-25*
Ceded reinsurance result	-1	-3	-2	-2	-2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	10	13	20	18	26
Net realised result from available-for-sale assets	8	0	0	1	12
Net fee and commission income	45	48	50	51	50
Other net income	2	8	3	6	5
Total income	303	312	307	313	325
Operating expenses	-145	-148	-144	-156	-161
Impairment	-2	-2	-14	-19	-2
on loans and receivables	-2	*-2*	*-14*	*-16*	-2
on available-for-sale assets	0	*0*	*0*	*0*	0
on goodwill	0	*0*	*0*	*0*	0
other	0	*0*	*0*	*-2*	0
Share in results of associated companies and joint ventures	6	6	5	5	6
Result before tax	163	167	154	143	169
Income tax expense	-25	-28	-24	-23	-25
Result after tax	138	140	130	121	143
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**138**	**140**	**130**	**121**	**143**
Banking	132	133	123	113	138
Insurance	6	7	7	8	6
Risk-weighted assets, banking (end of period, Basel III)	12 618	12 453	12 148	12 345	13 120
Required capital, insurance (end of period, Solvency I)	69	68	67	67	62
Allocated capital (end of period)	1 445	1 426	1 393	1 414	1 486
Return on allocated capital (ROAC)	38%	39%	36%	34%	40%
Cost/income ratio, banking	47%	47%	46%	49%	49%
Combined ratio, non-life insurance	94%	92%	95%	94%	96%
Net interest margin, banking	3.29%	3.20%	3.12%	3.11%	3.16%

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

In the quarter under review, the Czech Republic Business Unit posted a net result of 143 million, higher than the 132-million average for the four preceding quarters. Compared with the previous quarter, the results for 1Q2015 featured (on a comparable basis) more or less stable net interest income notwithstanding the low interest rate environment, an increase in the net interest margin, slightly lower net fee and commission income, higher net results from financial instruments at fair value and from the sale of bonds and shares, a good non-life combined ratio, and a drop in sales of life insurance products. Costs were impacted by the recognition in the quarter under review of a significant proportion of the special bank taxes for the full year. Excluding those taxes, costs went down. Loan loss impairment charges were extremely low. Banking activities accounted for 97% of the net result in the quarter under review, and insurance activities for 3%.

Net interest income flat quarter-on-quarter (on a comparable basis)

Net interest income generated in this business unit amounted to 212 million in the quarter under review. Excluding the effect of the exchange rate (FX; the Czech koruna weakened by a further 0.3% during 1Q2015 and 0.7% on its year-earlier level), as well as certain changes in the scope of consolidation (mainly the deconsolidation of a pension fund as of 3Q2014), net interest income was flat quarter-on-quarter and up 1% year-on-year. In both cases, net interest income benefitted from increased lending-related interest income, thanks mainly to higher overall loan volumes. While interest income remained under pressure due to the lower reinvestment yield, this was partly offset by lower interest rates on savings accounts, among other things.

Disregarding the FX effect, the group's Czech loan book (17 billion in 'Loans and advances to customers, excluding reverse repos' at 31 March 2015) was up 2% quarter-on-quarter and 9% year-on-year. Term loans (39%) and mortgage loans (45%) accounted for the bulk of the loan book. The deposit base (22 billion in 'Deposits from customers and debt certificates, excluding repos') was unchanged quarter-on-quarter and up 7% year-on-year.

The overall net interest margin of the ČSOB group in the Czech Republic amounted to 316 basis points in the quarter under review, i.e. up 5 basis points on the previous quarter, but down 13 basis points on the year-earlier quarter.

Good combined ratio in non-life insurance; decrease in sales of life insurance products

In the non-life business, premium income stood at 41 million, down 5% quarter-on-quarter but up 7% year-on-year, disregarding the FX impact in both cases. At 23 million, technical charges were up 8% and 3% on their levels for 4Q2014 and 1Q2014, respectively (disregarding the FX impact in both cases), as the quarter under review was impacted by a number of large claims. When account is also taken of the impact of reinsurance, the figure for earned premiums less technical charges (16 million) was down on its 4Q2014 level (19 million), and slightly improved on its 1Q2014 level (15 million). The combined ratio for the quarter under review stood at a good 96%, a small deterioration compared to 94% for FY2014 due to a number of large corporate claims.

In the life business, sales amounted to 30 million in the quarter under review, down on the previous quarter (37 million) and year-earlier quarter (32 million). The quarter-on-quarter drop was due essentially to lower sales of Maximal Invest products. Overall, unit-linked products still accounted for some 60% of life sales in the quarter under review, and interest-guaranteed products for 40%. At the end of March 2015, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at roughly 1 billion, down 8% 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 obviously 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 50 million in the quarter under review, down 2% compared to the previous quarter, and up 5% on its 1Q2014 level (disregarding FX effects and the change in the consolidation scope in both cases). Quarter-on-quarter, the small decrease was attributable mainly to higher fees paid to the Czech Post (there was a refund in the previous quarter) and lower transaction fees received (traditionally high during the Christmas period), while fees related to mutual funds increased thanks to the strong sales of these products and the growth in AUM (see below). Year-on-year, the 5% increase in net fee and commission income was also thanks to the mutual fund business, and a number of other items. Total assets under management in this business unit came to roughly 8 billion at quarter-end, up 10% quarter-on-quarter (6 percentage points owing to net entries and 4 percentage points due to a positive price effect). Balanced funds and CPPI products in particular generated strong net sales. Total AUM were up 28% year-on-year, 18 percentage points of which were due to net entries and 9 percentage points to a positive price effect.

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 26 million, higher than the average figure of 15 million for the four preceding quarters, thanks to a strong performance by the dealing room. In the quarter under review, gains realised on the sale of available-for-sale assets totalled 12 million, as opposed to an average 2 million for the last four quarters. These gains related entirely to the sale of bonds. Other net income totalled 5 million in the quarter under review, in line with the average for the four preceding quarters.

Costs up quarter-on-quarter, due to the application of IFRIC 21

The operating expenses of this business unit came to 161 million, a 3% increase (disregarding FX effects) on 4Q2014, due entirely to the contribution to the new European Single Resolution Fund combined with the application of IFRIC, as a consequence of which a large proportion of the yearly special banking taxes[2] needs to be recognised upfront in the first quarter. Disregarding all special banking taxes (20 million in total in 1Q2015), the other costs were down 5% quarter-on-quarter, due to lower marketing expenses and professional fees (both traditionally high in the last quarter of the year) and a number of smaller items, and partly offset by higher ICT expenses. Compared to 1Q2014, costs, excluding banking taxes and disregarding FX effects, increased by 4%, due primarily to higher ICT, facilities and staff expenses.

Consequently, the cost/income ratio of the Czech Republic Business Unit came to 49%, more or less in line with the figure for FY2014.

Very low level of loan loss provisions

Impairment on loans and receivables (loan loss provisions) stood at a very favourable 2 million in the quarter under review, a significant improvement on the 16 million recorded in the previous quarter and in line with the figure recorded in 1Q2014. Over and above the generally favourable loan loss development in all segments, 1Q2015 additionally benefitted from several impairment releases in the SME and corporate portfolios.

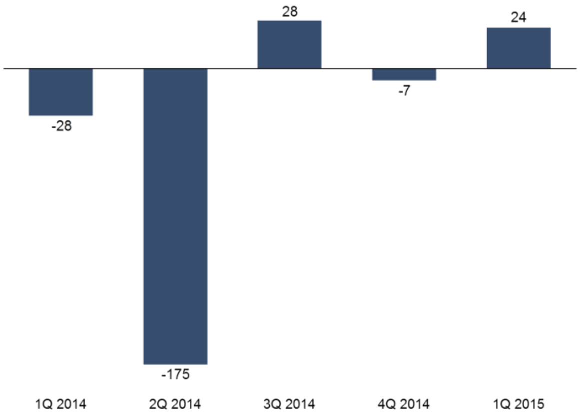
As a result, the annualised 1Q2015 credit cost ratio of this business unit amounted to an exceptionally favourable (and unsustainable) 4 basis points, versus 18 basis points for FY2014. At the end of 1Q2015, some 3.7% of the Czech loan book was impaired, an improvement on the 3.8% recorded at the start of the year. Impaired loans that are more than 90 days overdue accounted for 2.7%, as opposed to 2.9% at the start of the year.

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

[2] Contributions to the European Single Resolution Fund (70%) are recognised upfront in the first quarter. Contributions to the Deposit Insurance Fund and the Securities Traders Guarantee Fund remain spread over the four quarters.

International Markets Business Unit

Net result – International Markets
(in millions of EUR)



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

Income statement, International Markets Business Unit (in millions of EUR)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	160	173	175	169	172
Non-life insurance (before reinsurance)	19	19	8	22	20
Earned premiums	*37*	*38*	*39*	*39*	*39*
Technical charges	*-18*	*-19*	*-31*	*-18*	*-20*
Life insurance (before reinsurance)	1	4	4	4	4
Earned premiums	*22*	*22*	*21*	*19*	*23*
Technical charges	*-21*	*-19*	*-17*	*-15*	*-19*
Ceded reinsurance result	-2	-2	7	-2	-2
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	25	17	17	14	27
Net realised result from available-for-sale assets	2	7	6	1	2
Net fee and commission income	49	51	54	54	50
Other net income	0	-227	3	-3	17
Total income	253	44	273	258	291
Operating expenses	-219	-165	-165	-191	-226
Impairment	-64	-84	-63	-72	-16
on loans and receivables	-64	-84	*-63*	*-62*	-16
on available-for-sale assets	0	0	*0*	*0*	0
on goodwill	0	0	*0*	*0*	0
other	0	-1	*0*	*-10*	0
Share in results of associated companies and joint ventures	0	0	0	0	0
Result before tax	-30	-206	44	-5	49
Income tax expense	2	31	-16	-2	-25
Result after tax	-28	-175	28	-7	24
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-28**	**-175**	**28**	**-7**	**24**
Banking	-35	-181	24	-12	18
Insurance	7	6	4	5	6
Risk-weighted assets, banking (end of period, Basel III)	18 484	17 506	18 342	18 425	18 833
Required capital, insurance (end of period, Solvency I)	44	44	44	44	44
Allocated capital (end of period)	2 017	1 915	2 003	2 011	2 054
Return on allocated capital (ROAC)	-6%	-35%	6%	-1%	5%
Cost/income ratio, banking	89%	-	60%	74%	79%
Combined ratio, non-life insurance	89%	98%	105%	94%	88%
Net interest margin, banking	2.26%	2.46%	2.50%	2.44%	2.53%

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

In the quarter under review, the International Markets Business Unit recorded a positive net result of 24 million, a vast improvement on the -46 million average for the four preceding quarters, which had been affected by provisions related to the new retail loans act in Hungary (Curia provision) and by loan loss impairments in Ireland.
Compared to the previous quarter, 1Q2015 was characterised by slightly higher net interest income, lower net fee and commission income, a strong result from financial instruments at fair value, and an increase in other income due to a partial release of the Curia provision recognised earlier. There was also an improvement in the non-life combined ratio and an increase in life insurance sales. Costs were impacted by the recognition in the quarter under review of a significant proportion of the special bank taxes for the full year; excluding all special bank taxes, costs went down. Loan loss provisions were also significantly down on the previous quarter.
Overall, the banking activities accounted for a net result of 18 million (positive results in Slovakia and Bulgaria, but negative results in Hungary and Ireland), while the insurance activities accounted for a net result of 6 million.

Total income up quarter-on-quarter, thanks to trading income and a partial release of Curia provisions in Hungary

Net interest income stood at 172 million in 1Q2015, up 2% on 4Q2014 and 8% on 1Q2014. Both the quarter-on-quarter and year-on-year increases were due to Ireland (thanks mainly to the retail business and to lower allocated liquidity and funding costs).
The total loan portfolio of the International Markets Business Unit (21 billion in 'Loans and advances to customers, excluding reverse repos at 31 March 2015) was more or less unchanged quarter-on-quarter (decrease in the loan books of Hungary and Ireland, increase in Slovakia and Bulgaria) and remained unchanged year-on-year (decrease in Ireland, increases in all other countries). Customer deposits for the entire business unit (16 billion in 'Deposits from customers and debt certificates, excluding repos') increased by 3% in the quarter under review and by 8% compared to the situation a year ago (in both cases for the largest part due to Ireland, thanks to the successful retail deposit campaign in that country).
On a weighted basis, the net interest margin of this business unit amounted to 253 basis points in the quarter under review, up 9 basis points quarter-on-quarter and 27 basis points year-on-year. The net interest margin in 1Q2015 amounted to 308 basis points in Slovakia (down both quarter-on-quarter and year-on-year), 409 basis points in Hungary (up both quarter-on-quarter and year-on-year), 407 basis points in Bulgaria (down both quarter-on-quarter and year-on-year), and 142 basis points in Ireland (up both quarter-on-quarter and year-on-year).

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 39 million, roughly flat relative to the quarter-earlier figure and up 6% year-on-year. At 20 million, technical insurance charges in the non-life segment were up 11% on the previous quarter and 7% compared to the year-earlier quarter. Overall, the non-life combined ratio for the quarter under review improved to 88%, compared with 96% in FY2014. The combined ratio for 1Q2015 breaks down into 80% for Hungary, 84% for Slovakia and 101% for Bulgaria.

Life sales, including insurance products not recognised as earned premiums under IFRS, amounted to 37 million in the quarter under review, up 8 million on the level recorded in the previous quarter (thanks to increased sales of unit-linked products in Hungary and Slovakia) and up some 10 million on 1Q2014 (primarily on account of unit-linked products in Hungary). For the business unit as a whole, sales of unit-linked products hence increased their share of total life sales to 62% in the quarter under review, whereas the share of interest-guaranteed products dropped to 38%. At the end of March 2015, the business unit's outstanding life reserves (including the liabilities under unit-linked products) stood at 0.6 billion, up 14% year-on-year.

The other income components totalled 96 million in the quarter under review. This included net fee and commission income of 50 million, down 7% compared with the previous quarter (due to Hungary, partly seasonal effect) and up 3% on 1Q2014 (thanks to Slovakia). Total assets under management in this business unit came to roughly 7 billion at quarter-end, up 12% quarter-on-quarter (4 percentage points owing to net entries and 8 percentage points due to a positive price effect) and up 24% year-on-year (12 percentage points due to net entries and 12 percentage points owing to a positive price effect). Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 27 million, up on the average figure of 18 million for the four preceding quarters. Among other things, income from the dealing rooms in Hungary and Slovakia was good. Moreover, 1Q2015 included a slight positive impact of 2 million related to the marked-to-market valuation of ALM derivatives (as opposed to -1 million in 4Q2014 and -3 million in 1Q2014). The net realised result from available-for-sale financial assets amounted to 2 million, compared to an average of 4 million in the four preceding quarters. Other net income came to 17 million, as opposed to a -57 million average for the four preceding quarters (the latter figure was clearly impacted by the pre-tax Curia provision of 231 million posted in 2Q2014 in Hungary. Note that other net income in 1Q2015 included a partial release (17 million) of said Curia provision (with a net impact of 3 million, mainly due to an adjustment of 14 million on the tax deductability).

Costs up quarter-on-quarter, due to the application of IFRIC 21

Operating expenses in the quarter under review amounted to 226 million, at first glance up 18% on the previous quarter and up 3% compared to a year ago. Compared to the previous quarter, 1Q2015 was clearly impacted by the contribution to the new European Single Resolution Fund combined with the application of IFRIC 21, as a consequence of which the larger part of the yearly special banking taxes[3] needed to be recognised upfront in the first quarter. Disregarding all special banking taxes (79 million in total in 1Q2015), the other costs went down 14% quarter-on-quarter (mainly thanks to Hungary and Slovakia) and were up 5% year-on-year (mainly due to Ireland and relating, *inter alia*, to the new retail strategy there).

As a consequence, the cost/income ratio for the business unit as a whole stood at 79% in the quarter under review, compared to 92% for FY2014 (the latter figure was relatively high, as the second quarter had been hit by the impact of the Curia provision in Hungary). Excluding the main exceptional items, the 'sustainable' ratio would have been 63% in 1Q2015 and 69% in FY2014. The 1Q2015 cost/income ratio of 79% breaks down as follows per country: 87% for Ireland, 56% for Slovakia, 90% for Hungary and 63% for Bulgaria.

Loan loss provisioning significantly down, thanks to Ireland

Impairment on loans and receivables (loan loss provisions) amounted to 16 million, down significantly on the 62 million and 64 million recorded in 4Q2014 and 1Q2014, respectively. The 1Q2015 figure includes 7 million for Ireland (compared to 41 million and 48 million in 4Q2014 and 1Q2014, respectively), 1 million for Slovakia, 6 million for Hungary and 1 million for Bulgaria.

Consequently, the annualised 1Q2015 credit cost ratio for the entire business unit stood at 25 basis points, down from 106 basis points for FY2014. Broken down by country, it was 20 basis points for Ireland (133 basis points in FY2014), 46 basis points for Hungary (94 basis points in FY2014), 8 basis points for Slovakia (36 basis points in FY2014) and 73 basis points for Bulgaria (130 basis points for FY2014). At the end of 1Q2015, some 33% of the business unit's loan book was impaired, down slightly on the 34% recorded at the end of 2014. Impaired loans that are more than 90 days overdue accounted for 18.4% of the portfolio, as opposed to 19.0% at the end of 2014. The business unit's 1Q2015 figure continued to be impacted by the high impaired loans ratio for Ireland (impaired loans of 51% and impaired loans which are more than 90 days overdue of 26%).

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

Highlights per country (compared with 4Q2014, unless otherwise indicated)

The net result of the International Markets Business Unit (24 million) breaks down as follows: 27 million for Slovakia, -6 million for Hungary, 5 million for Bulgaria and -2 million for Ireland. A detailed results table and brief comments per country are provided below.

[3] Contributions to the European Single Resolution Fund (100% in Hungary, 70% in Slovakia and Ireland) and the Banking Tax (100%) in Hungary are recognised upfront in the first quarter. Contributions to the Deposit Guarantee Fund (Hungary, Slovakia, Bulgaria), the Bank Levy (Slovakia), the Investor Protection Fund (Hungary) and the Financial Transaction Levy (Hungary) remain spread throughout the four quarters. The Irish Revenue Levy will be recognised in full in the fourth quarter.

IRELAND

Income statement (in millions of EUR)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	31	38	39	41	46
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	-6	-2	2	0
Net realised result from available-for-sale assets	0	0	0	0	0
Net fee and commission income	-1	-1	0	-1	-1
Other net income	0	0	0	-2	0
Total income	30	31	37	40	44
Operating expenses	-32	-32	-32	-37	-39
Impairment	-48	-62	-47	-51	-7
on loans and receivables	-48	-62	-47	-41	-7
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
other	0	0	0	-9	0
Share in results of associated companies and joint ventures	0	0	0	0	0
Result before tax	-50	-62	-42	-48	-2
Income tax expense	7	6	7	3	0
Result after tax	-43	-56	-35	-45	-2
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-43**	**-56**	**-35**	**-45**	**-2**
Banking	-43	-56	-35	-45	-2
Insurance	0	0	0	0	0
Risk-weighted assets, banking (end of period, Basel III)	6 558	5 650	5 641	6 931	6 800
Required capital, insurance (end of period, Solvency I)	0	0	0	0	0
Allocated capital (end of period)	689	593	592	728	714
Return on allocated capital (ROAC)	-23%	-33%	-24%	-30%	-1%
Cost/income ratio, banking	107%	102%	85%	94%	87%
Combined ratio, non-life insurance	-	-	-	-	-

- The net result in 1Q2015 was -2 million euros, compared to an average figure of -45 million for the four preceding quarters.
- Total income (44 million) increased by 11% quarter-on-quarter, thanks mainly to higher net interest income (increased retail-related income and lower allocated liquidity and funding costs, among other things).
- Costs (39 million) were up 4% compared with the previous quarter; excluding the impact of all special banking taxes, they remained roughly flat quarter-on-quarter. The 1Q2015 cost/income ratio stood at 87%, compared with 96% for FY2014.
- Loan loss impairment (7 million) was significantly lower than the 41 million recorded in 4Q2014. The 1Q2015 figure breaks down into 7 million for retail loans (up slightly on 4Q2014) and close to 0 million for corporate loans (down significantly on 4Q2014, positively impacted by a release of 14 million on an impaired loan that was sold). The annualised credit cost ratio amounted to 20 basis points in 1Q2015.

HUNGARY **Income statement (in millions of EUR)**	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	68	72	72	63	63
Non-life insurance (before reinsurance)	7	6	6	7	8
Earned premiums	*13*	*14*	*14*	*14*	*15*
Technical charges	*-6*	*-8*	*-8*	*-7*	*-8*
Life insurance (before reinsurance)	-2	-1	0	1	1
Earned premiums	*3*	*4*	*3*	*4*	*4*
Technical charges	*-6*	*-5*	*-3*	*-3*	*-3*
Ceded reinsurance result	-1	-1	0	-1	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	20	20	14	8	18
Net realised result from available-for-sale assets	1	7	6	0	0
Net fee and commission income	38	40	41	41	38
Other net income	1	-228	1	0	16
Total income	132	-84	140	119	143
Operating expenses	-128	-74	-73	-92	-127
Impairment	-12	-13	-11	-13	-6
on loans and receivables	-11	-13	-11	-13	-6
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
other	0	-1	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
Result before tax	-8	-171	56	14	10
Income tax expense	0	32	-17	1	-17
Result after tax	-8	-139	39	15	-6
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-8**	**-139**	**39**	**15**	**-6**
Banking	-11	-141	37	13	-9
Insurance	3	2	2	2	3
Risk-weighted assets, banking (end of period, Basel III)	7 562	7 440	8 263	6 996	7 372
Required capital, insurance (end of period, Solvency I)	14	14	14	14	15
Allocated capital (end of period)	818	806	892	759	801
Return on allocated capital (ROAC)	-5%	-69%	18%	7%	-3%
Cost/income ratio, banking	100%	-	52%	77%	90%
Combined ratio, non-life insurance	81%	102%	100%	105%	80%

- The net result in 1Q2015 was -6 million euros, up on the -23 million average for the four preceding quarters (which included a large provision in 2Q2014 for the new Hungarian act on retail loans (Curia provision)).
- Total income (143 million) was up 20% quarter-on-quarter, owing mainly to the release of part of Curia provision (17 million before tax, 3 million after tax as there was a 14 million negative adjustment on the tax deductability of the Curia provision). The 1Q2015 combined ratio for non-life insurance stood at 80%, compared with 96% in FY2014. Life insurance sales went up significantly, owing primarily to an increase in the sale of unit-linked life insurance products.
- Costs (127 million) were up 38% compared to 4Q2014, since the first quarter traditionally includes the recognition of the largest proportion of the special banking taxes for the full year (71 million in total). Excluding all special banking taxes, the other costs went down 23%, thanks mainly to lower ICT costs, lower professional fees, lower depreciation of software etc. The 1Q2015 cost/income ratio stood at 90%, versus 125% for FY2014.
- Loan loss impairment (6 million) was down 7 million on the previous quarter, due to the absence of new large corporate files. The annualised credit cost ratio amounted to 46 basis points in 1Q2015.

SLOVAKIA

Income statement (in millions of EUR)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	51	53	53	53	52
Non-life insurance (before reinsurance)	4	5	5	6	5
Earned premiums	*7*	*7*	*7*	*7*	*7*
Technical charges	*-2*	*-2*	*-3*	*0*	*-2*
Life insurance (before reinsurance)	3	3	3	1	3
Earned premiums	*13*	*15*	*14*	*10*	*14*
Technical charges	*-11*	*-12*	*-11*	*-9*	*-11*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	4	3	3	4	9
Net realised result from available-for-sale assets	1	0	0	1	2
Net fee and commission income	11	11	12	12	12
Other net income	-1	1	1	0	1
Total income	73	76	76	77	83
Operating expenses	-46	-45	-47	-47	-47
Impairment	-4	-6	-3	-5	-1
on loans and receivables	-4	-6	-3	-5	-1
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
Result before tax	23	24	26	25	35
Income tax expense	-6	-7	-6	-6	-9
Result after tax	18	17	20	19	27
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**18**	**17**	**20**	**19**	**27**
Banking	15	15	18	17	25
Insurance	3	2	2	2	2
Risk-weighted assets, banking (end of period, Basel III)	3 725	3 772	3 745	3 815	3 953
Required capital, insurance (end of period, Solvency I)	15	15	15	15	14
Allocated capital (end of period)	417	422	419	426	440
Return on allocated capital (ROAC)	17%	17%	19%	18%	25%
Cost/income ratio, banking	64%	60%	62%	61%	56%
Combined ratio, non-life insurance	82%	89%	97%	66%	84%

- The net result in 1Q2015 totalled 27 million euros, higher than the 19 million average for the four preceding quarters.
- Total income (83 million) increased 9% quarter-on-quarter thanks chiefly to a higher net result from financial instruments at fair value (strong dealing room income) and higher realised gains on government bonds. The 1Q2015 combined ratio for non-life insurance stood at 84%, compared with 83% for FY2014. Life sales (including unit-linked products) were significantly higher than their level in the previous quarter, with unit-linked products accounting for almost two thirds of total life sales.
- Costs (47 million) stabilised quarter-on-quarter; excluding the impact of the special banking taxes, costs decreased by 11%, due primarily to lower ICT expenses, professional fees and staff expenses. The 1Q2015 cost/income ratio stood at 56%, as opposed to 62% for FY2014.
- Loan loss impairment charges (1 million) were down 4 million on the previous quarter, as there were no material corporate files in the quarter. The annualised credit cost ratio hence amounted to a very low 8 basis points in 1Q2015.

BULGARIA

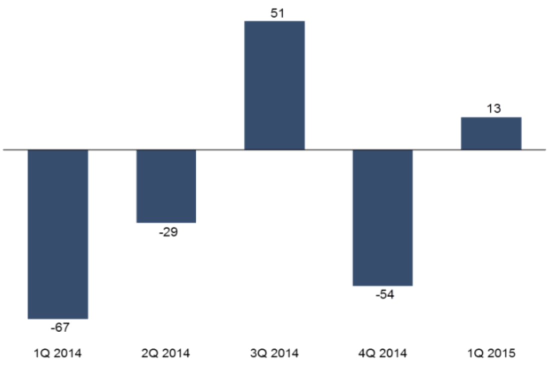
Income statement (in millions of EUR)

	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	10	10	11	12	11
Non-life insurance (before reinsurance)	8	8	-3	8	8
Earned premiums	*17*	*18*	*18*	*18*	*17*
Technical charges	*-10*	*-10*	*-20*	*-10*	*-10*
Life insurance (before reinsurance)	1	1	1	1	1
Earned premiums	*5*	*4*	*3*	*5*	*6*
Technical charges	*-4*	*-2*	*-2*	*-4*	*-5*
Ceded reinsurance result	-1	-1	8	0	-1
Dividend income	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	1	0	1
Net realised result from available-for-sale assets	0	0	0	0	0
Net fee and commission income	0	0	1	0	0
Other net income	0	0	0	0	0
Total income	18	19	19	21	19
Operating expenses	-12	-13	-13	-14	-13
Impairment	-1	-3	-2	-3	-1
on loans and receivables	-1	-3	-2	-3	-1
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
other	0	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0
Result before tax	5	3	3	4	5
Income tax expense	0	0	0	0	0
Result after tax	5	3	3	4	5
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**5**	**3**	**3**	**4**	**5**
Banking	4	1	3	3	4
Insurance	1	2	0	1	1
Risk-weighted assets, banking (end of period, Basel III)	626	632	680	671	690
Required capital, insurance (end of period, Solvency I)	15	15	15	15	14
Allocated capital (end of period)	92	92	98	96	98
Return on allocated capital (ROAC)	21%	13%	15%	17%	19%
Cost/income ratio, banking	64%	65%	60%	61%	63%
Combined ratio, non-life insurance	99%	99%	112%	95%	101%

- The net result in 1Q2015 came to 5 million, up on the 4 million average for the four preceding quarters.
- Total income (19 million) was down 10% on the previous quarter, due, among other things, to somewhat lower levels of net interest income, net fee and commission income and technical insurance results. The 1Q2015 non-life combined ratio amounted to 101%, in line with FY2014. Total life insurance sales were up on their level for 4Q2014.
- Costs (13 million) were down 6% quarter-on-quarter. The 1Q2015 cost/income ratio stood at 63%, in line with the figure recorded for FY2014.
- Loan loss impairment charges stood at 1 million, down on the 3 million recorded in 4Q2014. The annualised credit cost ratio amounted to 73 basis points in 1Q2015.

Group Centre

Net result – Group Centre
(in millions of EUR)



The Group Centre includes the operating expenses of the group's holding-company activities, certain capital and liquidity management-related costs, costs related to the holding of participations, the results of the remaining companies or activities that are earmarked for divestment or are in run-down, and the elimination of intersegment transactions. 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)	1Q2014	2Q2014	3Q2014	4Q2014	1Q2015
Net interest income	-73	-43	-10	-19	-7
Non-life insurance (before reinsurance)	-4	-3	-1	3	-2
Earned premiums	-5	-4	-4	-3	-3
Technical charges	1	0	3	6	2
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	3	2	0	-3	0
Dividend income	0	1	0	0	1
Net result from financial instruments at fair value through profit or loss	2	12	-14	13	-4
Net realised result from available-for-sale assets	-1	9	3	0	14
Net fee and commission income	7	6	4	2	-1
Other net income	8	-9	0	2	-18
Total income	-59	-24	-19	-2	-17
Operating expenses	-51	-44	-24	-41	-43
Impairment	-3	-11	-25	-5	6
on loans and receivables	-3	-11	-24	-5	6
on available-for-sale assets	0	-1	-1	0	0
on goodwill	0	0	0	0	0
other	0	0	0	0	0
Share in results of associated companies and joint ventures	1	1	1	1	1
Result before tax	-112	-79	-67	-46	-53
Income tax expense	35	20	3	12	66
Result after tax	-77	-59	-64	-35	13
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-77**	**-59**	**-64**	**-35**	**13**
Legacy – gains/losses on CDOs	16	30	-24	-7	-
Legacy – divestments	-9	8	132	-15	-
MTM of own credit risk	2	-8	6	1	-
Net result	**-67**	**-29**	**51**	**-54**	**13**
Banking	-55	-3	63	-37	44
Insurance	16	6	9	-1	-8
Group	-28	-32	-21	-17	-23
Risk-weighted assets, banking (end of period, Basel III)	11 145	11 814	7 256	6 650	6 728
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	11 068	11 068	11 068	10 897	9 047
Required capital, insurance (end of period, Solvency I)	2	2	2	1	1
Allocated capital (end of period)	1 174	1 244	766	701	709

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

The Group Centre's net result amounted to 13 million in 1Q2015. As stated earlier, this entity includes a number of group items and the results of companies earmarked for divestment. It also includes the impact of the legacy business (CDOs and divestments) and the valuation of own credit risk. Whereas these items were stated separately in 2014, they are (in view of their immateriality) again included under the various P/L headings as of 1Q2015.

The Group Centre's net result of 13 million in 1Q2015 can be broken down as follows:

- The operational cost of the group activities: -17 million in total, an improvement compared to the previous quarter (-26 million).
- 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): 2 million in total, a small deterioration compared to the previous quarter, among other things related to increased subordination costs (cf. new tier-2 issues in 4Q2104 and 1Q2105).
- Costs related to the holding of participations (mainly funding and hedging costs and related tax effects): -17 million in total, in line with the previous quarter.
- The results of the remaining companies or activities earmarked for divestment or in run-down (Antwerp Diamond Bank, KBC Finance Ireland, etc.): 2 million in total, compared to -4 million in the previous quarter, accounted for mainly by an improvement in the results of Antwerp Diamond Bank (gain on sale of AFS securities) and of KBC Finance Ireland (improvement re. loan impairments).
- +42 million in other items (including impact from deferred tax assets of 49 million; more information in the Consolidated financial statements).

KBC Group Consolidated financial statements according to IFRS 1Q 2015

This section is reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	1Q 2014	4Q 2014	1Q 2015
Net interest income	3	1 010	1 123	1 091
Interest income		1 930	1 982	1 850
Interest expense		- 920	- 860	- 759
Non-life insurance before reinsurance	9	149	123	167
Earned premiums Non-life		307	322	320
Technical charges Non-life		- 158	- 200	- 153
Life insurance before reinsurance	9	- 59	- 45	- 48
Earned premiums Life		308	343	302
Technical charges Life		- 367	- 388	- 350
Ceded reinsurance result	9	- 17	10	- 11
Dividend income		14	9	12
Net result from financial instruments at fair value through profit or loss	5	40	109	57
Net realised result from available-for-sale assets	6	51	22	80
Net fee and commission income	7	374	410	459
Fee and commission income		557	577	632
Fee and commission expense		- 182	- 167	- 174
Net other income	8	52	68	49
TOTAL INCOME		1 615	1 827	1 855
Operating expenses	12	- 1 049	- 964	- 1 125
Staff expenses		- 556	- 574	- 561
General administrative expenses		- 428	- 317	- 502
Depreciation and amortisation of fixed assets		- 65	- 74	- 62
Impairment	14	- 114	- 193	- 77
on loans and receivables		- 102	- 158	- 73
on available-for-sale assets		- 5	- 14	- 3
on goodwill		0	0	0
on other		- 6	- 21	- 1
Share in results of associated companies and joint ventures		7	6	6
RESULT BEFORE TAX		459	675	659
Income tax expense	16	- 112	- 202	- 149
Net post-tax result from discontinued operations		0	0	0
RESULT AFTER TAX		347	473	510
Attributable to minority interest		0	0	0
of which relating to discontinued operations		*0*	*0*	*0*
Attributable to equity holders of the parent		**347**	**473**	**510**
of which relating to discontinued operations		*0*	*0*	*0*
Earnings per share (in EUR)				
Basic		0.32	1.00	1.19
Diluted		0.32	1.00	1.19

Consolidated statement of comprehensive income (condensed)

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
RESULT AFTER TAX	347	473	510
attributable to minority interest	0	0	0
attributable to equity holders of the parent	347	473	510
Other comprehensive income - to be recycled to P&L			
Net change in revaluation reserve (AFS assets) - Equity	- 37	60	197
Net change in revaluation reserve (AFS assets) - Bonds	167	123	265
Net change in revaluation reserve (AFS assets) - Other	0	0	0
Net change in hedging reserve (cash flow hedge)	- 180	- 289	- 269
Net change in translation differences	- 13	13	122
Other movements	0	1	0
Other comprehensive income - not to be recycled to P&L			
Net change in defined benefit plans	- 19	- 88	- 9
TOTAL COMPREHENSIVE INCOME	264	293	817
attributable to minority interest	0	0	0
attributable to equity holders of the parent	264	293	816

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2014	31-03-2015
Cash and cash balances with central banks		5 771	5 798
Financial assets	18 - 26	231 421	243 421
Held for trading		12 182	13 954
Designated at fair value through profit or loss		18 163	20 725
Available for sale		32 390	34 189
Loans and receivables		135 784	141 582
Held to maturity		31 799	31 790
Hedging derivatives		1 104	1 183
Reinsurers' share in technical provisions		194	138
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		168	177
Tax assets		1 814	2 029
Current tax assets		88	97
Deferred tax assets		1 726	1 933
Non-current assets held for sale and assets associated with disposal groups		18	26
Investments in associated companies and joint ventures		204	213
Investment property		568	553
Property and equipment		2 278	2 252
Goodwill and other intangible assets		1 258	1 277
Other assets		1 480	2 512
TOTAL ASSETS		245 174	258 396

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	31-03-2015
Financial liabilities	18 - 26	205 644	216 902
Held for trading		8 449	9 711
Designated at fair value through profit or loss		23 908	25 307
Measured at amortised cost		169 796	177 814
Hedging derivatives		3 491	4 070
Technical provisions, before reinsurance		18 934	19 181
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		189	235
Tax liabilities		697	850
Current tax liabilities		98	165
Deferred tax liabilies		599	686
Liabilities associated with disposal groups		0	0
Provisions for risks and charges		560	485
Other liabilities		2 629	3 417
TOTAL LIABILITIES		228 652	241 072
Total equity	39	16 521	17 325
Parent shareholders' equity	39	13 125	13 928
Non-voting core-capital securities	39	2 000	2 000
Additional Tier-1 instruments included in equity	39	1 400	1 400
Minority interests		- 3	- 3
TOTAL LIABILITIES AND EQUITY		245 174	258 396

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-03-2014												
Balance at the beginning of the period (31-12-2013)	1 452	5 404	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	347	0	347	0	0	0	347
Other comprehensive income for the period	0	0	130	- 180	- 19	0	- 13	- 83	0	0	0	- 83
Total comprehensive income	**0**	**0**	**130**	**- 180**	**- 19**	**347**	**- 13**	**264**	**0**	**0**	**0**	**264**
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Coupon non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0	0
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	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	- 6	0	- 6	0	1 400	0	1 394
Total change	**0**	**0**	**130**	**- 180**	**- 19**	**174**	**- 13**	**91**	**- 333**	**1 400**	**0**	**1 158**
Balance at the end of the period	**1 452**	**5 404**	**1 223**	**- 677**	**46**	**4 822**	**- 353**	**11 917**	**2 000**	**1 400**	**354**	**15 671**
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 equity method			12	0	0		- 1	12				12
31-03-2015												
Balance at the beginning of the period (31-12-2014)	1 453	5 421	1 815	- 1 368	- 133	6 197	- 261	13 125	2 000	1 400	- 3	16 521
Net result for the period	0	0	0	0	0	510	0	510	0	0	0	510
Other comprehensive income for the period	0	0	462	- 269	- 9	0	122	307	0	0	0	307
Total comprehensive income	**0**	**0**	**462**	**- 269**	**- 9**	**510**	**122**	**816**	**0**	**0**	**0**	**817**
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Coupon non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0	0
Coupon additional Tier-1 instruments	0	0	0	0	0	- 13	0	- 13	0	0	0	- 13
Capital increase	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
Total change	**0**	**0**	**462**	**- 269**	**- 9**	**497**	**122**	**804**	**0**	**0**	**0**	**803**
Balance at the end of the period	**1 453**	**5 421**	**2 277**	**- 1 637**	**- 142**	**6 693**	**- 138**	**13 928**	**2 000**	**1 400**	**- 3**	**17 325**
of which revaluation reserve for shares			566									
of which revaluation reserve for bonds			1 711									
of which revaluation reserve for other assets than bonds and shares			0									
of which relating to equity method			25	0	0		1	25				25

In 1Q 2015, revaluation reserves (AFS assets) increased by 462 million euros of which 265 million euros related to bonds (thanks to decreasing interest rates) and 197 million euros related to shares (thanks to higher equity markets). A negative effect, also for a large part linked to decreasing interest rates, of -269 million euros was noted on hedging reserves (cashflow hedges).

Condensed consolidated cash flow statement

In millions of EUR	1Q 2014	1Q 2015
Operating activities		
Net cash from (used in) operating activities	5 448	5 041
Net cash from (used in) investing activities	675	- 44
Net cash from (used in) financing activities	- 1 871	385
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	4 252	5 382
Cash and cash equivalents at the beginning of the period	8 803	6 518
Effects of exchange rate changes on opening cash and cash equivalents	- 6	123
Cash and cash equivalents at the end of the period	13 049	12 024

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34) as adopted for use in the European Union ('endorsed IFRS'). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

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

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

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

Notes on segment reporting

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

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

As of 1Q 2015 the presentation of adjusted results is abolished following the completion of the divestment programme (the last file, Antwerp Diamond Bank, has been put in run-off as decided on 19 September 2014) and the fact that the CDO-exposure was brought down to nearly zero. The rationale for calculating an adjusted result - excluding these non-operating items - largely disappeared and as a consequence, KBC will no longer provide for adjusted figures (but will temporarily keep the 2014 adjusted figures as a reference).

The only adaptation to the IFRS accounts that is still done relates to trading activities. In the IFRS accounts, income related to trading activities is split across different components: while trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the net result of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking 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 immateriality.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
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	- 626	- 145	- 219	- 128	- 46	- 12	- 32	- 53	1	- 1 041
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	422	163	- 30	- 8	23	5	- 50	- 112	0	442
Income tax expense	- 118	- 25	2	0	- 6	0	7	35	0	- 106
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	304	138	- 28	- 8	18	5	- 43	- 77	0	337
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
ADJUSTED NET RESULT	304	138	- 28	- 8	18	5	- 43	- 77	0	337
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	304	138	- 28	- 8	18	5	- 43	- 67	0	347

1Q 2015	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
Net interest income	694	212	172	63	52	11	46	- 5	- 2	1 072
Non-life insurance before reinsurance	131	18	20	8	5	8	0	3	- 5	167
Earned premiums Non-life	243	41	39	15	7	17	0	1	- 5	320
Technical charges Non-life	- 111	- 23	- 20	- 8	- 2	- 10	0	2	0	- 153
Life insurance before reinsurance	- 58	6	4	1	3	1	0	1	- 1	- 48
Earned premiums Life	248	30	23	4	14	6	0	1	- 1	302
Technical charges Life	- 306	- 25	- 19	- 3	- 11	- 5	0	0	0	- 350
Ceded reinsurance result	- 7	- 2	- 2	0	0	- 1	0	0	0	- 11
Dividend income	10	0	0	0	0	0	0	1	0	11
Net result from financial instruments at fair value through profit or loss	25	26	27	18	9	1	0	- 4	0	74
Net realised result from available-for-sale assets	51	12	2	0	2	0	0	14	0	79
Net fee and commission income	364	50	50	38	12	0	- 1	- 2	1	462
Net other income	45	5	17	16	1	0	0	- 21	4	49
TOTAL INCOME	1 255	325	291	143	83	19	44	- 14	- 2	1 855
Operating expenses	- 695	- 161	- 226	- 127	- 47	- 13	- 39	- 45	2	- 1 125
Impairment	- 65	- 2	- 16	- 6	- 1	- 1	- 7	6	0	- 77
on loans and receivables	- 62	- 2	- 16	- 6	- 1	- 1	- 7	6	0	- 73
on available-for-sale assets	- 3	0	0	0	0	0	0	0	0	- 3
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	0	0	0	0	0	0	0	0	0	- 1
Share in results of associated companies and joint ventures	- 1	6	0	0	0	0	0	1	0	6
RESULT BEFORE TAX	494	169	49	10	35	5	- 2	- 53	0	659
Income tax expense	- 164	- 25	- 25	- 17	- 9	0	0	66	0	- 149
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	330	143	24	- 6	27	5	- 2	13	0	510
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
NET RESULT	330	143	24	- 6	27	5	- 2	13	0	510

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2014									
Deposits from customers & debt certificates excl. repos	105 885	22 047	14 860	*5 220*	*4 856*	*600*	*4 185*	11 187	153 979
Loans & advances to customers excluding reverse repos	84 165	16 216	20 790	*3 771*	*4 578*	*666*	*11 776*	1 990	123 161
Term loans excl. Reverse repos	41 926	6 360	5 289	*1 915*	*1 527*	*284*	*1 562*	1 792	55 366
Mortgage loans	32 318	7 251	13 561	*1 320*	*1 807*	*239*	*10 195*	26	53 156
Current accounts advances	2 318	922	653	*312*	*329*	*0*	*12*	161	4 054
Finance leases	3 172	442	523	*92*	*425*	*0*	*6*	0	4 138
Consumer credit	1 088	1 028	654	*59*	*452*	*142*	*0*	0	2 770
Other	3 343	213	111	*72*	*38*	*0*	*0*	12	3 678
31-03-2015									
Deposits from customers & debt certificates excl. repos	111 218	22 216	15 621	*5 475*	*4 842*	*627*	*4 676*	10 255	159 310
Loans & advances to customers excluding reverse repos	84 782	16 610	20 974	*3 934*	*4 717*	*667*	*11 655*	1 931	124 297
Term loans excl. Reverse repos	41 842	6 481	5 377	*1 955*	*1 629*	*282*	*1 511*	1 754	55 454
Mortgage loans	32 400	7 405	13 635	*1 409*	*1 844*	*241*	*10 141*	29	53 468
Current accounts advances	2 744	1 095	696	*333*	*361*	*0*	*2*	121	4 656
Finance leases	3 170	451	538	*106*	*431*	*0*	*0*	0	4 159
Consumer credit	1 056	939	630	*70*	*416*	*144*	*1*	0	2 626
Other	3 570	238	98	*61*	*37*	*0*	*0*	29	3 934

Other notes

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

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
Total	1 010	1 123	1 091
Interest income	1 930	1 982	1 850
Available-for-sale assets	194	201	185
Loans and receivables	1 068	1 129	1 059
Held-to-maturity investments	232	241	227
Other assets not at fair value	4	8	10
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 498*	*1 578*	*1 481*
Financial assets held for trading	225	243	171
Hedging derivatives	139	111	142
Other financial assets at fair value through profit or loss	69	50	57
Interest expense	- 920	- 860	- 759
Financial liabilities measured at amortised cost	- 431	- 360	- 340
Other	- 1	- 1	- 1
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 432*	*- 361*	*- 340*
Financial liabilities held for trading	- 270	- 299	- 199
Hedging derivatives	- 179	- 148	- 193
Other financial liabilities at fair value through profit or loss	- 37	- 50	- 24
Net interest expense on defined benefit plans	- 2	- 3	- 3

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

In the first quarter of 2015, the result from financial instruments at fair value through profit or loss was influenced by MtM ALM derivatives, where fair value changes (due to marked-to-market accounting) of a large part of ALM hedging instruments (that are treated as held for trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. In 1Q 2015, the net realised result from these financial instruments at fair value through profit or loss amounted to -3 million euros pre-tax (-86 million euros pre-tax in 1Q 2014), as long-term interest rates decreased slightly during 1Q 2015.

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

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
Total	51	22	80
Breakdown by portfolio			
Fixed-income securities	16	8	39
Shares	35	14	41

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

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
Total	374	410	459
Fee and commission income	557	577	632
Securities and asset management	278	309	346
Margin on deposit accounting (life insurance investment contracts without DPF)	20	22	37
Commitment credit	59	65	70
Payments	130	133	127
Other	71	48	52
Fee and commission expense	- 182	- 167	- 174
Commission paid to intermediaries	- 73	- 76	- 76
Other	- 109	- 91	- 97

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

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
Total	52	68	49
Of which net realised result following			
The sale of loans and receivables	0	1	0
The sale of held-to-maturity investments	0	1	2
The repurchase of financial liabilities measured at amortised cost	0	0	- 8
Other: of which:	52	67	55
Income concerning leasing at the KBC Lease-group	24	26	21
Income from Group VAB	18	19	17
Realised gains or losses on divestments	- 2	- 3	- 14
Legal interests	0	13	0
New law on retail loans (Hungary)	0	0	17

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
1Q 2014				
Earned premiums, insurance (before reinsurance)	309	311	-	620
Technical charges, insurance (before reinsurance)	- 367	- 159	-	- 526
Net fee and commission income	- 4	- 57	0	- 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	- 94	18	0	- 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	87	42	27	156
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	87	42	28	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
1Q 2015				
Earned premiums, insurance (before reinsurance)	302	325	-	627
Technical charges, insurance (before reinsurance)	- 350	- 153	-	- 503
Net fee and commission income	2	- 61	0	- 59
Ceded reinsurance result	0	- 11	0	- 11
Operating expenses	- 30	- 59	0	- 89
Internal costs claim paid	- 2	- 15	-	- 16
Administration costs related to acquisitions	- 7	- 19	-	- 27
Administration costs	- 21	- 25	-	- 46
Management costs investments	0	0	0	0
Technical result	- 76	41	0	- 35
Net interest income			163	163
Dividend income			10	10
Net result from financial instruments at fair value			0	0
Net realised result from AFS assets			41	41
Net other income			- 8	- 8
Impairments			- 3	- 3
Allocation to the technical accounts	164	32	- 196	0
Technical-financial result	89	73	7	169
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	89	73	8	169
Income tax expense				- 48
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				121
attributable to minority interest				0
attributable to equity holders of the parent				121

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2014 annual accounts).

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

The operating expenses of 1Q 2015 include 264 million euros related to bank (and insurance) levies.

As of 1 January 2015, IFRIC 21 (Levies) came into force. The main consequence of the application of IFRIC 21 is that certain levies are taken upfront in expense of the first quarter 2015 for a total of 222 million euros, of which 62 million euros related to the estimated contribution to the European Single Resolution Fund (ESRF). For all entities, except for K&H, the contribution to the ESRF is booked in 1Q 2015 at 70% (estimated actual cash out), whereas the remaining 30% will be considered as an irrevocable payment commitment (booked off-balance as a contingent liability). For K&H, the ESRF will be booked at 100% due to local legislation.

Moreover, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The 1Q 2014 results after restatement include in total 198 million euros of bank (and insurance) levies.

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

In millions of EUR	1Q 2014	4Q 2014	1Q 2015
Total	- 114	- 193	- 77
Impairment on loans and receivables	- 102	- 158	- 73
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 150	- 147	- 82
Provisions for off-balance-sheet credit commitments	- 2	- 4	9
Portfolio-based impairments	49	- 7	- 1
Breakdown by business unit			
Business unit Belgium	- 34	- 73	- 62
Business unit Czech Republic	- 2	- 16	- 2
Business unit International Markets	- 64	- 62	- 16
of which: Hungary	*- 11*	*- 13*	*- 6*
of which: Slovakia	*- 4*	*- 5*	*- 1*
of which: Bulgaria	*- 1*	*- 3*	*- 1*
of which: Ireland	*- 48*	*- 41*	*- 7*
Group Centre	- 3	- 7	6
Impairment on available-for-sale assets	- 5	- 14	- 3
Breakdown by type			
Shares	- 5	- 14	- 3
Other	0	0	0
Impairment on goodwill	0	0	0
Impairment on other	- 6	- 21	- 1
Intangible assets, other than goodwill	0	- 23	0
Property and equipment and investment property	0	- 7	0
Held-to-maturity assets	1	0	0
Associated companies and joint ventures	0	0	0
Other	- 7	9	0

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

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

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

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2014								
Loans and advances to credit institutions and investment firms [a]	141	1 636	0	10 812	-	-	-	12 590
Loans and advances to customers [b]	27	1 335	0	123 189	-	-	-	124 551
Excluding reverse repos	*20*	*101*	*0*	*123 040*	-	-	-	*123 161*
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 123	-	-	-	53 156
Term loans	7	1 303	0	55 446	-	-	-	56 755
Finance leasing	0	0	0	4 138	-	-	-	4 138
Current account advances	0	0	0	4 054	-	-	-	4 054
Securitised loans	0	0	0	0	-	-	-	0
Other	20	0	0	367	-	-	-	387
Equity instruments	303	3	1 826	-	-	-	-	2 132
Investment contracts (insurance)	-	13 425	-	-	-	-	-	13 425
Debt securities issued by	2 894	1 763	30 564	1 207	31 799	-	-	68 227
Public bodies	2 391	1 063	19 469	31	30 342	-	-	53 296
Credit institutions and investment firms	297	293	4 427	159	859	-	-	6 035
Corporates	206	407	6 667	1 018	598	-	-	8 896
Derivatives	8 814	-	-	-	-	1 104	-	9 918
Other	3	0	0	576	-	-	-	579
Total carrying value	12 182	18 163	32 390	135 784	31 799	1 104	0	231 421
[a] *Of which reverse repos*								*3 319*
[b] *Of which reverse repos*								*1 389*
FINANCIAL ASSETS, 31-03-2015								
Loans and advances to credit institutions and investment firms [a]	142	5 034	0	14 669	-	-	-	19 845
Loans and advances to customers [b]	138	201	0	124 293	-	-	-	124 632
Excluding reverse repos	*71*	*83*	*0*	*124 143*	-	-	-	*124 297*
Trade receivables	0	0	0	3 334	-	-	-	3 334
Consumer credit	0	0	0	2 626	-	-	-	2 626
Mortgage loans	0	30	0	53 439	-	-	-	53 468
Term loans	67	165	0	55 558	-	-	-	55 790
Finance leasing	0	0	0	4 159	-	-	-	4 159
Current account advances	0	0	0	4 656	-	-	-	4 656
Securitised loans	0	0	0	0	-	-	-	0
Other	71	6	0	523	-	-	-	600
Equity instruments	344	3	2 011	-	-	-	-	2 358
Investment contracts (insurance)	-	14 177	-	-	-	-	-	14 177
Debt securities issued by	3 119	1 310	32 177	1 194	31 790	-	-	69 590
Public bodies	2 594	631	20 722	31	30 330	-	-	54 308
Credit institutions and investment firms	337	198	4 732	159	865	-	-	6 291
Corporates	188	480	6 723	1 004	595	-	-	8 990
Derivatives	10 207	-	-	-	-	1 183	-	11 389
Other	4	0	0	1 426	0	0	0	1 430
Total carrying value	13 954	20 725	34 189	141 582	31 790	1 183	0	243 421
[a] *Of which reverse repos*								*8 791*
[b] *Of which reverse repos*								*335*

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2014								
Deposits from credit institutions and investment firms [a]	60	1 004	-	-	-	-	16 628	17 692
Deposits from customers and debt certificates [b]	367	10 352	-	-	-	-	151 064	161 783
Excluding repos	*367*	*3 058*	-	-	-	-	*150 554*	*153 979*
Deposits from customers	69	8 077	-	-	-	-	128 091	136 237
Demand deposits	0	35	-	-	-	-	47 020	47 055
Time deposits	69	8 028	-	-	-	-	41 638	49 735
Savings deposits	0	0	-	-	-	-	37 163	37 163
Special deposits	0	0	-	-	-	-	1 715	1 715
Other deposits	0	14	-	-	-	-	555	569
Debt certificates	298	2 275	-	-	-	-	22 973	25 546
Certificates of deposit	9	3	-	-	-	-	5 922	5 935
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 741	14 761
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	540	-	-	-	-	3 549	4 088
Liabilities under investment contracts	-	12 553	-	-	-	-	0	12 553
Derivatives	7 697	-	-	-	-	3 491	-	11 188
Short positions	325	0	-	-	-	-	-	325
in equity instruments	71	0	-	-	-	-	-	71
in debt instruments	254	0	-	-	-	-	-	254
Other	0	0	-	-	-	-	2 103	2 104
Total carrying value	8 449	23 908	-	-	-	3 491	169 796	205 644
[a] *Of which repos*								*1 315*
[b] *Of which repos*								*7 804*
FINANCIAL LIABILITIES, 31-03-2015								
Deposits from credit institutions and investment firms [a]	132	2 429	-	-	-	-	16 803	19 364
Deposits from customers and debt certificates [b]	389	9 615	-	-	-	-	157 919	167 922
Excluding repos	*389*	*2 847*	-	-	-	-	*156 074*	*159 310*
Deposits from customers	92	7 566	-	-	-	-	132 673	140 331
Demand deposits	0	0	-	-	-	-	50 678	50 678
Time deposits	92	7 566	-	-	-	-	41 852	49 511
Savings deposits	0	0	-	-	-	-	37 518	37 518
Special deposits	0	0	-	-	-	-	1 969	1 969
Other deposits	0	0	-	-	-	-	656	656
Debt certificates	296	2 048	-	-	-	-	25 246	27 591
Certificates of deposit	1	3	-	-	-	-	7 829	7 833
Customer savings certificates	0	0	-	-	-	-	761	761
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	296	1 487	-	-	-	-	12 703	14 485
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	558	-	-	-	-	3 953	4 512
Liabilities under investment contracts	-	13 263	-	-	-	-	0	13 263
Derivatives	8 886	0	-	-	-	4 070	-	12 956
Short positions	303	0	-	-	-	-	-	303
in equity instruments	95	0	-	-	-	-	-	95
in debt instruments	209	0	-	-	-	-	-	209
Other	1	0	-	-	-	-	3 093	3 094
Total carrying value	9 711	25 307	-	-	-	4 070	177 814	216 902
[a] *Of which repos*								*2 861*
[b] *Of which repos*								*8 613*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	31-03-2014	30-06-2014	30-09-2014	31-12-2014	31-03-2015
Total customer loans excluding reverse repo					
Business unit Belgium	81 967	83 542	84 086	84 165	84 782
Business unit Czech Republic	15 424	15 586	15 899	16 216	16 610
Business unit International Markets	21 119	21 038	21 059	20 790	20 974
of which: Hungary	*3 863*	*3 916*	*4 023*	*3 771*	*3 934*
of which: Slovakia	*4 342*	*4 436*	*4 464*	*4 578*	*4 717*
of which: Bulgaria	*603*	*623*	*664*	*666*	*667*
of which: Ireland	*12 311*	*12 064*	*11 908*	*11 776*	*11 655*
Group Centre	1 095	1 096	2 157	1 990	1 931
KBC Group	119 606	121 262	123 202	123 161	124 297
Mortgage loans					
Business unit Belgium	31 183	31 347	31 518	32 318	32 400
Business unit Czech Republic	6 633	6 747	7 142	7 251	7 405
Business unit International Markets	13 833	13 844	13 715	13 561	13 635
of which: Hungary	*1 520*	*1 511*	*1 511*	*1 320*	*1 409*
of which: Slovakia	*1 780*	*1 862*	*1 740*	*1 807*	*1 844*
of which: Bulgaria	*234*	*235*	*243*	*239*	*241*
of which: Ireland	*10 299*	*10 236*	*10 221*	*10 195*	*10 141*
Group Centre	24	24	26	26	29
KBC Group	51 674	51 963	52 400	53 156	53 468
Customer deposits and debt certificates excl. repos					
Business unit Belgium	100 471	100 910	103 984	105 885	111 218
Business unit Czech Republic	22 025	22 390	21 385	22 047	22 216
Business unit International Markets	14 390	14 248	14 581	14 860	15 621
of which: Hungary	*5 442*	*5 175*	*5 298*	*5 220*	*5 475*
of which: Slovakia	*4 555*	*4 547*	*4 748*	*4 856*	*4 842*
of which: Bulgaria	*547*	*553*	*565*	*600*	*627*
of which: Ireland	*3 846*	*3 973*	*3 970*	*4 185*	*4 676*
Group Centre	14 152	13 231	11 448	11 187	10 255
KBC Group	151 039	150 778	151 399	153 979	159 310

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance	31-03-2014		30-06-2014		30-09-2014		31-12-2014		31-03-2015	
In millions of EUR	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 589	12 052	13 630	12 402	13 724	12 623	13 831	12 637	13 770	13 359
Business unit Czech Republic	527	526	520	507	517	502	491	483	491	473
Business unit International Markets	221	271	219	292	218	300	214	305	214	346
of which: Hungary	*53*	*186*	*53*	*199*	*53*	*203*	*52*	*209*	*56*	*242*
of which: Slovakia	*133*	*84*	*129*	*92*	*129*	*96*	*126*	*96*	*120*	*103*
of which: Bulgaria	*36*	*1*	*36*	*1*	*36*	*1*	*36*	*1*	*38*	*1*
Group Centre	0	0	0	0	0	0	0	0	0	0
KBC Group	14 338	12 848	14 369	13 201	14 460	13 425	14 535	13 425	14 475	14 177

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

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 23 up to and including 26 of the annual accounts 2014.

Fair value hierarchy	31-12-2014				31-03-2015			
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 292	7 306	2 584	12 182	2 497	8 467	2 990	13 954
Designated at fair value	14 551	3 250	363	18 163	14 757	5 503	465	20 725
Available for sale	27 782	3 051	1 557	32 390	28 974	2 988	2 226	34 189
Hedging derivatives	0	1 104	0	1 104	0	1 183	0	1 183
Total	44 624	14 711	4 503	63 839	46 227	18 141	5 682	70 050
Financial liabilities measured at fair value								
Held for trading	327	5 746	2 376	8 449	305	6 598	2 808	9 711
Designated at fair value	12 552	10 932	424	23 908	13 263	11 467	577	25 307
Hedging derivatives	0	3 491	0	3 491	0	4 070	0	4 070
Total	12 879	20 170	2 800	35 848	13 568	22 135	3 385	39 088

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

In 1Q 2015, an approximate total amount of 0.3 billion euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred around 0.4 billion euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of mainly corporate bonds and regional government bonds.

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

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 31-03-2015, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt securities	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt securities	Equity instruments	Debt securities	Derivatives
Opening balance	0	0	0	263	2 321	26	0	0	337	393	1 163	0
Total gains/losses	0	0	0	- 40	394	1	2	0	- 87	54	14	0
in profit and loss*	0	0	0	- 40	394	1	0	0	- 87	0	0	0
in other comprehensive income	0	0	0	0	0	0	2	0	0	54	14	0
Acquisitions	0	0	0	6	39	0	0	0	3	0	174	0
Sales	0	0	0	- 7	- 6	0	- 2	0	0	- 4	0	0
Settlements	0	0	0	0	- 54	- 1	0	0	0	0	- 28	0
Transfers into level 3	0	0	0	0	0	0	0	0	24	0	817	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	- 457	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	13	7	3	0	0	41	6	0	0
Changes in scope	0	0	0	1	54	0	0	0	118	95	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	235	2 755	28	0	0	437	544	1 683	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	0	- 36	356	1	0	0	- 88	0	0	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading						Designated at fair value				Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Other	
Opening balance	0	41	0	2 335	0	0	0	424	0	0	0
Total gains/losses	0	- 7	0	435	0	0	0	5	0	0	0
in profit and loss*	0	- 7	0	435	0	0	0	5	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	55	0	0	0	0	0	0	0
Repurchases	0	0	0	0	0	0	0	0	0	0	0
Settlements	0	0	0	- 55	0	0	0	- 8	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	5	0	0	0	0	0	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	13	0	0	0
Other	0	0	0	0	0	0	0	143	0	0	0
Closing balance	0	38	0	2 769	0	0	0	577	0	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	- 7	0	414	0	0	0	5	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'.

In 1Q 2015, an approximate total amount of 0.8 billion euros in AFS debt securities was transferred from level 1 and 2 to level 3 due to changed liquidity of mainly financial bonds and regional government bonds. An opposite movement of AFS debt securities of approximately 0.5 billion euros was transferred out of level 3 due to changed liquidity of mainly ABS instruments.

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

in number of shares	31-12-2014	31-03-2015
Ordinary shares	417 780 658	417 780 658
of which ordinary shares that entitle the holder to a dividend payment	*417 780 658*	*417 780 658*
of which treasury shares	*488*	*2*
Non-voting core-capital securities	67 796 608	67 796 608
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (pari passu) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual accounts 2014.
In 2012, KBC repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros including a 15% penalty (525 million euros in total).
On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (0.6 billion euros in total). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.

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

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

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

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

In 3Q 2014:

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

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

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

Significant non-adjusting events between the balance sheet date (31 March 2015) and the publication of this report (12 May 2015):

For 2014 the board of directors has proposed to the general meeting of shareholders, who approved this on 7 May 2015, that a gross dividend of 2.0 euros is paid out per share entitled to dividend (836 million euros in total). This also triggers payment of a coupon on the core-capital securities to the Flemish Regional Government (171 million euros in total). Both are deducted from reserves and will be accounted for in 2Q 2015. At that time this will also negatively impact the net cash (flow) from financing activities.

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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 2015 and for the three-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group and its subsidiaries (collectively referred to as "the Group") as at 31 March 2015 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed cash flow statement for the three-month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 258.396 million and a consolidated profit (share of the group) for the three-month period then ended of € 510 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 11 May 2015 on the interim condensed consolidated financial statements of KBC Group nv for the three-month period then ended as of 31 March 2015 (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 2015, 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.

Brussels, 11 May 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Christel Weymeersch	Jean-François Hubin
Partner*	Partner*
15CW0305	

*Acting on behalf of a BVBA/SPRL

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KBC Group Risk and capital management 1Q 2015

This section is not reviewed by the auditors

Credit risk

Snapshot of the credit portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2014)'.

Credit risk: loan portfolio overview	31-12-2014	31-03-2015
Total loan portfolio (in billions of EUR)		
Amount granted	166	169
Amount outstanding[1]	139	140
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	64%
Czech Republic	14%	14%
International Markets	18%	18%
Group Centre	4%	4%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	13 692	13 481
of which: more than 90 days past due	7 676	7 750
Ratio of impaired loans, per business unit		
Belgium	4.3%	4.2%
Czech Republic	3.8%	3.7%
International Markets	34.1%	33.4%
Group Centre	8.6%	8.6%
Total	9.9%	9.6%
of which: more than 90 days past due	5.5%	5.5%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 709	5 715
of which: more than 90 days past due	4 384	4 465
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	42%	42%
of which: more than 90 days past due	57%	58%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	51%	52%
of which: more than 90 days past due	70%	67%
Credit cost, by business unit (%)[2]		
Belgium	0.23%	0.28%
Czech Republic	0.18%	0.04%
International Markets	1.06%	0.25%
Slovakia	0.36%	0.08%
Hungary	0.94%	0.46%
Bulgaria	1.30%	0.73%
Ireland	1.33%	0.20%
Group Centre	1.17%	-0.44%
Total	0.41%	0.21%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees
2. Annualized credit cost

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

Credit portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium

31-03-2015, in millions of EUR	Belgium			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	**83 932**			**5 423**			**89 355**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	23 243	27.7%		5 423	100.0%		28 666	32.1%	
retail	60 688	72.3%		0	0.0%		60 688	67.9%	
o/w private	33 444	39.8%		0	0.0%		33 444	37.4%	
o/w companies	27 244	32.5%		0	0.0%		27 244	30.5%	
Mortgage loans[1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	32 364	38.6%	59%	0	0.0%	-	32 364	36.2%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w vintage 2007 and 2008	1 439	1.7%	-	0	0.0%	-	1 439	1.6%	
o/w ind. LTV > 100%	1 598	1.9%	-	0	0.0%	-	1 598	1.8%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	62 893	74.9%		3 153	58.1%		66 046	73.9%	
medium risk (pd 5-7; 0.80%-6.40%)	15 429	18.4%		1 535	28.3%		16 964	19.0%	
high risk (pd 8-9; 6.40%-100.00%)	2 380	2.8%		103	1.9%		2 484	2.8%	
impaired loans (pd 10 - 12)	3 143	3.7%		629	11.6%		3 771	4.2%	
unrated	87	0.1%		3	0.1%		90	0.1%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	3 143	1 362	43.3%	629	274	43.6%	3 771	1 636	43.4%
o/w pd 10 impaired loans	1 146	245	21.4%	422	107	25.4%	1 568	352	22.5%
o/w more than 90 days past due (pd 11+12)	1 996	1 117	56.0%	207	167	80.7%	2 203	1 284	58.3%
all impairments (specific + portfolio based)	n.a.			n.a.			1 690		
o/w portfolio based impairments	n.a.			n.a.			54		
o/w specific impairments	1 362			274			1 636		
2014 Credit cost ratio (CCR)	n.a.			n.a.			0.23%		
YTD 2015 CCR	n.a.			n.a.			0.28%		

Remarks

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

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

Loan portfolio Business Unit Czech Republic

31-03-2015, in millions of EUR	Czech republic			For information: ČMSS[3] *(consolidated via equity-method since 1Q14)*		
Total outstanding amount	**19 251**			**2 502**		
Counterparty break down		% outst.			% outst.	
SME / corporate	6 998	36.4%		80	3.2%	
retail	12 252	63.6%		2 422	96.8%	
o/w private	8 590	44.6%		2 407	96.2%	
o/w companies	3 662	19.0%		15	0.6%	
Mortgage loans[1]		% outst.	ind. LTV		% outst.	ind. LTV
total	7 841	40.7%	64%	1 869	74.7%	65%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w vintage 2007 and 2008	1 231	6.4%	-	245	9.8%	-
o/w ind. LTV > 100%	207	1.1%	-	150	6.0%	-
Probability of default (PD)		% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	13 241	68.8%		1 683	67.3%	
medium risk (pd 5-7; 0.80%-6.40%)	4 702	24.4%		570	22.8%	
high risk (pd 8-9; 6.40%-100.00%)	496	2.6%		171	6.8%	
impaired loans (pd 10 - 12)	716	3.7%		78	3.1%	
unrated	95	0.5%		0	0.0%	
Overall risk indicators[2]		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	716	379	52.9%	78	30	37.9%
o/w pd 10 impaired loans	206	37	17.9%	25	2	7.0%
o/w more than 90 days past due (pd 11+12)	511	342	67.1%	53	28	52.3%
all impairments (specific + portfolio based)	409			32		
o/w portfolio based impairments	30			3		
o/w specific impairments	379			30		
2014 Credit cost ratio (CCR)	0.18%			n/a		
YTD 2015 CCR	0.04%			n/a		

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

Loan portfolio Business Unit International Markets

31-03-2015, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**14 380**			**5 208**			**5 038**			**795**			**25 422**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	2 524	17.5%		2 211	42.4%		2 716	53.9%		316	39.7%		7 766	30.5%	
retail	11 857	82.5%		2 997	57.6%		2 323	46.1%		480	60.3%		17 656	69.5%	
o/w private	11 838	82.3%		2 408	46.2%		1 810	35.9%		289	36.3%		16 344	64.3%	
o/w companies	19	0.1%		589	11.3%		513	10.2%		191	24.0%		1 313	5.2%	
Mortgage loans[1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11 838	82.3%	97%	2 008	38.6%	64%	1 651	32.8%	87%	141	17.7%	69%	15 638	61.5%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	34	0.7%	133%	73	9.1%	69%	107	0.4%	
o/w vintage 2007 and 2008	4 137	28.8%	-	149	2.9%	-	589	11.7%	-	35	4.4%	-	4 910	19.3%	
o/w ind. LTV > 100%	5 190	36.1%	-	52	1.0%	-	550	10.9%	-	9	1.2%	-	5 801	22.8%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	680	4.7%		3 425	65.8%		2 201	43.7%		114	14.3%		6 420	25.3%	
medium risk (pd 5-7; 0.80%-6.40%)	5 142	35.8%		1 260	24.2%		1 797	35.7%		369	46.4%		8 568	33.7%	
high risk (pd 8-9; 6.40%-100.00%)	1 183	8.2%		263	5.0%		358	7.1%		80	10.1%		1 884	7.4%	
impaired loans (pd 10 - 12)	7 375	51.3%		215	4.1%		679	13.5%		221	27.8%		8 491	33.4%	
unrated	0	0.0%		45	0.9%		2	0.0%		11	1.4%		59	0.2%	
Overall risk indicators[2]		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	7 375	2 792	37.9%	215	108	50.2%	679	385	56.7%	221	91	40.9%	8 491	3 376	39.8%
o/w pd 10 impaired loans	3 622	776	21.4%	49	13	26.6%	112	35	30.8%	26	1	3.3%	3 809	824	21.6%
o/w more than 90 days past due (pd 11+12)	3753	2 016	53.7%	166	95	57.2%	567	350	61.8%	195	90	46.0%	4682	2 551	54.5%
all impairments (specific + portfolio based)	2882			119			403			92			3496		
o/w portfolio based impairments	90			11			18			1			120		
o/w specific impairments	2792			108			385			91			3376		
2014 Credit cost ratio (CCR)	1.33%			0.36%			0.94%			1.30%			1.06%		
YTD 2015 CCR	0.20%			0.08%			0.46%			0.73%			0.25%		

Remarks

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

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

(2) individual CCR in local currency

Loan portfolio Group Centre

31-03-2015, in millions of EUR

	Total Group Centre (mainly KBC Finance Ireland, KBC Credit Investments and Antwerp Diamond Bank (in wind-down))		
Total outstanding amount	**5 868**		
Counterparty break down		% outst.	
SME / corporate	5 865	100.0%	
retail	3	0.0%	
o/w private	3	0.0%	
o/w companies	0	0.0%	
Mortgage loans (1)		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	0	0.0%	-
o/w vintage 2007 and 2008	0	0.0%	-
o/w ind. LTV > 100%	0	0.0%	-
Probability of default (PD)		% outst.	
low risk (pd 1-4; 0.00%-0.80%)	2 600	44.3%	
medium risk (pd 5-7; 0.80%-6.40%)	2 206	37.6%	
high risk (pd 8-9; 6.40%-100.00%)	511	8.7%	
impaired loans (pd 10 - 12)	503	8.6%	
unrated	48	0.8%	
Overall risk indicators (2)		spec. Imp.	% cover
outstanding impaired loans	503	323	64.3%
o/w pd 10 impaired loans	148	36	24.5%
o/w more than 90 days past due (pd 11+12)	355	287	80.9%
all impairments (specific + portfolio based)	339		
o/w portfolio based impairments	15		
o/w specific impairments	323		
2014 Credit cost ratio (CCR)	1.17%		
YTD 2015 CCR	-0.44%		

Remarks

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

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

(2) individual CCR in local currency

Solvency

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

Solvency KBC Group

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

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

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

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

As at the end of March 2015 , KBC's fully loaded common equity ratio (including latent gains on available-for-sale securities) under Basel III (CRDIV/CRR) stood at 14.9% which represents a capital buffer of 4.1 billion euros relative to the targeted 10.5%. At the same time, the fully loaded common equity ratio (under FICOD) was 15.4% , which represented a capital buffer of 4.7 billion euros relative to the targeted 10.5%.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 82% of the weighted credit risks, of which approx. 71% according to Advanced and approx. 11% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 18%) are calculated according to the Standardised approach. The latter, under the Danish Compromise, includes the 370% risk-weighted holdings of own funds instruments of the insurance company.

In millions of EUR		31-12-2014		31-03-2015
Danish compromise	**Fully loaded**	**Phased-in**	**Fully loaded**	**Phased-in**
Total regulatory capital, KBC Group (after profit appropriation)	16 688	16 723	17 648	17 480
Tier-1 capital	14 476	14 136	15 149	14 669
Common equity	13 076	12 684	13 749	13 216
Parent shareholders' equity (after deconsolidating KBC Insurance)	12 592	12 592	12 991	12 991
Non-voting core capital securities	2 000	2 000	2 000	2 000
Intangible fixed assets (incl deferred tax impact) (-)	- 334	- 334	- 332	- 332
Goodwill on consolidation (incl deferred tax impact) (-)	- 769	- 769	- 800	- 800
Minority interests	- 3	- 3	- 3	- 3
AFS revaluation reserve shares (-)		- 116		0
AFS revaluation reserve sovereign bonds (-)		- 613		- 806
AFS revaluation reserve other bonds(-)		50		66
AFS revaluation reserve other (-)		0		0
Hedging reserve (cash flow hedges) (-)	1 391	1 391	1 659	1 659
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 21	- 21	- 15	- 15
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 43	- 89	- 45
Equalization reserve (-)				
Dividend payout (-)	- 836	- 836	- 836	- 836
Renumeration of government securities (-)	- 171	- 171	- 171	- 171
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 159	- 159	- 159	- 159
IRB provision shortfall (-)	- 225	- 225	- 221	- 221
Deferred tax assets on losses carried forward (-)	- 297	- 59	- 273	- 109
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 400	1 452	1 400	1 453
Grandfathered innovative hybrid tier-1 instruments	0	52	0	53
Grandfathered non-innovative hybrid tier-1 instruments	0	0	0	0
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 212	2 587	2 500	2 810
IRB provision excess (+)	375	357	388	376
Subordinated liabilities	1 837	2 230	2 111	2 434
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Capital requirement				
Total weighted risk volume	91 236	88 382	92 038	89 924
Banking	80 232	77 379	82 889	80 775
Insurance[1]	10 897	10 897	9 047	9 047
Holding activities	191	191	151	151
Elimination of intercompany transactions	- 85	- 85	- 49	- 49
Solvency ratios				
Common equity ratio	14.33%	14.35%	14.94%	14.70%
Tier-1 ratio	15.87%	15.99%	16.46%	16.31%
CAD ratio	18.29%	18.92%	19.17%	19.44%
Capital buffer				
Common equity capital	13 076		13 749	
Required pillar 2 capital (10.5%)	9 580		9 664	
Capital buffer vs pillar 2 target	3 497		4 085	

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

In millions of EUR

FICOD - Fully loaded	31-12-2014	31-03-2015
Common Equity	13 528	14 664
IFRS Parent shareholders equity KBC Group (consolidated)	13 125	13 928
+ Yield Enhanced Securities (YES)	2 000	2 000
- Dividend, coupon YES, coupon AT1	-1 008	-1 008
+ Eligible own funds elements CRR/CRD IV (banking)	-508	-234
+ Eligible own funds elements Solvency I (Insurance)	-80	-22
Total weighted risk volume	92 596	95 155
Banking	80 232	82 889
Insurance	12 257	12 165
Holding activities	191	151
Elimination of intercompany transactions	-85	-49
Solvency ratio		
Common equity ratio	14.61%	15.41%
Capital buffer		
Buffer vs. 10.5% CET1	3 806	4 673

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

Overview of KBC Group's capital ratios - In millions of EUR - 31-03-2015

		numerator (common equity)	denominator (Total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	13 216	89 924	14.70%
	Fully loaded	13 749	92 038	14.94%
Deduction Method	-	12 678	86 428	14.67%
Financial Conglomerates Directive*				
	Fully loaded	14 664	95 155	15.41%

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

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel III (CRD IV/CRR) for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance as at 31-12-2014 can be found in their annual accountss and in the KBC Risk Report on www.kbc.com.

Solvency, KBC Bank consolidated (in millions of EUR) - Fully loaded	**31-12-2014**	**31-03-2015**
Total regulatory capital, after profit appropriation	14 154	15 296
Tier-1 capital	11 132	11 430
Of which common equity	9 727	10 024
Tier-2 capital	3 021	3 866
Total weighted risks	80 232	82 889
Credit risk	67 197	69 474
Market risk	2 424	2 804
Operational risk	10 611	10 611
Solvency ratios		
Common equity ratio	12.1%	12.1%
Tier-1 ratio	13.9%	13.8%
CAD ratio	17.6%	18.5%
Solvency, KBC Insurance consolidated (in millions of EUR)	**31-12-2014**	**31-03-2015**
Available capital	3 166	3 251
Required solvency margin	981	973
Solvency ratio and surplus		
Solvency ratio (%)	323%	334%
Solvency surplus (in millions of EUR)	2 185	2 278