

4Q2014

KBC Group
Extended
Quarterly
Report



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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

Cost/income ratio (banking): $[\text{operating expenses of the banking activities of the group}] / [\text{total income of the banking activities of the group}]$.

Cover ratio: $[\text{specific loan loss impairment}] / [\text{impaired loans}]$. 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: $[\text{net changes in individual and portfolio-based impairment for credit risks}] / [\text{average outstanding loan portfolio}]$. Note that, *inter alia*, government bonds are not included in this formula.

Basic earnings per share: $[\text{result after tax, attributable to equity holders of the parent}] / [\text{average number of ordinary shares, less treasury shares}]$. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty on the core-capital securities has to be paid, it will likewise be deducted.

Diluted earnings per share: $[\text{result after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds}] / [\text{average number of ordinary shares, less treasury shares, plus non-mandatorily convertible bonds}]$. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty on the core-capital securities has to be paid, it will likewise be deducted.

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

Net interest margin of the group: $[\text{net interest income of the banking activities}] / [\text{average interest-bearing assets of the banking activities}]$. 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): $[\text{available amount of stable funding}] / [\text{required amount of stable funding}]$.

Impaired loans ratio: $[\text{impaired loans}] / [\text{total outstanding loan portfolio}]$. 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.

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

Return on allocated capital (ROAC) for a particular business unit: $[\text{result after tax, including minority interests, of a business unit}] / [\text{average capital allocated to the business unit}]$. 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: $[\text{result after tax, attributable to equity holders of the parent}] / [\text{average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets}]$. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments and the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*).

Solvency ratio, insurance: $[\text{consolidated available capital of KBC Insurance}] / [\text{minimum required solvency margin of KBC Insurance}]$.

Investor Relations contact details



Investor.relations@kbc.com – www.kbc.com/ir – m.kbc.com

KBC Group NV, Investor Relations Office, Havenlaan 2, BE 1080 Brussels, Belgium

Visit www.kbc.com

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KBC Group Report for 4Q2014 and FY2014



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

Summary: Last quarter continues profitable trend. 2014 profit at 1.8 billion euros.

KBC ended 2014 with a net profit of 1 762 million euros, compared with 1 015 million euros in 2013.

In the last quarter of 2014, KBC posted a net profit of 457 million euros, compared with 591 million euros in the previous quarter and -294 million euros in the last quarter of 2013.

After excluding the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk, adjusted net profit came to 477 million euros for the last quarter of 2014, unchanged on its level for the third quarter of 2014 and well up on the -340 million euros recorded in the fourth quarter of 2013. For full-year 2014, adjusted net profit amounted to 1 629 million euros, compared with 960 million euros in 2013.

Johan Thijs, Group CEO:



'The final months of 2014 were characterised by a continued low interest rate environment and modest economic growth, with slightly lower unemployment rates being observed against a background of low inflation. In this context, KBC posted a strong net result of 457 million euros for the last quarter of 2014, which translates into 477 million euros on an adjusted-profit basis. On a comparable basis, net interest income increased, with the net interest margin edging up and loan volumes and client deposits growing further in the majority of our core markets. Just like the previous quarter, we earned higher fees and commissions particularly in the asset management activities. The combined ratio for our non-life insurance activities remained robust and sales of life insurance products were comparable to their level in the third quarter. Our total income was affected much less by negative marked-to-market changes in the value of derivatives used for asset/liability management purposes. The cost/income ratio adjusted for specific items continued to be strong, illustrating the validity of our business model. Loan loss impairment charges were moderate, although they were up somewhat on the previous quarter's level.

In the fourth quarter, the Belgium Business Unit generated a net result of 399 million euros, somewhat above the average figure of 374 million euros for the four preceding quarters. Compared with the previous quarter, the quarter was characterised by strong net interest income and net fee and commission income, seasonally higher gross non-life technical charges, increased sales of guaranteed-interest life insurance products, and a reduced – but still negative – impact of ALM derivative valuations. Gains on the sale of financial assets were down, whereas other net income was up, as were costs and impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.

In the quarter under review, the Czech Republic Business Unit posted a net result of 121 million euros, somewhat below the 132-million-euro average for the four preceding quarters. Compared with the previous quarter, the results for this quarter featured flat net interest income, slightly higher net fee and commission income, lower net results from financial instruments, higher non-life premiums, a higher level of other income, a solid non-life combined ratio, but a drop in sales of unit-linked life insurance products. Costs increased and loan loss impairment charges edged up, but were still at a moderate level. Banking activities accounted for 93% of the net result in the quarter under review, and insurance activities for 7%.

In the last quarter of 2014, the International Markets Business Unit recorded a slightly negative net result of -7 million euros, a vast improvement on the negative 227-million-euro average for the four preceding quarters, which had been significantly affected by the additional loan loss provisions for Ireland in the fourth quarter of 2013 and by the impact of the new retail loans act in Hungary in the second quarter of 2014. Compared to the previous quarter, the quarter was characterised by lower net interest income and stable net fee and commission income, a lower result from financial instruments at fair value, a reduction in realised gains on bonds and shares and a decline in other income. There was also a sharp improvement in the non-life combined ratio and an increase in life insurance sales. Costs in this quarter were up, and loan loss provisions slightly down. Overall, the banking activities accounted for a net result of -12 million euros, with positive results in Slovakia, Hungary and Bulgaria, but negative in Ireland, while the insurance activities accounted for a net result of 5 million euros.

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

Our capital position also continues to be very robust, as illustrated by a common equity ratio of 14.3% (Basel III fully loaded under the Danish compromise), well above our target of 10.5%. We further optimised the capital structure of the group when KBC Insurance bought back 203 million euros' worth of its shares from KBC Group before year-end 2014 and also through the replacement of shareholder capital by an intra-group tier-2 loan in the amount of 500 million euros, which KBC Group will subscribe to in the first quarter of 2015. As a result of the proposed transactions, the common equity ratio of the group will improve further whilst the solvency of KBC Insurance will remain exceptionally solid.

For 2014 as a whole, KBC generated a profit of 1 762 million euros. On an adjusted basis, this figure stood at 1 629 million euros. When account is taken of the repayment penalty of 167 million euros paid to the Flemish Regional Government at the beginning of January 2014, and the coupon of 212 million euros to be paid on the core capital securities sold to the Flemish Regional Government and the additional tier-1 instruments, our adjusted earnings per share come to 3.00 euros, while reported earnings per share amount to 3.32 euros. Given our strong solvency position – as reflected in our common equity ratio of 14.3% – we will propose to the Annual General Meeting of Shareholders that a dividend of 2.00 euros per share be paid this year.

We also intend not to pay a dividend in respect of 2015, which means that no coupon will be paid to the Flemish Regional Government either. Taking all factors into account, the return that the Flemish Region will receive on the core capital securities will still be higher than 10% per year. As of 2016, the target for the dividend pay-out ratio is at least 50%, including the coupon paid on the core capital securities and the additional tier-1 instruments.

All this will help KBC realise its ambition of being among the best-performing, retail-focused financial institutions in Europe and becoming the reference in bank-insurance in its core markets. The results for 2014 reaffirm our strong belief in our core business of bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. Our goal is to ensure that our clients, shareholders and other stakeholders benefit from our activities, something which all our employees are committed to working towards. We are truly grateful for the trust that continues to be placed in the company and its employees.'

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

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

- CDOs: During the fourth quarter, there was only a minimal impact on the income statement, due to the fact that KBC had collapsed the last two CDOs in its portfolio in the previous quarter. The total impact of this item on KBC's final-quarter income statement amounted to -7 million euros (post tax).
- Remaining divestments: A total post-tax impact of -15 million euros was recorded for this quarter, based mainly on impairment recorded on a credit file in the legacy portfolio at Antwerp Diamond Bank.
- Impact of own credit risk valuation: A slightly positive marked-to-market adjustment of 1 million euros (post tax) was recorded.

Financial highlights for 4Q2014 compared with 3Q2014 (on a comparable basis):

- High net result.
- Slightly higher net interest income.
- Net interest margin widens from 2.15% to 2.16%.
- Strong loan and deposit growth in Belgium, the Czech Republic, Slovakia and Bulgaria.
- Excellent non-life combined ratio of 94% for the full year.
- Flat life insurance sales.
- Net fee and commission income up by 2%.
- Cost/income ratio of 57% year-to-date and 54% when adjusted for specific items (mainly the impact of marked-to-market valuations in respect of ALM derivatives, and the Hungarian act on FX retail loans in the previous quarter).
- Credit cost ratio at a modest 0.42% year-to-date.
- Consistently solid liquidity position, with an LCR at 120% and an NSFR at 110%.
- Solvency: strong capital base, with a Basel III common equity ratio (fully loaded) at 14.3%, well above the 10.5% target.

Overview KBC Group (consolidated)	4Q2013	3Q2014	4Q2014	FY2013	FY2014
Net result, IFRS (in millions of EUR)	-294	591	457	1 015	1 762
Basic earnings per share, IFRS (in EUR) ¹	-0.71	1.28	0.96	1.03	3.32
Adjusted net result (in millions of EUR)	-340	477	477	960	1 629
Basic earnings per share, based on adjusted net result (in EUR) ¹	-0.82	1.00	1.01	0.90	3.00
Breakdown by business unit (in millions of EUR)					
Belgium	376	384	399	1 570	1 516
Czech Republic	119	130	121	554	528
International Markets	-731	27	-7	-853	-182
Group Centre	-104	-64	-35	-311	-234
Parent shareholders' equity per share (in EUR, end of period)	28.3	30.8	31.4	28.3	31.4

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

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.

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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	FY 2013	FY 2014
Net interest income	1 053	1 003	1 014	1 008	1 010	1 056	1 120	1 123	4 077	4 308
Interest income	2 161	2 079	2 037	2 067	1 930	1 971	2 010	1 982	8 343	7 893
Interest expense	-1 108	-1 076	-1 023	-1 060	-920	-915	-890	-860	-4 266	-3 586
Non-life insurance (before reinsurance)	149	115	145	127	149	102	139	123	536	512
<i>Earned premiums</i>	305	316	321	317	307	315	321	322	1 259	1 266
<i>Technical charges</i>	-156	-201	-176	-190	-158	-214	-183	-200	-723	-754
Life insurance (before reinsurance)	-59	-62	-63	-57	-59	-56	-57	-45	-242	-216
<i>Earned premiums</i>	271	241	238	381	308	297	299	343	1 132	1 247
<i>Technical charges</i>	-331	-303	-302	-438	-367	-353	-355	-388	-1 373	-1 463
Ceded reinsurance result	-12	13	1	-6	-17	19	4	10	-5	16
Dividend income	5	20	14	8	14	24	9	9	47	56
Net result from financial instruments at fair value through profit or loss	314	425	223	229	40	44	34	109	1 191	227
Net realised result from available-for-sale assets	142	47	34	29	51	49	28	22	252	150
Net fee and commission income	389	381	337	362	374	387	402	410	1 469	1 573
Fee and commission income	636	560	507	564	557	533	579	577	2 268	2 245
Fee and commission expense	-247	-179	-170	-202	-182	-147	-177	-167	-798	-672
Other net income	76	-20	51	15	52	-99	73	68	122	94
Total income	2 058	1 921	1 754	1 715	1 615	1 526	1 752	1 827	7 448	6 720
Operating expenses	-1 033	-924	-918	-968	-973	-933	-923	-989	-3 843	-3 818
Impairment	-350	-275	-362	-940	-114	-142	-58	-193	-1 927	-506
on loans and receivables	-293	-254	-230	-937	-102	-136	-190	-158	-1 714	-587
on available-for-sale assets	-13	-3	-8	-10	-5	-3	-6	-14	-34	-29
on goodwill	-7	0	0	0	0	0	0	0	-7	0
other	-37	-18	-125	7	-6	-3	139	-21	-173	109
Share in results of associated companies and joint ventures	8	8	9	6	7	7	6	6	30	25
Result before tax	683	729	483	-187	535	457	777	651	1 708	2 420
Income tax expense	-159	-210	-207	-103	-138	-140	-186	-194	-678	-657
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
Result after tax	524	520	276	-290	397	317	591	457	1 029	1 763
attributable to minority interests	4	3	4	4	0	0	0	0	14	0
attributable to equity holders of the parent	520	517	272	-294	397	317	591	457	1 015	1 762
Basic earnings per share (EUR)	1.25	1.24	-0.75	-0.71	0.45	0.63	1.28	0.96	1.03	3.32
Diluted earnings per share (EUR)	1.25	1.24	-0.75	-0.71	0.45	0.63	1.28	0.96	1.03	3.32

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

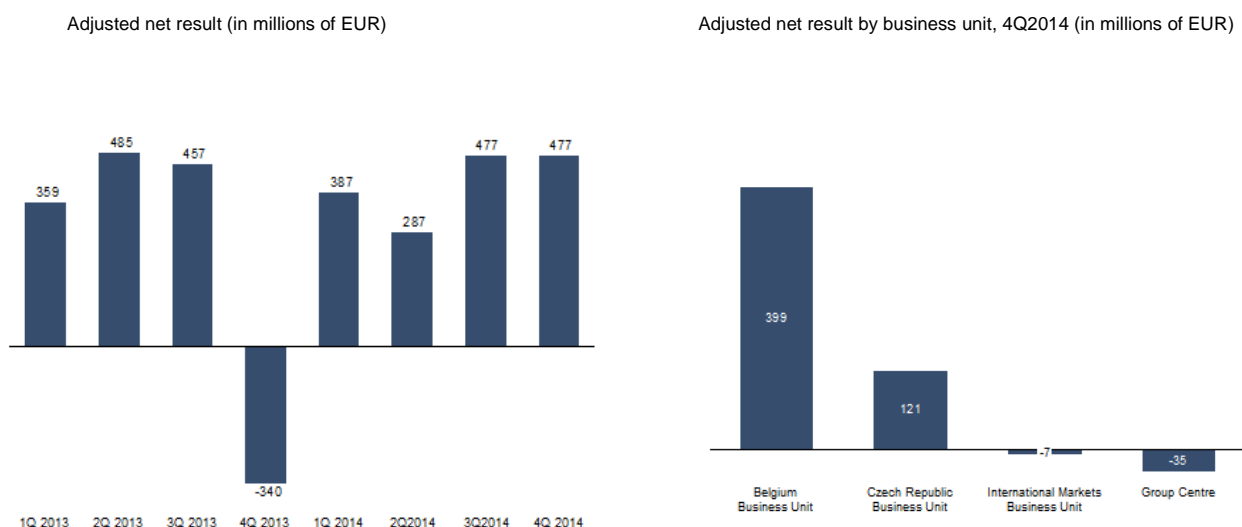
Overview of adjusted results

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

Consolidated income statement, KBC Group (in millions of EUR)	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	FY 2013	FY 2014
Adjusted net result (i.e. excluding legacy business and own credit risk)										
Net interest income	1 018	976	999	996	1 002	1 047	1 109	1 110	3 990	4 268
Non-life insurance (before reinsurance)	149	115	145	127	149	102	139	123	536	512
<i>Earned premiums</i>	305	316	321	317	307	315	321	322	1 259	1 266
<i>Technical charges</i>	-156	-201	-176	-190	-158	-214	-183	-200	-723	-754
Life insurance (before reinsurance)	-59	-62	-63	-57	-59	-56	-57	-45	-242	-216
<i>Earned premiums</i>	271	241	238	381	308	297	299	343	1 132	1 247
<i>Technical charges</i>	-331	-303	-302	-438	-367	-353	-355	-388	-1 373	-1 463
Ceded reinsurance result	-12	13	1	-6	-17	19	4	10	-5	16
Dividend income	4	19	11	7	11	22	6	7	41	47
Net result from financial instruments at fair value through profit or loss	218	256	146	159	17	37	49	130	779	233
Net realised result from available-for-sale assets	96	46	42	29	50	49	27	18	213	144
Net fee and commission income	382	385	341	365	378	389	404	410	1 473	1 580
Other net income	76	68	151	47	52	-124	64	70	343	62
Total income	1 872	1 815	1 773	1 668	1 584	1 485	1 746	1 832	7 127	6 647
Operating expenses	-1 023	-914	-906	-955	-965	-926	-898	-986	-3 798	-3 775
Impairment	-333	-234	-208	-949	-107	-134	-183	-191	-1 723	-615
on loans and receivables	-293	-215	-185	-939	-103	-130	-165	-156	-1 632	-554
on available-for-sale assets	-13	-3	-2	-3	-5	-3	-6	-14	-20	-29
on goodwill	-7	0	0	0	0	0	0	0	-7	0
other	-20	-15	-22	-7	0	0	-12	-21	-64	-33
Share in results of associated companies and joint ventures	8	8	9	6	7	7	6	6	30	25
Result before tax	524	675	667	-230	518	431	671	661	1 636	2 281
Income tax expense	-161	-187	-206	-106	-131	-144	-194	-183	-662	-652
Result after tax	363	487	460	-336	387	288	477	477	974	1 629
attributable to minority interests	4	3	4	4	0	0	0	0	14	0
attributable to equity holders of the parent	359	485	457	-340	387	287	477	477	960	1 629
Belgium	385	418	391	376	351	383	384	399	1 570	1 516
Czech Republic	132	146	157	119	138	140	130	121	554	528
International Markets	-87	-23	-12	-731	-26	-176	27	-7	-853	-182
Group Centre	-71	-56	-79	-104	-75	-59	-64	-35	-311	-234
Basic earnings per share (EUR)	0.86	1.16	-0.30	-0.82	0.42	0.56	1.00	1.01	0.90	3.00
Diluted earnings per share (EUR)	0.86	1.16	-0.30	-0.82	0.42	0.56	1.00	1.01	0.90	3.00
Legacy business and own credit risk impact (after tax)										
Legacy – gains/losses on CDOs	165	180	34	65	16	30	-24	-7	446	16
Legacy – divestments	22	-128	-231	-10	-9	8	132	-15	-348	116
MTM of own credit risk	-26	-20	12	-9	2	-8	6	1	-43	2
Net result (IFRS)										
Result after tax, attributable to equity holders of the parent (IFRS)	520	517	272	-294	397	317	591	457	1 015	1 762

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

Analysis of the quarter under review (4Q2014)



The net result for the quarter under review amounted to 457 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result came to 477 million euros, exactly the same as the figure recorded in 3Q2014 and well up on the -340 million euros in 4Q2013.

Total income (adjusted net result)

- The quarter-on-quarter performance was affected in part by the deconsolidation of KBC Bank Deutschland. The year-on-year performance was also partly affected by the deconsolidation of Absolut Bank 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 1 110 million euros, flat quarter-on-quarter and up 11% year-on-year. On a comparable basis, this item was up 1% quarter-on-quarter and 14% year-on-year. The net interest margin came to 2.16% for the quarter under review, 1 basis point higher than the level of the previous quarter, and 24 basis points higher than the (recalculated) level of the year-earlier quarter. The increase was driven primarily by higher upfront refinancing fees on mortgage loans in Belgium, mitigated by lower revenues on previously refinanced mortgages in Belgium and on lending in Hungary. Deposit volumes were up 2% quarter-on-quarter and 3% year-on-year. Loan volumes increased by 1% quarter-on-quarter and 3% year-on-year. The loan book in the Belgium Business Unit grew by 1% quarter-on-quarter and by 4% year-on-year. Deposits in the Belgium Business Unit grew by 2% quarter-on-quarter and by 9% year-on-year. The loan book in the Czech Republic increased by 5% year-on-year and 3% quarter-on-quarter, while deposits rose by 8% year-on-year and 4% quarter-on-quarter. The loan portfolio in the International Markets Business Unit declined by 1% year-on-year, owing to the contraction in the Irish loan portfolio offsetting strong growth in Hungary, Bulgaria and Slovakia, and was almost flat quarter-on-quarter. Its deposit base grew by 5% year-on-year (driven primarily 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 turned in the following performance during the quarter under review. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 88 million euros, up 2% quarter-on-quarter and 38% year-on-year.

In the non-life segment, earned premiums were flat quarter-on-quarter and up 2% year-on-year. Claims during the fourth quarter were up 9% compared to their quarter-earlier level and up 5% on their level in the fourth quarter of 2013. The quarter-on-quarter increase was driven by higher claims in Belgium, but was somewhat mitigated by the lower level of claims in Bulgaria, which had to contend with a series of natural disasters in the previous quarter. Nevertheless, the combined ratio came to a solid 94% for the full year.

In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were rather flat on their level in 3Q2014, with a significant increase in interest-guaranteed products offsetting the decrease in unit-linked life products. Year-on-year, they were up by 3%.

It should be noted that, during the last quarter, investment income derived from insurance activities was down 6% on its level of the previous quarter, and down 11% on the year-earlier quarter. Both the quarter-on-quarter and year-on-year change was driven by lower net interest income and a number of impairment charges. Lastly, the technical-financial result

also benefited from general administrative expenses being kept strictly under control, although they were 7% higher than the previous quarter, due to end-of-year marketing campaigns.

- The net result from financial instruments at fair value amounted to 130 million euros in the quarter under review, well above the 66-million-euro average for the four preceding quarters. The increase in this item was accounted for by lower negative marked-to-market valuations in respect of derivative instruments used for asset/liability management purposes, as well as a positive CVA (due mainly to model changes). The valuations in respect of the ALM derivative instruments came to -7 million euros in the last quarter (compared to a quarterly average of +70 million euros in 2013 and -46 million euros in the third quarter). Dealing room income, which also drives this item, stood at a modest level in 4Q2014.
- Net realised gains from available-for-sale assets stood at 18 million euros for the quarter under review, down on the 39-million-euro average for the four preceding quarters and lower than the previous quarter. These gains were realised primarily on the sale of shares and to a much lesser extent bonds.
- Net fee and commission income amounted to 410 million euros, up 1% quarter-on-quarter and 12% year-on-year. On a comparable basis, this item was up 2% quarter-on-quarter and 12% year-on-year. The main driver for the quarter-on-quarter change was the higher level of management fees for mutual funds, together with higher fees on credit files (mortgages in Belgium). Assets under management stood at 186 billion euros, up 3% on their level of the previous quarter (accounted for by the investment performance (+1%) and net entries (+2%)) and up 14% year-on-year, driven by the investment performance (+8%) and by net inflows (+6%).
- Other net income came to 70 million euros, substantially higher than the 10-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).

Operating expenses (adjusted net result)

- Operating expenses came to 986 million euros in 4Q2014, up 10% on their level in the previous quarter and 3% year-on-year. On a comparable basis, this item was up 11% quarter-on-quarter and 4% year-on-year. The quarter-on-quarter increase was primarily attributable to end-of-year effects, like higher marketing costs and ICT expenses, as well as to higher staff expenses arising from Belgian government measures (higher age of retirement for employees) and increased valuations for staff invalidity plans, and certain one-off expenses in Hungary. The year-on-year increase was chiefly attributable to higher staff expenses, due to Belgian government measures, additional hiring and increased valuations for staff invalidity plans, along with a number of one-off expenses in Hungary.
- The year-to-date cost/income ratio came to a relatively high 57%, but this was largely caused by the fact that the denominator (total income) suffered from the negative marked-to-market valuations of ALM derivatives and the impact of the new Hungarian act on retail loans. Adjusted for specific items (*inter alia* the bank tax, ALM derivatives and Hungarian act), the cost/income ratio stood at 54%.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 156 million euros in 4Q2014, down on the 165 million euros recorded in the previous quarter and lower than the 939 million euros recorded a year earlier. On a comparable basis, loan loss impairment stood at 159 million euros in the previous quarter. The main factors behind the almost flat quarter-on-quarter trend were an increase of 9 million euros in the Belgium Business Unit and a decrease of 13 million euros in the Group Centre. The annualised credit cost ratio for the whole group stood at 0.42%. This breaks down into 0.23% for the Belgium Business Unit (down from 0.37% for FY2013), a low 0.18% in the Czech Republic Business Unit (down from 0.26% for FY2013), and 1.06% for the International Markets Business Unit (an improvement from 4.48% for FY2013, which had clearly been impacted by the large loan loss impairment charges in Ireland in 4Q2013).
- Impairment charges on assets other than loans were limited in the quarter under review, amounting to 35 million euros and relating to available-for-sale assets (14 million euros) and to property and intangible assets (21 million euros, mainly impairment on software assets in Belgium and Ireland).

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

- CDOs: During the fourth quarter, there was only a minimal impact on the income statement, due to the fact that KBC had collapsed the last two CDOs in its portfolio in the previous quarter. The total impact of this item on KBC's final-quarter income statement amounted to -7 million euros (post tax).
- Remaining divestments: A total post-tax impact of -15 million euros was recorded for this quarter, based mainly on impairment recorded on a credit file in the legacy portfolio at Antwerp Diamond Bank.
- Impact of own credit risk valuation: A slightly positive marked-to-market adjustment of 1 million euros (post tax) was recorded.

Breakdown by business unit

- In 4Q2014, the Belgium Business Unit generated a net result of 399 million euros, somewhat above the average figure of 374 million euros for the four preceding quarters. Compared with the previous quarter, 4Q2014 was characterised by strong net interest income and net fee and commission income, seasonally higher gross non-life technical charges, increased sales of guaranteed-interest life insurance products, and a reduced – but still negative – impact of ALM derivative valuations. Gains on the sale of financial assets were down, whereas other net income was up, as were costs and impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.
- In the quarter under review, the Czech Republic Business Unit posted a net result of 121 million euros, somewhat below the 132-million-euro average for the four preceding quarters. Compared with the previous quarter, the results for 4Q2014 featured (on a comparable basis) flat net interest income, slightly higher net fee and commission income, lower net results from financial instruments, a higher level of other income, higher non-life premiums, a solid non-life combined ratio, but decreased sales of unit-linked life insurance products. Costs increased and loan loss impairment charges edged up (still at a moderate level). Banking activities accounted for 93% of the net result in the quarter under review, and insurance activities for 7%.
- In the last quarter of 2014, the International Markets Business Unit recorded a slightly negative net result of -7 million euros, a vast improvement on the negative 227-million-euro average for the four preceding quarters (which had been significantly affected by the additional loan loss provisions for Ireland in 4Q2013 and by the impact of the new retail loans act in Hungary in 2Q2014). Compared to the previous quarter, 4Q2014 was characterised by lower net interest income and stable net fee and commission income, a lower result from financial instruments at fair value, a reduction in realised gains on bonds and shares and a drop in the level of other income. There was also a sharp improvement in the non-life combined ratio and an increase in life insurance sales. Costs in 4Q2014 were up, and loan loss provisions slightly down. Overall, the banking activities accounted for a net result of -12 million euros (positive results in Slovakia, Hungary and Bulgaria, but negative in Ireland), while the insurance activities accounted for a net result of 5 million euros.
- The Group Centre's net result amounted to -55 million euros in 4Q2014. As stated earlier, this entity includes not only a number of group items and the results of companies earmarked for divestment, but also the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk. Excluding the legacy business and own credit risk impact, the adjusted net result amounted to -35 million euros in 4Q2014.

Analysis of the year-to-date period under review (FY2014)

The net result for FY2014 amounted to 1 762 million euros. Excluding the legacy business and the impact of own credit risk, the adjusted net result amounted to 1 629 million euros, compared with 960 million euros in FY2013.

Total income (adjusted net result)

- The year-on-year performance was affected in part by the deconsolidation of Absolut Bank, KBC Bank Deutschland and by some 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 4 268 million euros, up 7% year-on-year. On a comparable basis, it was up 9% year-on-year. Commercial margins remained healthy, interest rates on savings accounts were reduced, loan and deposit volumes grew, wholesale funding costs fell considerably both on participations and on subordinated debt, and bond positions were increased. The net interest margin came to 2.08% for the full year, 18 basis points higher than the (recalculated) level of a year earlier. In the Belgium Business Unit, the loan book grew by 4% year-on-year and the deposit base by 9%. The loan book in the Czech Republic increased by 5% year-on-year, while deposits rose by 8%. The loan portfolio in the International Markets Business Unit declined by 1% year-on-year (due to Ireland), but the deposit base grew by 5% (driven by Ireland and Bulgaria).

- The life and non-life insurance businesses turned in the following performance during 2014. Gross earned premiums less gross technical charges and the ceded reinsurance result totalled 312 million euros, up 8% year-on-year.

Premiums in the non-life segment were up by 1% year-on-year. The claims arising from the hailstorms in Belgium pushed technical charges up 4% on their 2013 level, which in turn had been affected by claims relating to flooding in the Czech Republic. Nevertheless, the combined ratio still came to a solid 94% year-to-date.

In the life segment, sales of life insurance products (including unit-linked products not included in premium income figures) were up 3% on their level in 2013. The increase in sales of guaranteed-interest products exceeded the contraction in sales of unit-linked products.

It should be noted that the insurance results also benefited from good investment income, although it was 1% lower than in 2013. This was driven by the higher net realised result from the sale of available-for-sale assets, lower impairment charges and higher dividend income, all of which mitigated the lower level of net interest income and the net result from financial instruments at fair value. General administrative expenses were kept strictly under control and fell by 4% year-on-year.

- The net result from financial instruments at fair value amounted to 233 million euros in 2014, compared with 779 million euros for the previous year. The year was influenced primarily by a negative 201 million euros for marked-to-market valuations in respect of the derivative instruments used for asset/liability management purposes, compared to a positive 279 million euros for 2013.
- Net realised gains from available-for-sale assets stood at 144 million euros for the period under review, compared with 213 million euros for the previous year. Some 40% of the gains were realised on the sale of bonds and 60% on the sale of shares.
- Net fee and commission income amounted to 1 580 million euros, up 7% year-on-year, and 8% on a comparable basis. Assets under management stood at 186 billion euros, up 14% year-on-year, driven by the investment performance (+8%) and by net inflows (+6%).
- Other net income came to 62 million euros as opposed to 343 million euros in the year-earlier period. This item was strongly affected by provisioning in 2Q2014 for the new Hungarian act on retail loans: 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' (-231 million euros).

Operating expenses (adjusted net result)

- Operating expenses came to 3 775 million euros in 2014, down 1% on their year-earlier level. On a comparable basis, costs were flat, with the higher bank tax in Belgium, higher staff expenses and general administrative expenses in Ireland being offset by lower operating expenses at the Group Centre and the positive foreign exchange impact of the Czech koruna and the Hungarian forint. The year-to-date cost/income ratio came to a relatively high 57%, but resulted primarily from the fact that the denominator (total income) suffered from negative marked-to-market valuations of ALM derivatives and the impact of the new act on retail loans in Hungary. Adjusted for specific items, the cost/income ratio stood at 54%.

Impairment charges (adjusted net result)

- Loan loss impairment stood at 554 million euros in 2014, well down on the 1 632 million euros recorded a year earlier mainly on account of Ireland (where large additional impairment charges were booked at the end of 2013). The annualised credit cost ratio stood at 0.42% year-to-date. This breaks down into 0.23% for the Belgian Business Unit (down from 0.37% for FY2013), 0.18% in Czech Republic Business Unit (compared with 0.26% for FY2013) and 1.06% for the International Markets Business Unit (down from 4.48% for FY2013).
- Other impairment charges came to 62 million euros and were related to impairment on available-for-sale assets and other items.

Income tax

- Income tax amounted to 652 million euros for 2014 as a whole.

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

- CDOs: During 2014, KBC collapsed the remaining CDOs in its portfolio. When account is taken of the termination of both the CDO guarantee scheme with the Belgian Federal Government and insurance from MBIA (a US monoline insurer), the narrowing of corporate and ABS credit spreads, the reduction in the net exposure to legacy CDO positions, along with the termination costs, the total impact on KBC's income statement for 2014 came to a positive 16 million euros (post tax).
- Remaining divestments: A total post-tax impact of +116 million euros was recorded for 2014, mainly because of a reversal of the impairment recorded on the participation in Antwerp Diamond Bank in 2012 and 2013.
- Impact of own credit risk valuation: 2014 was an uneventful year due to the combined impact of maturing senior bonds and the narrowing of subordinated spreads on this item.

Equity and solvency

- At the end of 2014, total equity came to 16.5 billion euros – up 2.0 billion euros on its level at the start of the year – due mainly to the inclusion of the additional tier-1 instrument (+1.4 billion euros) issued in March and to the 2014 results (+1.8 billion euros). Other factors impacting total equity in 2014 were the repayment of 0.5 billion euros (including the 50% penalty) in Flemish state aid, the calling for redemption of Funding Trust securities (-0.4 billion euros in minority interests), the AFS revaluation reserve (+0.7 billion euros) and the cash flow hedges (-0.9 billion euros).
- At 31 December 2014, 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 14.3%.
- The solvency ratio for KBC Insurance was an excellent 323% at 31 December 2014, up from the already high 281% at the end of 2013.

Liquidity

- The group's liquidity remains excellent, as reflected in an LCR ratio of 120% and an NSFR ratio of 110% at the end of 2014.

Selected balance sheet data

Highlights of consolidated balance sheet * KBC Group (in millions of EUR)	31-03- 2013	30-06- 2013	30-09- 2013	31-12- 2013	31-03- 2014	30-06- 2014	30-09- 2014	31-12- 2014
Total assets	255 753	250 557	247 530	238 686	246 179	252 768	251 612	245 174
Loans and advances to customers	127 112	129 179	125 795	120 371	120 810	124 661	125 898	124 551
Securities (equity and debt instruments)	64 777	65 435	63 854	64 904	66 313	68 380	69 530	70 359
Deposits from customers and debt certificates	164 766	164 213	166 223	161 135	163 838	166 407	166 843	161 783
Technical provisions, before reinsurance	18 836	18 805	18 803	18 701	18 941	19 007	19 065	18 934
Liabilities under investment contracts, insurance	11 664	11 606	11 684	11 787	11 976	12 322	12 540	12 553
Parent shareholders' equity	12 505	12 119	11 895	11 826	11 968	12 318	12 840	13 125
Non-voting core-capital securities	3 500	3 500	2 333	2 333	2 000	2 000	2 000	2 000

* Note that the 2013 reference figures have been adjusted slightly following the application of the new IFRS 11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method. For KBC, this applies to ČMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect equity, but has an impact on various items in the consolidated balance sheet. Moreover, in accordance with IFRS 5, the assets and liabilities of a number of divestments have been reallocated to 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.

Selected ratios

Selected ratios KBC Group (consolidated)	FY2013	FY2014
Profitability and efficiency (based on adjusted net result)		
Return on equity*	9%	13%
Cost/income ratio, banking	52%	57%
Combined ratio, non-life insurance	94%	94%
Solvency		
Common equity ratio (Basel III, fully loaded, including remaining state aid)	12.8%	14.3%
Credit risk		
Credit cost ratio	1.21%	0.42%
Impaired loans ratio	10.2%	9.9%
for loans more than 90 days overdue	6.0%	5.5%

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

Note: a number of ratios have been affected (with retroactive application) by changes due to the implementation of IFRS11, Basel III and the abolished carve-out of the zero weighting of domestic government bonds.

Strategy and business highlights (4Q to date)

- KBC's core strategy remains focused on providing bank-insurance products and services to retail, SME and mid-cap clients in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria.
- In line with its strategic plan, the group has now completed the divestment programme. This also implies that KBC is no longer tied to the price leadership and acquisition bans, two behavioural measures that were included under the conditions the Commission imposed on KBC at the time.
- On 1 December 2014, the extension of the shareholders syndicate agreement officially entered into effect. In September 2014, Cera, KBC Ancora, MRBB and the Other Core Shareholders (collectively referred to as the 'core shareholders') had confirmed that they would extend their agreement to act in concert in relation to KBC Group NV for a further 10 years. By making this move, these shareholders ensure continued shareholder stability and support the further development of the KBC group. When account is also taken of the (limited) impact of the increased number of shares resulting from the annual capital increase reserved for staff in Belgium in 4Q14, the core shareholders now hold 40.35% of all KBC Group shares.
- 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 involve 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 to be subscribed by KBC Group NV in the first quarter of 2015. As a result of the proposed transactions, the solvency/CET1 ratio of KBC Group NV will improve, whilst the solvency of KBC Insurance NV will remain exceptionally solid (and its return on equity increase).

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

- 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. They can choose from 91 projects run by 77 NGOs.
- As part of K&H's 'underprivileged' programme in Hungary, a half-day teacher education conference was held on the methods and ideas for teaching finance in elementary schools. K&H plans to organise three more conferences of this kind in March 2015 during 'European Money Week'. 3.7 million forint was distributed for equipment within the K&H MediMagic tender. K&H also organised a sports equipment tender, with the jury selecting five winners in three disadvantaged micro-regions from among 60 applicants. In total, they received 2 million forint from the 'K&H go' fund offered by K&H FM.
- In 2014, KBC Bank Ireland helped communities shine by awarding funding to 28 innovative local projects across Ireland through the 'Bright Ideas' community support programme.
- 12 850 people participated in an online questionnaire in Belgium and the Czech Republic. Five stakeholder groups were asked to rank a number of topics and to evaluate KBC's performance with regard to these topics. Clients, employees, suppliers, politicians and KBC management participated in the questionnaire.
- In Belgium, the environmental targets – set for 2014 and linked to the non-recurrent variable wage – were achieved. The targets related to reducing average CO2 emissions in the KBC vehicle fleet, reducing business and commuter travel by privately-owned cars, cutting electricity consumption and reducing the use of paper.
- Bolero, the online broker of KBC Securities launched a crowdfunding platform to enable entrepreneurs and potential investors to connect with each other. Start-ups can launch an appeal for finance. Interested parties can support business growth by investing relatively low amounts.
- Following on the heels of Antwerp and Hasselt, Start it@KBC offices were opened at Leuven and Ghent. Thanks to this unique partnership between Accenture, Flanders DC, Cronos, iMinds, Mobile Vikings, a number of academic institutions and KBC, passionate entrepreneurs can make use of free accommodation and benefit from coaching, training and networking facilities. Start it @KBC already boasts 143 active start-ups.

- KBC participated in the placement of the Green Growth Bond issued by the International Bank for Reconstruction and Development (more commonly known as the World Bank). This bond supports projects that aim to limit the effects of climate change.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general. It is part of the business risk that the macroeconomic environment may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.
- During the fourth quarter of 2014, economic data pointed to robust global GDP growth, albeit with significant regional differences. The strength of growth was most visible in the US, where GDP in Q4 expanded by an annualised 2.6%, after increasing by 5% in Q3. Growth in other developed economies was weaker. Helped by lower energy prices, economic activity in the euro area avoided stagnating in Q3 (growing by an annualised 0.5%) and accelerated moderately in Q4. However, divergence in growth within the euro area remains a source of concern.
- One of the most striking global trends of recent months has been the sharp decline in headline inflation and inflation expectations. This trend had been going on for some time, but has significantly accelerated since the summer of 2014 following the collapse of commodity prices, particularly oil prices.
- The global downward shift of inflation expectations explains why the downtrend of global bond yields accelerated in Q4, with US yields falling even more than German yields. German yields were also put under downward pressure in anticipation of the new asset purchase programme announced by the ECB on 22 January 2015. From a purely European growth and inflation perspective there would be little reason to expect German yields to rise.
- Headline inflation in the euro area fell into negative territory (-0.2% year-on-year) in December, a trend that will continue in the coming months. However, this is not a deflation scenario. Core inflation, which excludes energy and food prices, even rose slightly in December, edging up from 0.7% to 0.8% after several months of stability. In the meantime, monetary policy divergence between the Fed and the ECB led to a notable depreciation of the euro against the US dollar in Q4, which we expect to continue in 2015.
- Against the background of an improving global economic environment, the main risks for the euro area in 2015 are political ones. The fundamental issue at stake is the political willingness to maintain the monetary union. Judging from the way in which intra-EMU sovereign spreads are moving, the financial markets do seem to be somewhat concerned about this risk, and it cannot be totally ruled out.

Additional information

- Our auditor has confirmed that his audit procedures of the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted in the European Union, are substantially completed and that these procedures have not revealed any material modification that would have to be made to the accounting information derived from the consolidated financial statements and included in this earnings statement.
- It will be proposed to the Annual General Meeting of Shareholders that a gross dividend of 2 euros per share for financial year 2014 be paid in 2015 (ex-date: 11 May 2015; record date: 12 May 2015; payment date: 13 May 2015).
- Financial calendar for 2015:
 - 2 April 2015: 2014 Annual Report and 2014 Risk Report
 - 7 May 2015: Annual General Meeting
 - 12 May 2015: Publication of 1Q 2015 results
 - 6 August 2015: Publication of 2Q 2015 results
 - 16 November 2015: Publication of 3Q 2015 results
 - 18 February 2016: Publication of 4Q 2015 results

KBC Group Analysis of 4Q2014 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.

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

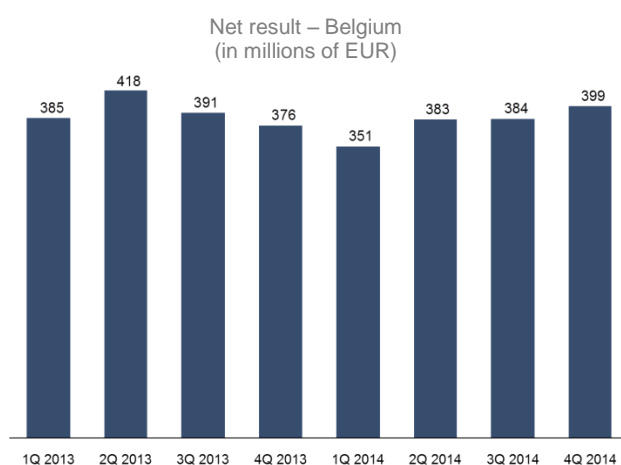
In addition to the figures according to IFRS, KBC provides figures aimed at giving more insight into the ongoing business performance. This means that, over and above the IFRS income statement, an *adjusted* income statement is provided in which a limited number of non-operating items is excluded from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

The items in question are:

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

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

Analysis of the results – Belgium Business Unit



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

Income statement, Belgium Business Unit (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	658	640	670	680	696	697	735	750
Non-life insurance (before reinsurance)	117	96	111	86	118	66	113	77
<i>Earned premiums</i>	234	239	241	241	236	240	244	243
<i>Technical charges</i>	-117	-143	-130	-155	-118	-174	-132	-166
Life insurance (before reinsurance)	-69	-69	-70	-66	-65	-65	-66	-56
<i>Earned premiums</i>	195	180	162	295	255	234	228	287
<i>Technical charges</i>	-263	-249	-232	-361	-320	-299	-293	-343
Ceded reinsurance result	-10	4	0	-1	-17	22	-2	16
Dividend income	4	18	11	7	11	20	6	7
Net result from financial instruments at fair value through profit or loss	135	201	83	125	-19	-6	27	85
Net realised result from available-for-sale assets	85	30	40	15	42	33	18	16
Net fee and commission income	291	288	240	241	278	283	296	303
Other net income	66	49	124	53	42	104	58	65
Total income	1 278	1 257	1 210	1 141	1 086	1 154	1 185	1 263
Operating expenses	-575	-544	-568	-562	-555	-567	-562	-597
Impairment	-140	-98	-65	-59	-38	-36	-81	-96
on loans and receivables	-138	-82	-43	-65	-34	-34	-64	-73
on available-for-sale assets	-2	-2	-1	-2	-5	-3	-5	-14
on goodwill	0	0	0	0	0	0	0	0
other	1	-14	-21	7	0	1	-12	-8
Share in results of associated companies and joint ventures	0	0	0	0	-1	0	0	0
Result before tax	562	615	577	519	492	551	541	570
Income tax expense	-176	-198	-186	-142	-142	-168	-157	-171
Result after tax	386	417	391	377	351	383	384	399
attributable to minority interests	1	-1	0	0	0	0	0	0
attributable to equity holders of the parent	385	418	391	376	351	383	384	399
Banking	300	329	307	319	261	297	306	341
Insurance	85	89	83	57	90	86	78	58
Risk-weighted assets, banking (end of period, Basel III)	42 287	40 947	38 491	40 307	40 858	41 032	42 235	42 919
Required capital, insurance (end of period, Solvency I)	839	842	846	850	851	854	859	868
Allocated capital (end of period)	5 697	5 569	5 330	5 518	5 779	5 803	5 939	6 026
Return on allocated capital (ROAC)	26%	29%	29%	28%	24%	26%	26%	27%
Cost/income ratio, banking	46%	44%	49%	49%	53%	51%	49%	48%
Combined ratio, non-life insurance	85%	93%	90%	103%	88%	98%	92%	100%
Net interest margin, banking	1.78%	1.72%	1.81%	1.87%	1.98%	1.96%	2.04%	2.08%

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

In 4Q2014, the Belgium Business Unit generated a net result of 399 million, somewhat above the average figure of 374 million for the four preceding quarters. Compared with the previous quarter, 4Q2014 was characterised by strong net interest income and net fee and commission income, seasonally higher gross non-life technical charges, increased sales of guaranteed-interest life insurance products, and the reduced – but still negative – impact of ALM derivative valuations. Gains on the sale of financial assets were down, whereas other net income was up, as were costs and impairment charges. The banking activities accounted for 85% of the net result in the quarter under review, and the insurance activities for 15%.

Net interest income up quarter-on-quarter

Net interest income stood at 750 million in the quarter under review, up 2% on the previous quarter and by as much as 10% on the year-earlier quarter. Both quarter-on-quarter and year-on-year, net interest income benefited from higher volumes on current accounts, saving accounts and mortgage loans, cuts in interest rates for saving accounts, a higher level of prepayment fees resulting from loans being refinanced in the fourth quarter and a higher banking bond portfolio, despite the negative impact of lower reinvestment yields (and, year-on-year, the deliberate reduction in the loan portfolio at the foreign branches).

At the end of December 2014, the Belgium Business Unit's loan book ('Loans and advances to customers, excluding reverse repos') amounted to 84 billion, up 1% quarter-on-quarter and 4% year-on-year. Deposits ('Deposits from customers and debt certificates, excluding repos') stood at 106 billion, up 2% on the previous quarter's level and 9% year-on-year.

On the whole, the net interest margin in Belgium widened by 4 basis points quarter-on-quarter and by 21 basis points year-on-year, amounting to 208 basis points in 4Q2014 (201 basis points for FY2014).

Good non-life combined ratio; sales of life insurance products up on the previous quarter

In the non-life business, earned premium income stood at 243 million, flat quarter-on-quarter and up 1% year-on-year. The limited growth in direct business sales is mainly situated in the 'Fire and other damage to property' class. Technical non-life charges amounted to 166 million, up 26% quarter-on-quarter (higher normal claims combined with some high major claims, mostly in the 'Fire' and 'Workmen's compensation' classes) and up 7% year-on-year. After taking into account the effect of ceded reinsurance, earned premiums less technical charges stood at 95 million in the quarter under review, down on the 111 million in 3Q2014 and up on the 85 million in 4Q2013. As a result, the combined ratio came to 100% in the quarter under review, which – combined with the three earlier quarters – amounted to 94% for FY2014, compared to the 93% recorded for FY2013.

In the life business, insurance sales (including unit-linked products which are not included in the premium figures under IFRS) stood at 437 million in 4Q2014 (still being impacted by the low interest rate climate), though they were up somewhat on the 425 million recorded in the previous quarter and the 396 million recorded in the year-earlier quarter. The increase in life insurance sales in the quarter under review was due entirely to guaranteed-interest products, which now account for 65% of total life sales.

At the end of December 2014, the life reserves of the Belgium Business Unit (including the liabilities under unit-linked contracts) amounted to 26 billion (up 4% year-on-year).

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

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

Total net fee and commission income amounted to 303 million in the quarter under review, up 2% on the figure for the previous quarter, and 26% on its year-earlier level. The quarter-on-quarter increase was due primarily to significantly higher management fee income on mutual funds (increased level of assets under management (AUM), among other things) and higher fees from credit files and bank guarantees (thanks mainly to high production volumes of mortgage loans), partly offset by higher commissions paid on insurance sales, lower fee income related to payment services and lower entry fees for both unit-linked life insurance products and mutual funds. The 26% year-on-year increase in net fee and commission income was essentially due to significantly higher management fee income on mutual funds, higher fees from credit files and bank guarantees (mainly on account of high mortgage loan volumes), and higher entry fees for unit-linked life insurance products and for mutual funds, slightly offset by higher commissions paid on insurance sales.

AUM in this business unit stood at 172 billion at the end of December 2014, up 3% on the level recorded three months previously, roughly 2% of which was due to net inflows and 1% due to a positive price effect. AUM were

up by as much as 14% on their year-earlier level, some 5 percentage points of which was attributable to net inflows and 8 percentage points to a positive price effect.

Other income components

Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 85 million in the quarter under review, above the 32 million average for the four preceding quarters. The 4Q2014 figure includes the positive impact of the new CVA model and a negative marked-to-market valuation of ALM derivatives arising partly as a result of decreasing long-term IRS rates (impact of -14 million in 4Q2014, -32 million in 3Q2014 and +41 million in 4Q2013). Dividend income stood at 7 million, in line with the 6 and 7 million recorded in the previous and year-earlier quarters, respectively. The realised result from available-for-sale assets amounted to 16 million, lower than the average figure of 27 million for the four preceding quarters. It included 14 million in net gains from the sale of shares and 2 million from the sale of bonds. Other net income amounted to 65 million, in line with the 64 million average for the four preceding quarters.

Costs up slightly quarter-on-quarter

The operating expenses of the Belgium Business Unit totalled 597 million in the quarter under review, up 6% on the previous quarter. This was mainly attributable to higher marketing and communication costs, higher pension costs and higher retirement benefit obligations (owing to a lower discount rate and the introduction of a later retirement age). These items more than offset lower variable staff remuneration and lower facilities expenses. Compared to the year-earlier quarter, costs increased by 6%, due primarily to higher staff expenses, bank taxes, pension costs and retirement benefit obligations.

The cost/income ratio in the quarter under review amounted to a sound 48%, or 50% for FY2014, as opposed to an excellent 47% in FY2013. Note, however, that the numerator of this ratio included significantly *negative* marked-to-market valuations of ALM derivatives in FY2014, while the ratio benefited from large *positive* marked-to-market valuations of such derivatives in FY2013. Excluding that item and a number of exceptional items, the 'sustainable' cost/income ratio stood at 48% in 4Q2014 and 49% in FY2014, compared to the 51% recorded for FY2013.

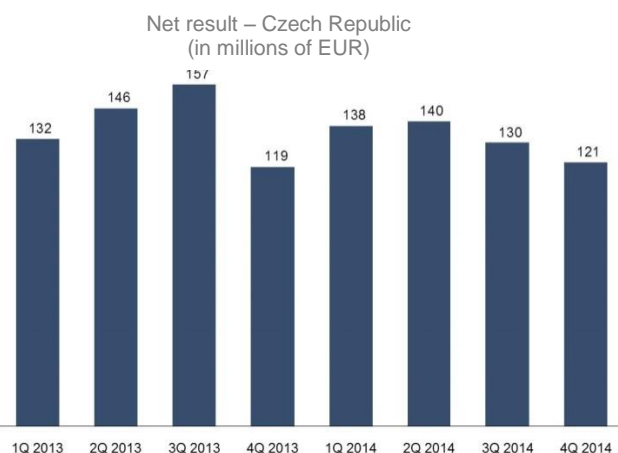
Impairment up

Impairment on loans and receivables (loan loss provisions) amounted to 73 million in 4Q2014, up on the 64 and 65 million recorded in the previous and year-earlier quarters, respectively. The quarter-on-quarter increase related mainly to a few large SME files and a limited AQR impact on Belgian corporates, while the year-on-year increase was driven primarily by higher gross impairment charges for a few large Belgian corporate files (AQR impact). For 2014 as a whole, the credit cost ratio stood at a favourable 23 basis points, an improvement on the 37 basis points recorded in FY2013.

At the end of 4Q2014, some 4.3% of the Belgian loan book was impaired, an improvement on the 4.6% recorded at the start of the year. Impaired loans that are more than 90 days accounted for 2.2%, an improvement on the 2.5% level recorded at the start of the year.

All other impairment charges combined totalled 22 million in the quarter under review and related mainly to available-for-sale securities in portfolio and to software.

Analysis of the results – Czech Republic Business Unit



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

Income statement, Czech Republic Business Unit (in millions of EUR)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	230	232	230	214	219	220	211	211
Non-life insurance (before reinsurance)	16	3	17	26	16	19	19	21
<i>Earned premiums</i>	41	42	43	43	39	41	42	43
<i>Technical charges</i>	-25	-39	-27	-17	-23	-21	-23	-22
Life insurance (before reinsurance)	7	5	7	6	6	6	6	7
<i>Earned premiums</i>	48	36	53	61	32	41	51	37
<i>Technical charges</i>	-41	-30	-47	-55	-26	-35	-45	-30
Ceded reinsurance result	-1	10	0	-4	-1	-3	-2	-2
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	16	28	24	14	10	13	20	18
Net realised result from available-for-sale assets	7	6	0	4	8	0	0	1
Net fee and commission income	47	43	45	49	45	48	50	51
Other net income	3	2	8	-4	2	8	3	6
Total income	325	330	330	305	303	312	307	313
Operating expenses	-158	-156	-150	-158	-145	-148	-144	-156
Impairment	-20	-7	-6	-16	-2	-2	-14	-19
on loans and receivables	-20	-8	-6	-13	-2	-2	-14	-16
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	0	0	0	-3	0	0	0	-2
Share in results of associated companies and joint ventures	7	7	8	6	6	6	5	5
Result before tax	155	174	183	136	163	167	154	143
Income tax expense	-22	-28	-26	-17	-25	-28	-24	-23
Result after tax	132	146	157	119	138	140	130	121
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	132	146	157	119	138	140	130	121
Banking	128	143	150	109	132	133	123	113
Insurance	5	3	7	10	6	7	7	8
Risk-weighted assets, banking (end of period, Basel III)	12 234	13 119	13 164	12 563	12 618	12 453	12 148	12 345
Required capital, insurance (end of period, Solvency I)	72	72	73	69	69	68	67	67
Allocated capital (end of period)	1 349	1 438	1 444	1 378	1 445	1 426	1 393	1 414
Return on allocated capital (ROAC)	38%	44%	43%	35%	38%	39%	36%	34%
Cost/income ratio, banking	48%	46%	45%	52%	47%	47%	46%	49%
Combined ratio, non-life insurance	99%	104%	97%	84%	94%	92%	95%	94%
Net interest margin, banking	3.31%	3.33%	3.28%	3.09%	3.29%	3.20%	3.12%	3.11%

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

In the quarter under review, the Czech Republic Business Unit posted a net result of 121 million, somewhat below the 132-million average for the four preceding quarters. Compared with the previous quarter, the results for 4Q2014 featured (on a comparable basis) flat net interest income, slightly higher net fee and commission income, lower net results from financial instruments, a higher level of other income, higher non-life premiums and a solid non-life combined ratio, but a drop in sales of unit-linked life insurance products. Costs increased and loan loss impairment charges were slightly up (still at a moderate level). Banking activities accounted for 93% of the net result in the quarter under review, and insurance activities for 7%.

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

Net interest income generated in this business unit amounted to 211 million in the quarter under review. Excluding the effect of the exchange rate (the Czech koruna weakened only marginally during 4Q2014, but has depreciated by 6% on its year-earlier level), as well as the one-off accounting effect in 4Q2013 and certain changes in the scope of consolidation (mainly the deconsolidation of a pension fund and the inclusion of Patria Corporate Finance and Patria Online as of 3Q2014), net interest income was flat quarter-on-quarter and up 2% year-on-year. In both cases, net interest income remained under pressure due to the lower reinvestment yield, though this effect was offset by volume growth (loans and current accounts, among other things) and lower interest rates on saving accounts.

Disregarding the FX effect, the group's Czech loan book (16 billion in 'Loans and advances to customers, excluding reverse repos' at 31 December 2014) was up 3% quarter-on-quarter and 5% year-on-year. The latter performance was driven mainly by growth in mortgages and corporate loans and to a lesser extent by lending to SMEs. The deposit base (22 billion in 'Deposits from customers and debt certificates, excluding repos') was up 4% quarter-on-quarter and 8% year-on-year.

The overall net interest margin of the ČSOB group in the Czech Republic amounted to 311 basis points in the quarter under review, i.e. down 1 and 12 basis points (excluding the one-off negative accounting effect in 4Q2013), respectively, on the previous and year-earlier quarters, driven by lower reinvestment yields and (on a yearly basis) further pressure on deposit margins.

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

In the non-life business, premium income stood at 43 million, up 2% quarter-on-quarter and 4% year-on-year (disregarding the FX impact in both cases), thanks mainly to improved sales in the 'motor retail' and 'households' segments. At 22 million, technical charges were down 7% on their level for 3Q2014 (which had been impacted in part by one large MTPL claim in 3Q2014), but up 30% on 4Q2013 (disregarding the FX impact in both cases) due to releases and good claims performance in 4Q13 (thanks to favourable weather conditions). When account is also taken of the impact of reinsurance, earned premiums less technical charges improved on their 3Q2014 level (+13%), but deteriorated on their 4Q2013 (-8%) level. The combined ratio for the quarter under review stood at a good 94%. Year-to-date, the FY2014 combined ratio came to 94%, an improvement on the FY2013 figure of 96%.

In the life business, sales amounted to 37 million in the quarter under review, down on the previous quarter (51 million) and on the year-earlier quarter (61 million). The quarter-on-quarter decrease was due entirely to lower sales of unit-linked life insurance products (Maximal Invest Life products) and as a consequence, these products accounted for less than two-thirds of life sales in the quarter under review. At the end of December 2014, the outstanding life reserves (including the liabilities under unit-linked products) in this business unit stood at 1 billion, down 10% year-on-year.

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

Other income components

Net fee and commission income stood at 51 million in the quarter under review, up 7% compared to the previous quarter, but flat on its 4Q2013 level (disregarding FX effects and the change in the consolidation scope in both cases). Quarter-on-quarter, the increase was attributable mainly to higher transaction fees (higher card fees during the Christmas period) and lower fees paid to Czech Post, partly offset by lower fee income from financial markets and lower loan-related fees. Year-on-year, the stabilisation was the result of an increase in management fees for mutual funds and the lower level of fees paid to Czech Post, fully offset by lower loan fees and a decline in transaction fees. Total assets under management in this business unit came to roughly 7.4 billion at quarter-end, up 4% quarter-on-quarter (3% owing to net entries and 1% due to a positive price effect) and up 19% year-on-year (14% due to net entries and 5% 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 18 million, higher than the average figure of 14 million for the four preceding quarters. Quarter-on-quarter, a decrease of 9% is mainly related to more negative marked-to-market valuation of ALM derivatives. In the quarter under review, realised gains from the sale of available-for-sale assets totalled 1 million, as opposed to an average 3 million for the last four quarters. Other net income totalled 6 million in the quarter under review, above the 2 million average for the four preceding quarters.

Costs up quarter-on-quarter

The operating expenses of this business unit came to 156 million, a 9% increase (disregarding FX effects) compared with 3Q2014, due mainly to marketing, professional and facilities expenses and expenses related to Czech Post. Compared to 4Q2013, costs increased by 3% (disregarding FX effects), due primarily to higher ICT and staff expenses.

Consequently, the cost/income ratio of the Czech Republic Business Unit came to 49%, and the resultant FY2014 ratio came to 48%, roughly the same level as in FY2013.

Increased but still low level of loan loss provisions

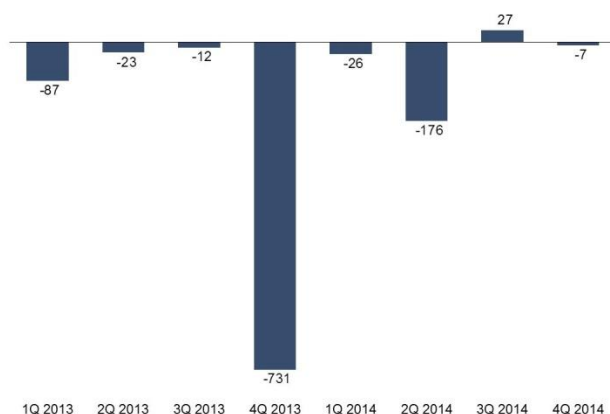
Impairment on loans and receivables (loan loss provisions) stood at what is still a favourable 16 million in the quarter under review, up on the 14 million and 13 million recorded in the previous and year-earlier quarters, respectively. The increase was driven mainly by a number of SME files.

As a result, the FY2014 credit cost ratio of this business unit amounted to a fine 18 basis points, a further improvement on what was already a good 26 basis points for FY2013. At the end of 4Q2014, some 3.8% of the Czech loan book was impaired, an improvement on the 4.3% recorded at the start of the year. Impaired loans that are more than 90 days overdue accounted for 2.9%, as opposed to 3.0% at the start of the year.

There were 2 million in impairment charges on assets other than loans and receivables in the quarter under review.

Analysis of the results – 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)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Net interest income	155	160	163	155	160	173	175	169
Non-life insurance (before reinsurance)	21	19	20	20	19	19	8	22
<i>Earned premiums</i>	39	38	39	39	37	38	39	39
<i>Technical charges</i>	-18	-20	-19	-18	-18	-19	-31	-18
Life insurance (before reinsurance)	2	0	0	2	1	4	4	4
<i>Earned premiums</i>	25	20	18	19	22	22	21	19
<i>Technical charges</i>	-23	-21	-18	-17	-21	-19	-17	-15
Ceded reinsurance result	-2	-2	-2	-4	-2	-2	7	-2
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	21	22	29	17	25	17	17	14
Net realised result from available-for-sale assets	2	8	2	1	2	7	6	1
Net fee and commission income	41	45	50	68	49	51	54	54
Other net income	2	19	1	-2	0	-227	3	-3
Total income	242	272	262	258	253	44	273	258
Operating expenses	-210	-176	-156	-173	-216	-166	-167	-191
Impairment	-127	-116	-119	-827	-64	-84	-63	-72
on loans and receivables	-117	-114	-118	-821	-64	-84	-63	-62
on available-for-sale assets	-10	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	-1	-1	0	-6	0	-1	0	-10
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0	0
Result before tax	-95	-19	-12	-742	-27	-207	43	-5
Income tax expense	8	-4	0	11	1	31	-16	-2
Result after tax	-87	-23	-12	-731	-26	-176	27	-7
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	-87	-23	-12	-731	-26	-176	27	-7
Banking	-82	-29	-17	-735	-33	-182	23	-12
Insurance	-6	6	6	4	7	6	4	5
Risk-weighted assets, banking (end of period, Basel III)	16 963	16 356	16 110	16 247	18 484	17 506	18 342	18 425
Required capital, insurance (end of period, Solvency I)	43	42	42	44	44	44	44	44
Allocated capital (end of period)	1 772	1 710	1 684	1 702	2 017	1 915	2 003	2 011
Return on allocated capital (ROAC)	-19%	-5%	-3%	-176%	-5%	-35%	6%	-1%
Cost/income ratio, banking	88%	65%	59%	67%	88%	-	60%	74%
Combined ratio, non-life insurance	87%	98%	97%	103%	89%	99%	105%	94%
Net interest margin, banking	2.06%	2.10%	2.11%	2.07%	2.26%	2.46%	2.50%	2.44%

In the quarter under review, the International Markets Business Unit recorded a slightly negative net result of -7 million, a vast improvement on the negative 227 million average for the four preceding quarters (which had been significantly affected by the additional loan loss provisions for Ireland in 4Q2013 and by the impact of the new retail loans act in Hungary in 2Q2014). Compared to the previous quarter, 4Q2014 was characterised by lower net interest income and stable net fee and commission income, a lower result from financial instruments at fair value, a reduction in realised gains on bonds and shares, and a decline in other income. There was also a sharp improvement in the non-life combined ratio and an increase in life insurance sales. Costs in 4Q2014 were up, and loan loss provisions slightly down. Overall, the banking activities accounted for a net result of -12 million (positive results in Slovakia, Hungary and Bulgaria, but negative in Ireland), while the insurance activities accounted for a net result of 5 million.

Total income down quarter-on-quarter

Net interest income stood at 169 million in 4Q2014, down 3% on 3Q2014 but up 9% on 4Q2013. The quarter-on-quarter decrease was accounted for entirely by Hungary following the Curia decisions and the lower level of net interest income generated by the insurance business (caused by a significant drop in interest rates). The year-on-year increase was accounted for mainly by Ireland (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 December 2014) was down slightly (0.3%) quarter-on-quarter and down 1% year-on-year. This year-on-year decline was entirely attributable to Ireland (-6%; matured and impaired loans surpassing new mortgage production, and the corporate loan portfolio being deleveraged), which more than offset loan growth in Slovakia (+8%), Hungary (+5%) and Bulgaria (+9%). Customer deposits for the entire business unit (15 billion in 'Deposits from customers and debt certificates, excluding repos') increased by 2% in the quarter under review (in Ireland, Slovakia and Bulgaria), and by 5% compared to the situation a year ago (thanks mainly to the successful retail deposit campaign in Ireland).

On a weighted basis, the net interest margin of this business unit amounted to 244 basis points in the quarter under review, down 6 basis points quarter-on-quarter but up 37 basis points year-on-year. The net interest margin in 4Q2014 amounted to 313 basis points in Slovakia (down both quarter-on-quarter and year-on-year), 396 basis points in Hungary (down quarter-on-quarter, but up year-on-year), 464 basis points in Bulgaria (down both quarter-on-quarter and year-on-year), and 125 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 on the quarter-earlier and year-on-year figures. At 18 million, technical insurance charges in the non-life segment were down significantly (by 42%) on the previous quarter (which had been impacted by the bad weather conditions in Bulgaria) and were roughly flat compared to the year-earlier quarter. Overall, the non-life combined ratio for the quarter under review improved sharply to 94%, compared with 105% in 3Q2014. Consequently, the ratio came to 96% for FY2014, compared to the 95% recorded for FY2013. The combined ratio for FY2014 breaks down into 96% for Hungary, 83% for Slovakia and 101% for Bulgaria.

Life sales, including insurance products not recognised as earned premiums under IFRS, amounted to 29 million in the quarter under review, up 4 million on the level recorded in the previous quarter (due to Hungary and Bulgaria) and up some 3 million on 4Q2013 (primarily on account of Hungary). For the business unit as a whole, sales of unit-linked products accounted for 52% of total life insurance sales in the quarter under review, and interest-guaranteed products for the remainder. At the end of December 2014, the business unit's outstanding life reserves (including the liabilities under unit-linked products) stood at 0.5 billion, up 4% year-on-year.

The other income components totalled 65 million in the quarter under review. This included net fee and commission income of 54 million, stable compared with the previous quarter and down 21% on 4Q2013 (due entirely to Hungary as a result of lower investment fees and fees from payment transactions). Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') came to 14 million, down on the average figure of 19 million for the four preceding quarters. The current quarter includes the negative impact of 1 million related to the marked-to-market valuation of ALM derivatives (as opposed to -7 million in 3Q2014 and 4Q2013). The net realised result from available-for-sale financial assets amounted to 1 million, compared to an average of 4 million in the four preceding quarters. Other net income came to -3 million, as opposed to a -57 million-average for the four preceding quarters. The latter figures were clearly impacted by the 231-million-pre-tax provision booked in 2Q2014 for the new Hungarian act on retail loans, i.e. the so-called 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions'.

Costs up quarter-on-quarter

Operating expenses in the quarter under review amounted to 191 million, up 15% on the previous quarter and up 10% compared to a year ago. Both the quarter-on-quarter and year-on-year increase came about mainly because of a higher Financial Transaction Levy (FTL), seasonally higher marketing expenses and higher depreciation of intangible assets (software) in Hungary and rising staff expenses (due to an increasing number of FTEs and an accrual for severance payments) and higher depreciation and amortisation costs in Ireland.

As a consequence, the cost/income ratio for the business unit as a whole stood at 74% in the quarter under review, or 92% for FY2014 (the latter figure is relatively high, as the second quarter had been hit by the impact of the new retail loans act in Hungary), compared to 69% for FY2013. Excluding the main exceptional items, the 'sustainable' ratio would have been 69% in FY2014, as opposed to 68% in FY2013. The FY2014 cost/income ratio of 92% breaks down as follows per country: 94% for Ireland, 62% for Slovakia, 125% for Hungary (including the impact of the new retail loans act in 2Q2014; 68% on a sustainable basis) and 63% for Bulgaria.

Loan loss provisioning down slightly, due to Ireland

Impairment on loans and receivables (loan loss provisions) amounted to 62 million, down slightly on the 63 million recorded in 3Q2014, and down significantly on the 821 million recorded in 4Q2013, which had been impacted by large additional loan loss provisions in Ireland following a reassessment of the loan book. The 4Q2014 figure includes 41 million for Ireland, 5 million for Slovakia, 13 million for Hungary and 3 million for Bulgaria.

Consequently, the FY2014 credit cost ratio for the entire business unit improved to 106 basis points, down from a high 448 basis points for FY2013. Broken down by country, it was 133 basis points for Ireland (672 basis points in FY2013), 94 basis points for Hungary (150 basis points in FY2013), 36 basis points for Slovakia (60 basis points in FY2013) and 130 basis points for Bulgaria (119 basis points for FY2013). At the end of 4Q2014, some 34% of the business unit's loan book was impaired, slightly up on the 33% recorded at the start of the year. Impaired loans that are more than 90 days overdue accounted for 19.0% of the portfolio, as opposed to 19.2% at the start of the year. The business unit's 4Q2014 figure continues to be impacted by the high impaired loans ratio for Ireland (impaired loans: 52%, 27 percentage points of which are more than 90 days overdue).

There were 10 million in impairment charges on assets other than on loans and receivables for this business unit in the quarter under review.

Highlights per country (compared with 3Q2014, unless otherwise indicated)

The net result of the International Markets Business Unit (-7 million) breaks down as follows: 19 million for Slovakia, 15 million for Hungary, 4 million for Bulgaria and -45 million for Ireland. A detailed results table and brief comments per country are provided below.

IRELAND	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Income statement (in millions of EUR)								
Net interest income	35	33	32	24	31	38	39	41
Non-life insurance (before reinsurance)	0	0	0	0	0	0	0	0
<i>Earned premiums</i>	0	0	0	0	0	0	0	0
<i>Technical charges</i>	0	0	0	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0	0	0	0
<i>Earned premiums</i>	0	0	0	0	0	0	0	0
<i>Technical charges</i>	0	0	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	-3	0	0	-3	0	-6	-2	2
Net realised result from available-for-sale assets	0	1	0	0	0	0	0	0
Net fee and commission income	-1	-2	0	-2	-1	-1	0	-1
Other net income	0	0	0	0	0	0	0	-2
Total income	32	31	32	19	30	31	37	40
Operating expenses	-21	-22	-25	-35	-29	-33	-33	-37
Impairment	-99	-88	-98	-773	-48	-62	-47	-51
on loans and receivables	-99	-88	-98	-773	-48	-62	-47	-41
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	0	0	0	0	0	0	0	-9
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0	0
Result before tax	-88	-79	-92	-789	-47	-64	-43	-48
Income tax expense	11	10	11	23	7	6	7	3
Result after tax	-77	-69	-80	-766	-40	-57	-36	-45
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	-77	-69	-80	-766	-40	-57	-36	-45
Banking	-77	-69	-80	-766	-40	-57	-36	-45
Insurance	0	0	0	0	0	0	0	0
Risk-weighted assets, banking (end of period, Basel III)	7 653	7 248	6 952	7 357	6 558	5 650	5 641	6 931
Required capital, insurance (end of period, Solvency I)	0	0	0	0	0	0	0	0
Allocated capital (end of period)	765	725	695	736	689	593	592	728
Return on allocated capital (ROAC)	-39%	-36%	-45%	-444%	-22%	-34%	-25%	-30%
Cost/income ratio, banking	65%	69%	79%	183%	98%	106%	88%	94%
Combined ratio, non-life insurance	-	-	-	-	-	-	-	-

- The net result in 4Q2014 was -45 million euros, compared to an average figure of -225 million for the four preceding quarters (clearly impacted by the high loss recorded in 4Q2013).
- Total income (40 million) increased by 7% quarter-on-quarter, due mainly to higher net interest income and the positive impact related to the marked-to-market valuation of ALM derivatives.
- Costs (37 million) were up 14% compared with the previous quarter, but included a net 3 million cost for restructuring and 2 million additional depreciation of software (in anticipation of the introduction of a new core banking platform). The FY2014 cost/income ratio stood at 96%, compared with 90% for FY2013.
- Loan loss impairment (41 million) was lower than the 47 million recorded in 3Q2014. The 4Q2014 figure breaks down into 38 million for corporate loans (up on 3Q2014) and 3 million for retail loans (down on 3Q2014). The credit cost ratio amounted to 133 basis points in FY2014.
- Note: the increase in RWA since 4Q2014 is related to model changes.

HUNGARY	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Income statement (in millions of EUR)								
Net interest income	64	69	68	68	68	72	72	63
Non-life insurance (before reinsurance)	7	7	7	5	7	6	6	7
<i>Earned premiums</i>	14	15	16	14	13	14	14	14
<i>Technical charges</i>	-7	-8	-8	-9	-6	-8	-8	-7
Life insurance (before reinsurance)	-1	-4	-3	-2	-2	-1	0	1
<i>Earned premiums</i>	3	3	3	4	3	4	3	4
<i>Technical charges</i>	-5	-7	-7	-5	-6	-5	-3	-3
Ceded reinsurance result	0	-1	-1	-1	-1	-1	0	-1
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	18	18	25	16	20	20	14	8
Net realised result from available-for-sale assets	2	5	0	0	1	7	6	0
Net fee and commission income	30	34	37	58	38	40	41	41
Other net income	2	13	0	-4	1	-228	1	0
Total income	121	141	134	141	132	-84	140	119
Operating expenses	-130	-97	-73	-78	-128	-74	-73	-92
Impairment	-11	-11	-13	-43	-12	-13	-11	-13
on loans and receivables	-10	-10	-12	-43	-11	-13	-11	-13
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	-1	-1	0	0	0	-1	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0	0
Result before tax	-20	33	48	20	-8	-171	56	14
Income tax expense	1	-7	-5	-4	0	32	-17	1
Result after tax	-19	26	43	16	-8	-139	39	15
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	-19	26	43	16	-8	-139	39	15
Banking	-22	24	41	15	-11	-141	37	13
Insurance	3	2	2	1	3	2	2	2
Risk-weighted assets, banking (end of period, Basel III)	4 919	4 759	4 827	4 434	7 562	7 440	8 263	6 996
Required capital, insurance (end of period, Solvency I)	13	13	12	14	14	14	14	14
Allocated capital (end of period)	515	499	504	469	818	806	892	759
Return on allocated capital (ROAC)	-14%	20%	34%	13%	-5%	-69%	18%	7%
Cost/income ratio, banking	112%	70%	55%	54%	100%	-	52%	77%
Combined ratio, non-life insurance	82%	100%	95%	120%	82%	102%	100%	105%

- The net result in 4Q2014 was a positive 15 million euros, up on the negative 23 million average for the four preceding quarters (which included a large provision in 2Q2014 for the new Hungarian act on retail loans).
- Total income (119 million) was down 15% quarter-on-quarter, due mainly to lower net interest income (following the Curia decisions and lower net interest income from the insurance business), the reduction in net result from financial instruments at fair value and lower level of realised gains on bonds and shares. The FY2014 combined ratio for non-life insurance stood at 96%, compared with 97% in FY2013. Life insurance sales went up, owing primarily to an increase in the sale of unit-linked life insurance products.
- Costs (92 million) were up 26% compared to 3Q2014. This increase was mainly the result of the higher Financial Transaction Levy (FTL), higher marketing costs and higher depreciation of intangible assets (software). The FY2014 cost/income ratio stood at 125%. Excluding the impact of the new act on retail loans in 2Q2014 and a number of minor unsustainable items, the 'sustainable' FY2014 cost/income ratio came to 68%, compared with 69% in FY2013.
- Loan loss impairment (13 million) was up 2 million on the previous quarter, with lower impairments in the retail mortgage book being more than offset by higher loan loss provisioning for corporations. The credit cost ratio amounted to 94 basis points in FY2014.
- Note: the increase in RWA since the start of 2014 is related to the carve-out for home country government bonds being abolished.

SLOVAKIA	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Income statement (in millions of EUR)								
Net interest income	46	49	52	52	51	53	53	53
Non-life insurance (before reinsurance)	5	5	6	6	4	5	5	6
<i>Earned premiums</i>	6	6	7	7	7	7	7	7
<i>Technical charges</i>	-1	-1	-1	0	-2	-2	-3	0
Life insurance (before reinsurance)	3	2	2	3	3	3	3	1
<i>Earned premiums</i>	16	14	12	12	13	15	14	10
<i>Technical charges</i>	-14	-11	-9	-9	-11	-12	-11	-9
Ceded reinsurance result	0	0	0	-1	0	0	0	0
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	6	4	5	4	4	3	3	4
Net realised result from available-for-sale assets	0	3	0	0	1	0	0	1
Net fee and commission income	11	11	11	11	11	11	12	12
Other net income	2	6	1	1	-1	1	1	0
Total income	72	81	76	76	73	76	76	77
Operating expenses	-46	-44	-44	-46	-46	-45	-47	-47
Impairment	-4	-15	-7	-5	-4	-6	-3	-5
on loans and receivables	-4	-14	-7	-2	-4	-6	-3	-5
on available-for-sale assets	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	0	0	0	-3	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0	0
Result before tax	23	23	25	25	23	24	26	25
Income tax expense	-5	-6	-6	-8	-6	-7	-6	-6
Result after tax	17	16	19	17	18	17	20	19
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	17	16	19	17	18	17	20	19
Banking	15	14	17	15	15	15	18	17
Insurance	3	2	3	2	3	2	2	2
Risk-weighted assets, banking (end of period, Basel III)	3 780	3 715	3 689	3 776	3 725	3 772	3 745	3 815
Required capital, insurance (end of period, Solvency I)	15	15	15	15	15	15	15	15
Allocated capital (end of period)	403	397	395	404	417	422	419	426
Return on allocated capital (ROAC)	17%	16%	19%	17%	17%	17%	19%	18%
Cost/income ratio, banking	64%	54%	58%	61%	64%	60%	62%	61%
Combined ratio, non-life insurance	65%	77%	81%	83%	82%	89%	97%	66%

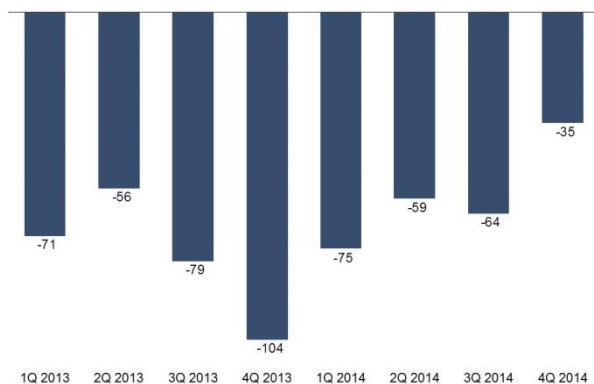
- The net result in 4Q2014 totalled 19 million euros, somewhat higher than the 18 million average for the four preceding quarters.
- Total income (77 million) edged up quarter-on-quarter thanks to a slightly higher net result from financial instruments at fair value and slightly higher realised gains on bonds and shares, while net interest income and net fee and commission income stabilised. The FY2014 combined ratio for non-life insurance stood at 83%, compared with 76% for FY2013. Life sales (including unit-linked products) were lower than their level for 3Q2014, with unit-linked products accounting for slightly more than half of total life sales.
- Costs (47 million) stabilised quarter-on-quarter. The FY2014 cost/income ratio stood at 62%, as opposed to 59% for FY2013.
- Loan loss impairment charges (5 million) were up 2 million on the previous quarter. The credit cost ratio amounted to 36 basis points in FY2014.

BULGARIA	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Income statement (in millions of EUR)								
Net interest income	10	10	10	11	10	10	11	12
Non-life insurance (before reinsurance)	8	7	7	9	8	8	-3	8
<i>Earned premiums</i>	18	18	17	18	17	18	18	18
<i>Technical charges</i>	-10	-11	-10	-9	-10	-10	-20	-10
Life insurance (before reinsurance)	1	1	1	1	1	1	1	1
<i>Earned premiums</i>	5	3	3	4	5	4	3	5
<i>Technical charges</i>	-4	-2	-2	-3	-4	-2	-2	-4
Ceded reinsurance result	-1	-1	-1	-1	-1	-1	8	0
Dividend income	0	0	0	0	0	0	0	0
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	0	1	0
Net realised result from available-for-sale assets	1	0	1	1	0	0	0	0
Net fee and commission income	0	0	1	0	0	0	1	0
Other net income	-2	1	0	0	0	0	0	0
Total income	16	18	20	21	18	19	19	21
Operating expenses	-13	-13	-13	-14	-12	-13	-13	-14
Impairment	-13	-2	-1	-6	-1	-3	-2	-3
on loans and receivables	-4	-2	-1	-2	-1	-3	-2	-3
on available-for-sale assets	-10	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0
other	0	0	0	-3	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	0	0	0	0
Result before tax	-10	4	6	1	5	3	3	4
Income tax expense	1	0	0	0	0	0	0	0
Result after tax	-9	3	6	1	5	3	3	4
attributable to minority interests	0	0	0	0	0	0	0	0
attributable to equity holders of the parent	-9	3	6	1	5	3	3	4
Banking	2	2	5	0	4	1	3	3
Insurance	-11	1	1	1	1	2	0	1
Risk-weighted assets, banking (end of period, Basel III)	595	620	627	668	626	632	680	671
Required capital, insurance (end of period, Solvency I)	15	15	15	15	15	15	15	15
Allocated capital (end of period)	86	88	88	93	92	92	98	96
Return on allocated capital (ROAC)	-40%	16%	27%	5%	21%	13%	15%	17%
Cost/income ratio, banking	57%	67%	61%	61%	64%	65%	60%	61%
Combined ratio, non-life insurance	101%	103%	104%	97%	99%	99%	112%	95%

- The net result in 4Q2014 came to 4 million, up slightly on the 3 million average for the four preceding quarters.
- Total income (21 million) was up 13% on the previous quarter. Besides higher net interest income, the non-life insurance technical result improved compared to its level for the previous quarter, which had been impacted by weather-related claims. Consequently, the FY2014 non-life combined ratio amounted to 101%, the same level as for FY2013. Total life insurance sales were up roughly two-thirds on their level for 3Q2014.
- Costs (14 million) were up 9% quarter-on-quarter. The FY2014 cost/income ratio stood at 63%, compared with 61% for FY2013.
- Loan loss impairment charges stood at 3 million, up on the 2 million recorded in 2Q2014. The credit cost ratio amounted to 130 basis points in FY2014.

Analysis of the results – Group Centre

Adjusted 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)	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014
Adjusted net result (i.e. excluding legacy and own credit risk impact)								
Net interest income	-24	-57	-63	-52	-73	-43	-10	-19
Non-life insurance (before reinsurance)	-4	-3	-3	-5	-4	-3	-1	3
Earned premiums	-8	-4	-3	-5	-5	-4	-4	-3
Technical charges	4	1	1	0	1	0	3	6
Life insurance (before reinsurance)	0	1	0	1	0	0	0	0
Earned premiums	4	5	5	5	0	0	0	0
Technical charges	-3	-3	-5	-4	0	0	0	0
Ceded reinsurance result	1	0	2	2	3	2	0	-3
Dividend income	0	0	0	0	0	1	0	0
Net result from financial instruments at fair value through profit or loss	45	4	10	3	2	12	-14	13
Net realised result from available-for-sale assets	2	1	0	9	-1	9	3	0
Net fee and commission income	2	10	5	7	7	6	4	2
Other net income	5	-2	18	0	8	-9	0	2
Total income	28	-44	-30	-36	-59	-24	-19	-2
Operating expenses	-79	-39	-33	-61	-49	-45	-25	-42
Impairment	-46	-12	-18	-46	-3	-11	-25	-5
on loans and receivables	-18	-11	-17	-40	-3	-11	-24	-5
on available-for-sale assets	-1	-1	-1	-1	0	-1	1	0
on goodwill	-7	0	0	0	0	0	0	0
other	-20	0	0	-5	0	0	0	0
Share in results of associated companies and joint ventures	0	0	0	0	1	1	1	1
Result before tax	-97	-95	-81	-143	-110	-80	-68	-47
Income tax expense	29	42	6	42	34	21	4	12
Result after tax	-68	-53	-75	-101	-75	-59	-64	-35
attributable to minority interests	3	4	4	4	0	0	0	0
attributable to equity holders of the parent	-71	-56	-79	-104	-75	-59	-64	-35
Banking	17	-44	-49	-60	-46	-25	-40	-15
Insurance	-11	-1	-7	-3	-1	-2	-3	-3
Group	-78	-12	-23	-41	-28	-32	-21	-17
Legacy – gains/losses on CDOs	165	180	34	65	16	30	-24	-7
Legacy – divestments	22	-128	-231	-10	-9	8	132	-15
MTM of own credit risk	-26	-20	12	-9	2	-8	6	1
Net result	90	-24	-264	-58	-65	-30	50	-55
Risk-weighted assets, banking (end of period, Basel III)	16 813	13 141	12 189	11 031	11 145	11 814	7 256	6 650
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	11 068	11 068	11 068	11 068	11 068	11 068	11 068	10 897
Required capital, insurance (end of period, Solvency I)	16	15	9	4	2	2	2	1
Allocated capital (end of period)	1 709	1 341	1 234	1 111	1 174	1 244	766	701

The Group Centre's net result amounted to -55 million in 4Q2014. As stated earlier, this entity includes not only a number of group items and the results of companies earmarked for divestment, but also the impact of the legacy business (CDOs, divestments) and the valuation of own credit risk. Excluding the legacy business and own credit risk impact, the adjusted net result amounted to -35 million in 4Q2014.

Legacy and own credit risk:

- Following the run-down of the remaining legacy CDO portfolio, the net impact of this *legacy* item amounted to a limited -7 million. The impact of the legacy divestments came to a negative 15 million, most of which related to Antwerp Diamond Bank. The impact of the marked-to-market valuation of own credit risk (changes in the fair value of own debt instruments) was limited in the quarter under review (a positive 1 million, compared with +6 million in the previous quarter).

Other results

- Accounted for a total of -35 million in 4Q2014. This item includes:
 - the operating expenses of the group activities: -26 million in total, a deterioration compared to the previous quarter, caused mainly by seasonal effects (chiefly higher ICT expenses);
 - 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): 4 million in total, an improvement compared to the previous quarter due to a positive exchange difference reported by the Hungarian branch (the cumulative impact from the revaluation of a FX position), among other things;
 - costs related to the holding of participations (mainly funding and hedging costs and related tax effects): -18 million in total, compared to -35 million in the previous quarter;
 - the results of the remaining companies or activities earmarked for divestment or in run-down (KBC Bank Deutschland, Antwerp Diamond Bank, KBC Finance Ireland, etc.): -4 million in total, compared to -17 million in the previous quarter, accounted for mainly by lower loan loss impairment at KBC Finance Ireland);
 - and +8 million in other items.

KBC Group
Consolidated
financial
statements
according to IFRS
4Q 2014 and
FY2014



Consolidated income statement

In millions of EUR	Note	4Q 2013	3Q 2014	4Q 2014	2013	2014
Net interest income	3	1 008	1 120	1 123	4 077	4 308
Interest income		2 067	2 010	1 982	8 343	7 893
Interest expense		- 1 060	- 890	- 860	- 4 266	- 3 586
Non-life insurance before reinsurance	9	127	139	123	536	512
Earned premiums Non-life		317	321	322	1 259	1 266
Technical charges Non-life		- 190	- 183	- 200	- 723	- 754
Life insurance before reinsurance	9	- 57	- 57	- 45	- 242	- 216
Earned premiums Life		381	299	343	1 132	1 247
Technical charges Life		- 438	- 355	- 388	- 1 373	- 1 463
Ceded reinsurance result	9	- 6	4	10	- 5	16
Dividend income		8	9	9	47	56
Net result from financial instruments at fair value through profit or loss	5	229	34	109	1 191	227
Net realised result from available-for-sale assets	6	29	28	22	252	150
Net fee and commission income	7	362	402	410	1 469	1 573
Fee and commission income		564	579	577	2 268	2 245
Fee and commission expense		- 202	- 177	- 167	- 798	- 672
Net other income	8	15	73	68	122	94
TOTAL INCOME		1 715	1 752	1 827	7 448	6 720
Operating expenses		- 968	- 923	- 989	- 3 843	- 3 818
Staff expenses		- 558	- 559	- 574	- 2 312	- 2 248
General administrative expenses		- 344	- 298	- 341	- 1 262	- 1 303
Depreciation and amortisation of fixed assets		- 66	- 65	- 74	- 269	- 266
Impairment	14	- 940	- 58	- 193	- 1 927	- 506
on loans and receivables		- 937	- 190	- 158	- 1 714	- 587
on available-for-sale assets		- 10	- 6	- 14	- 34	- 29
on goodwill		0	0	0	- 7	0
on other		7	139	- 21	- 173	109
Share in results of associated companies and joint ventures		6	6	6	30	25
RESULT BEFORE TAX		- 187	777	651	1 708	2 420
Income tax expense		- 103	- 186	- 194	- 678	- 657
Net post-tax result from discontinued operations		0	0	0	0	0
RESULT AFTER TAX		- 290	591	457	1 029	1 763
Attributable to minority interest		4	0	0	14	0
<i>of which relating to discontinued operations</i>		0	0	0	0	0
Attributable to equity holders of the parent		- 294	591	457	1 015	1 762
<i>of which relating to discontinued operations</i>		0	0	0	0	0
Earnings per share (in EUR)						
Basic		-0,71	1,28	0,96	1,03	3,32
Diluted		-0,71	1,28	0,96	1,03	3,32

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

Consolidated statement of comprehensive income (condensed)

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
RESULT AFTER TAX	- 290	591	457	1 029	1 763
attributable to minority interest	4	0	0	14	0
attributable to equity holders of the parent	- 294	591	457	1 015	1 762
Other comprehensive income - to be recycled to P&L					
Net change in revaluation reserve (AFS assets) - Equity	83	6	60	117	47
Net change in revaluation reserve (AFS assets) - Bonds	3	151	123	- 287	675
Net change in revaluation reserve (AFS assets) - Other	0	1	0	0	0
Net change in hedging reserve (cash flow hedge)	30	- 210	- 289	338	- 871
Net change in translation differences	- 72	67	13	- 116	79
Other movements	- 2	0	1	0	1
Other comprehensive income - not to be recycled to P&L					
Net change in defined benefit plans	135	- 67	- 88	136	- 198
TOTAL COMPREHENSIVE INCOME	- 114	538	277	1 218	1 495
attributable to minority interest	4	0	0	14	0
attributable to equity holders of the parent	- 118	538	277	1 203	1 494

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2013	31-12-2014
Cash and cash balances with central banks		4 294	5 771
Financial assets	18 - 26	222 887	231 421
Held for trading		16 885	12 182
Designated at fair value through profit or loss		16 441	18 163
Available for sale		27 307	32 390
Loans and receivables		130 153	135 784
Held to maturity		31 323	31 799
Hedging derivatives		777	1 104
Reinsurers' share in technical provisions		146	194
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		120	168
Tax assets		1 723	1 814
Current tax assets		242	88
Deferred tax assets		1 481	1 726
Non-current assets held for sale and assets associated with disposal groups		3 769	18
Investments in associated companies and joint ventures		182	204
Investment property		598	568
Property and equipment		2 457	2 278
Goodwill and other intangible assets		1 277	1 258
Other assets		1 233	1 480
TOTAL ASSETS		238 686	245 174
LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2013	31-12-2014
Financial liabilities	18 - 26	199 421	205 644
Held for trading		13 119	8 449
Designated at fair value through profit or loss		24 931	23 908
Measured at amortised cost		159 693	169 796
Hedging derivatives		1 678	3 491
Technical provisions, before reinsurance		18 701	18 934
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 2	189
Tax liabilities		518	697
Current tax liabilities		109	98
Deferred tax liabilities		409	599
Liabilities associated with disposal groups		2 027	0
Provisions for risks and charges		523	560
Other liabilities		2 983	2 629
TOTAL LIABILITIES		224 172	228 652
Total equity	39	14 514	16 521
Parent shareholders' equity	39	11 826	13 125
Non-voting core-capital securities	39	2 333	2 000
Additional Tier-1 instruments included in equity	39	0	1 400
Minority interests		354	- 3
TOTAL LIABILITIES AND EQUITY		238 686	245 174

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

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent share-holders' equity	Non-voting core-capital securities	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-12-2013													
Balance at the beginning of the period (31-12-2012)	1 450	5 388	- 1	1 263	- 834	0	5 192	- 360	12 099	3 500	0	362	15 961
First time application IAS19 Revised	0	0	0	0	0	- 71	- 11	0	- 82	0	0	0	- 82
Adjusted balance at the beginning of the period	1 450	5 388	- 1	1 263	- 834	- 71	5 182	- 360	12 017	3 500	0	362	15 879
Net result for the period	0	0	0	0	0	0	1 015	0	1 015	0	0	14	1 029
Other comprehensive income for the period	0	1	0	- 170	338	136	- 1	- 116	189	0	0	0	189
Total comprehensive income	0	1	0	- 170	338	136	1 014	- 116	1 203	0	0	14	1 218
Dividends	0	0	0	0	0	0	- 961	0	- 961	0	0	0	- 961
Capital increase	1	15	0	0	0	0	0	0	16	0	0	0	16
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 583	0	- 583	- 1 167	0	0	- 1 750
Sales of treasury shares	0	0	1	0	0	0	0	0	1	0	0	0	1
Impact business combinations	0	0	0	0	0	0	- 3	0	- 3	0	0	0	- 3
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	- 18	- 18
Change in scope	0	0	0	0	0	0	0	136	136	0	0	- 4	132
Total change	1	16	1	- 170	338	136	- 533	20	- 191	- 1 167	0	- 8	- 1 365
Balance at the end of the period	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
of which revaluation reserve for shares				323									
of which revaluation reserve for bonds				771									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to non-current assets held for sale and disposal groups				4	1	0		- 3	1				1
31-12-2014													
Balance at the beginning of the period (31-12-2013)	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
Net result for the period	0	0	0	0	0	0	1 762	0	1 762	0	0	0	1 763
Other comprehensive income for the period	0	0	0	722	- 871	- 198	1	79	- 268	0	0	0	- 268
Total comprehensive income	0	0	0	722	- 871	- 198	1 763	79	1 494	0	0	0	1 495
Dividends	0	0	0	0	0	0	- 39	0	- 39	0	0	0	- 39
Capital increase	1	17	0	0	0	0	0	0	19	0	0	0	19
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 167	0	- 167	- 333	0	0	- 500
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	0	- 6	0	- 6	0	1 400	0	1 394
Impact business combinations	0	0	0	0	0	0	- 2	0	- 2	0	0	0	- 2
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in scope	0	0	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	1	17	0	722	- 871	- 198	1 548	79	1 298	- 333	1 400	- 358	2 007
Balance at the end of the period	1 453	5 421	0	1 815	- 1 368	- 133	6 197	- 261	13 125	2 000	1 400	- 3	16 521
of which revaluation reserve for shares				370									
of which revaluation reserve for bonds				1 445									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to equity method				23	0	0		0	23				23

The changes in equity do not include any dividend or coupon for 2013 as none was paid out. For 2014, KBC foresees a dividend of 2 euros per share and a coupon on the core-capital securities to the Flemish Regional Government (will be deducted from reserves in 2015). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government. In 1Q2014, the placement of an additional tier-1 instrument for an amount of 1.4 billion euros positively contributed to the total equity. The quarterly coupon on this additional tier-1 instrument is presented as dividend (total -39 million euros in 2014).

During 2014, KBC executed a call on all of its Trust preferred securities which reduced the minority interests in equity for an amount of approximately -358 million euros.

In 2014, revaluation reserves (AFS assets) increased by 722 million euros mainly due to decreasing interest rates which positively contributed to reserves on bonds to the tune of 675 million euros (of which +123 million euros in 4Q 2014). There was also a slightly positive impact on reserves on shares to the tune of +47 million euros (of which +60 million euros in 4Q 2014). A negative effect, also for a large part linked to decreasing interest rates, of -871 million euros (of which -289 million euros in 4Q 2014) was noted on hedging reserves (cashflow hedges).

Consolidated cash flow statement

On 8 January 2014, KBC repaid 0.33 billion euros principal (plus a penalty of 50%) to the Flemish Regional Government. This impacted the net cash from financing activities to the tune of -0.5 billion euros.

Also in the first quarter of 2014, the issue of an additional tier-1 instrument in March 2014 impacted the net cash from financing activities to the tune of +1.4 billion euros. However, maturing senior unsecured debt and subordinated debt, more than counterbalanced this positive impact.

During the second quarter of 2014 a number of subordinated instruments were called which led to a negative impact of approximately -2.3 billion euros on net cash from financing activities.

The decision not to sell, but to wind down Antwerp Diamond Bank (ADB) (decided on 19 September 2014) had no significant effect on cash flows at the level of KBC Group and neither did the closure of the sale of KBC Bank Deutschland (closed at 30 September 2014).

Notes on statement of compliance and changes in accounting policies

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

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

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

IFRIC 21 (Levies) was endorsed by the European Union in June 2014 with application date as from 1 January 2015 and with retroactive application. As a result KBC will restate its comparable quarterly figures for 2014 (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 in 2015 will be that certain levies will need to be taken upfront which will negatively impact the first quarter results in 2015.

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

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

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

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

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

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

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

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

In addition to the figures according to IFRS, KBC provides figures aimed at giving more insight into the ongoing business performance. The resulting figures are called '*adjusted net result*' and are the current basis for the segment reporting.

This means that, over and above the IFRS profit and loss account, a reworked profit and loss account is provided, in which a limited number of non-operational items is excluded from the P/L and summarised into three lines at the bottom of the reporting presentation. Segment reporting is based on this reworked presentation.

These non-operational items are:

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

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

In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the net adjusted result of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking are recognised under 'net result from financial instruments at fair value', without any impact on net profit. This recognition is not done for the other business units due to materiality.

In millions of EUR	Business							Group Centre excl inter-segment eliminations	Inter-segment eliminations	KBC Group
	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland			
2013										
Net interest income	2 648	906	632	269	200	40	123	- 194	- 2	3 990
Non-life insurance before reinsurance	409	62	80	26	22	31	0	5	- 20	536
Earned premiums Non-life	955	170	155	59	26	70	0	- 1	- 21	1 259
Technical charges Non-life	- 546	- 108	- 75	- 32	- 3	- 40	0	6	0	- 723
Life insurance before reinsurance	- 274	25	4	- 10	10	3	0	5	- 2	- 242
Earned premiums Life	831	199	83	14	54	15	0	21	- 2	1 132
Technical charges Life	- 1 105	- 173	- 79	- 24	- 44	- 11	0	- 16	0	- 1 373
Ceded reinsurance result	- 6	4	- 9	- 3	- 2	- 4	0	6	0	- 5
Dividend income	40	0	0	0	0	0	0	0	0	41
Net result from financial instruments at fair value through profit or loss	544	82	90	77	19	1	- 7	62	0	779
Net realised result from available-for-sale assets	171	16	13	7	3	3	1	13	0	213
Net fee and commission income	1 061	185	204	159	43	1	- 4	19	5	1 473
Net other income	292	9	20	11	10	- 1	0	15	7	343
TOTAL INCOME	4 885	1 290	1 034	536	305	74	114	- 69	- 13	7 127
Operating expenses	- 2 249	- 622	- 715	- 379	- 180	- 52	- 102	- 225	13	- 3 798
Impairment	- 363	- 50	- 1 189	- 78	- 30	- 22	- 1 059	- 122	0	- 1 723
on loans and receivables	- 328	- 46	- 1 171	- 76	- 27	- 9	- 1 059	- 87	0	- 1 632
on available-for-sale assets	- 7	0	- 10	0	0	- 10	0	- 4	0	- 20
on goodwill	0	0	0	0	0	0	0	- 7	0	- 7
on other	- 28	- 3	- 8	- 2	- 3	- 3	0	- 25	0	- 64
Share in results of associated companies and joint ventures	0	29	1	1	0	0	0	0	0	30
RESULT BEFORE TAX	2 273	648	- 869	81	95	1	- 1 047	- 417	0	1 636
Income tax expense	- 703	- 93	15	- 15	- 25	1	55	120	0	- 662
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 570	554	- 853	66	70	2	- 992	- 297	0	974
Attributable to minority interests	0	0	0	0	0	0	0	14	0	14
ADJUSTED NET RESULT	1 570	554	- 853	66	70	2	- 992	- 311	0	960
Legacy CDOs	0	0	0	0	0	0	0	446	0	446
Own credit risk	0	0	0	0	0	0	0	- 43	0	- 43
Divestments	0	0	0	0	0	0	0	- 348	0	- 348
NET RESULT	1 570	554	- 853	66	70	2	- 992	- 256	0	1 015
2014										
Net interest income	2 877	860	677	274	210	43	149	- 150	4	4 268
Non-life insurance before reinsurance	374	75	68	27	20	21	0	13	- 19	512
Earned premiums Non-life	964	165	153	55	27	71	0	3	- 19	1 266
Technical charges Non-life	- 590	- 89	- 86	- 29	- 7	- 50	0	10	1	- 754
Life insurance before reinsurance	- 252	24	12	- 1	10	4	0	2	- 2	- 216
Earned premiums Life	1 004	160	84	15	53	16	0	2	- 2	1 247
Technical charges Life	- 1 256	- 136	- 71	- 16	- 43	- 12	0	0	0	- 1 463
Ceded reinsurance result	19	- 7	2	- 2	- 2	6	0	2	0	16
Dividend income	45	0	0	0	0	0	0	1	0	47
Net result from financial instruments at fair value through profit or loss	86	62	73	62	15	2	- 7	12	0	233
Net realised result from available-for-sale assets	109	9	16	14	2	0	0	11	0	144
Net fee and commission income	1 160	194	208	160	46	1	- 3	22	- 3	1 580
Net other income	269	18	- 227	- 225	0	0	- 2	- 3	5	62
TOTAL INCOME	4 688	1 235	828	307	301	77	138	- 90	- 14	6 647
Operating expenses	- 2 282	- 594	- 740	- 368	- 185	- 52	- 132	- 174	14	- 3 775
Impairment	- 251	- 36	- 284	- 49	- 18	- 10	- 207	- 44	0	- 615
on loans and receivables	- 205	- 34	- 273	- 47	- 17	- 10	- 198	- 42	0	- 554
on available-for-sale assets	- 27	0	0	0	0	0	0	- 1	0	- 29
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 19	- 3	- 11	- 1	0	0	- 9	0	0	- 33
Share in results of associated companies and joint ventures	- 1	23	0	0	0	0	0	3	0	25
RESULT BEFORE TAX	2 154	628	- 196	- 109	98	15	- 202	- 305	0	2 281
Income tax expense	- 638	- 100	14	15	- 24	0	23	71	0	- 652
Net post-tax result from discontinued operations	0	0	0	0	0	0	0	0	0	0
RESULT AFTER TAX	1 517	528	- 182	- 94	75	15	- 179	- 234	0	1 629
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
ADJUSTED NET RESULT	1 516	528	- 182	- 94	75	15	- 179	- 234	0	1 629
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	116	0	116
NET RESULT	1 516	528	- 182	- 94	75	15	- 179	- 100	0	1 762

Legacy CDOs: During 2014, KBC collapsed the remaining CDOs in its portfolio. When account is taken of the termination of the CDO guarantee scheme with the Belgian Federal Government and insurance from MBIA (a US monoline insurer), the decline of the corporate and ABS credit spreads, the reduction in the net exposure to legacy CDO positions, along with the termination costs, the total impact on KBC's income statement for 2014 came to a positive 16 million euros (post tax).

Divestments: The FY2014 impact is mainly due to the wind down of (instead of sell) Antwerp Diamond Bank, for which, as it is therefore no longer considered for treatment under IFRS 5, there was an impact in 3Q 2014 to the tune of +123 million euros after tax largely related to the reversal of the impairment recorded in 2012 and 2013 for the sale. Closing the sale for KBC Bank Deutschland (30 September 2014) had no significant impact.

Own credit risk: In FY2014, there was only limited influence on the results.

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

In millions of EUR	Business	Business	Business	<i>of which:</i> <i>Hungary</i>	<i>of which:</i> <i>Slovakia</i>	<i>of which:</i> <i>Bulgaria</i>	<i>of which:</i> <i>Ireland</i>	Group	KBC
	unit Belgium	unit Czech Republic	unit International Markets						
31-12-2013									
Deposits from customers & debt certificates excl. repos	97 051	21 834	14 472	5 878	4 583	544	3 466	17 123	150 480
Loans & advances to customers excluding reverse repos	81 673	15 684	21 261	3 864	4 248	612	12 537	1 080	119 698
Term loans excl. Reverse repos	40 566	6 279	5 612	1 772	1 488	242	2 111	1 048	53 506
Mortgage loans	31 146	6 522	13 925	1 548	1 722	236	10 419	24	51 617
Current accounts advances	1 847	19	586	262	324	0	0	0	2 451
Finance leases	3 200	359	484	92	385	0	7	0	4 044
Consumer credit	1 251	1 538	533	112	287	134	0	0	3 322
Other	3 663	967	121	80	41	0	0	8	4 758
31-12-2014									
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

Other notes

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

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
Total	1 008	1 120	1 123	4 077	4 308
Interest income	2 067	2 010	1 982	8 343	7 893
Available-for-sale assets	193	183	201	830	763
Loans and receivables	1 159	1 171	1 129	4 882	4 510
Held-to-maturity investments	274	271	241	1 054	1 006
Other assets not at fair value	3	8	8	14	22
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 628</i>	<i>1 633</i>	<i>1 578</i>	<i>6 781</i>	<i>6 301</i>
Financial assets held for trading	228	260	243	916	926
Hedging derivatives	124	77	111	467	459
Other financial assets at fair value through profit or loss	87	40	50	179	208
Interest expense	-1 060	- 890	- 860	-4 266	-3 586
Financial liabilities measured at amortised cost	- 512	- 438	- 360	-2 257	-1 691
Other	- 1	- 1	- 1	- 5	- 4
<i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i>	<i>- 513</i>	<i>- 439</i>	<i>- 361</i>	<i>-2 262</i>	<i>-1 695</i>
Financial liabilities held for trading	- 285	- 265	- 299	-1 097	-1 093
Hedging derivatives	- 155	- 161	- 148	- 679	- 639
Other financial liabilities at fair value through profit or loss	- 103	- 24	- 50	- 217	- 151
Net interest expense on defined benefit plans	- 4	- 1	- 3	- 12	- 7

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

In FY2014, the result from financial instruments at fair value through profit or loss was influenced by:

- Gains and losses on CDOs: During 2014, KBC collapsed the remaining CDOs in its portfolio. When account is taken of the termination of the CDO guarantee scheme with the Belgian Federal Government and insurance from MBIA (a US monoline insurer), the decline of the corporate and ABS credit spreads, the reduction in the net exposure to legacy CDO positions, along with the termination costs, the total impact on KBC's income statement for 2014 came to a positive 16 million euros (post tax).
- MtM ALM Derivatives, where fair value changes (due to mark-to-market accounting) of a large proportion of ALM hedging instruments (that are treated as trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. In FY2014, the net realised result from these financial instruments at fair value through profit or loss amounted to -201 million euros pre-tax (of which -7 million euros in 4Q 2014), as long-term interest rates decreased during 2014.

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

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
Total	29	28	22	252	150
Breakdown by portfolio					
Fixed-income securities	10	17	8	126	64
Shares	19	11	14	126	86

In FY2014, the net realised result from available-for-sale assets is for the largest part related to sales of shares at KBC Insurance.

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

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
Total	362	402	410	1 469	1 573
Fee and commission income	564	579	577	2 268	2 245
Securities and asset management	287	302	309	1 090	1 179
Margin on deposit accounting (life insurance investment contracts w without DPF)	13	26	22	103	89
Commitment credit	56	61	65	243	245
Payments	142	133	133	539	522
Other	66	57	48	293	209
Fee and commission expense	- 202	- 177	- 167	- 798	- 672
Commission paid to intermediaries	- 79	- 75	- 76	- 303	- 295
Other	- 123	- 101	- 91	- 496	- 377

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

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
Total	15	73	68	122	94
Of which net realised result following					
The sale of loans and receivables	- 57	1	1	- 157	3
The sale of held-to-maturity investments	8	0	1	8	1
The repurchase of financial liabilities measured at amortised cost	0	0	0	- 1	0
<i>Other: of which:</i>	64	72	67	272	90
Income concerning leasing at the KBC Lease-group	24	21	26	93	87
Income from Group VAB	15	16	19	65	69
Realised gains or losses on divestments	16	10	- 3	- 78	21
Legal interests	5	0	13	71	15
New law on retail loans (Hungary)	0	0	0	0	- 231
Legal settlement in 2Q14 of an old credit file	0	0	0	0	31

In 2Q 2014, there was an impact to the tune of -231 million euros pre-tax (-183 million euros after tax) due to

- the Hungarian act 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' (adopted by the Hungarian parliament on 4 July)
- the guidelines issued by the Hungarian Central Bank at the end of July.

For more information, see KBC's press release from 8 July 2014 on www.kbc.com.

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
2013				
Earned premiums, insurance (before reinsurance)	1 134	1 279	0	2 413
Technical charges, insurance (before reinsurance)	- 1 373	- 723	0	- 2 096
Net fee and commission income	12	- 229	0	- 217
Ceded reinsurance result	- 2	- 3	0	- 5
Operating expenses	- 128	- 242	0	- 370
Internal costs claim paid	- 8	- 59	0	- 67
Administration costs related to acquisitions	- 30	- 76	0	- 106
Administration costs	- 91	- 107	0	- 198
Management costs investments	0	0	0	0
Technical result	- 357	81	0	- 276
Net interest income			703	703
Dividend income			29	29
Net result from financial instruments at fair value			308	308
Net realised result from AFS assets			53	53
Net other income			- 46	- 46
Impairments			- 81	- 81
Allocation to the technical accounts	627	99	- 726	0
Technical-financial result	270	180	240	690
Share in results of associated companies and joint ventures			0	0
RESULT BEFORE TAX	270	180	240	690
Income tax expense				- 227
RESULT AFTER TAX				463
attributable to minority interest				0
attributable to equity holders of the parent				462
2014				
Earned premiums, insurance (before reinsurance)	1 249	1 286	0	2 535
Technical charges, insurance (before reinsurance)	- 1 463	- 755	0	- 2 218
Net fee and commission income	- 13	- 234	0	- 247
Ceded reinsurance result	- 2	18	0	16
Operating expenses	- 121	- 240	- 1	- 362
Internal costs claim paid	- 7	- 58	0	- 66
Administration costs related to acquisitions	- 30	- 79	0	- 109
Administration costs	- 84	- 103	0	- 187
Management costs investments	0	0	- 1	- 1
Technical result	- 350	74	- 1	- 276
Net interest income			675	675
Dividend income			40	40
Net result from financial instruments at fair value			42	42
Net realised result from AFS assets			96	96
Net other income			2	2
Impairments			- 34	- 34
Allocation to the technical accounts	620	101	- 721	0
Technical-financial result	270	176	99	544
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	270	176	102	547
Income tax expense				- 156
RESULT AFTER TAX				392
attributable to minority interest				0
attributable to equity holders of the parent				391

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2013 annual report).

Due to a presentation change in 12M 2013 figures, 75 million euros in net fee and commission income was transferred from the non-technical account to Life.

The technical result non-life was negatively impacted by severe hailstorms in Belgium in June 2014 for an amount of -41 million euros after reinsurance (pre-tax). Any additional claims had no further impact as these are covered by reinsurance.

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

In millions of EUR	4Q 2013	3Q 2014	4Q 2014	2013	2014
Total	- 940	- 58	- 193	- 1 927	- 506
Impairment on loans and receivables	- 937	- 190	- 158	- 1 714	- 587
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 961	- 190	- 147	- 1 673	- 676
Provisions for off-balance-sheet credit commitments	- 6	5	- 4	1	19
Portfolio-based impairments	30	- 5	- 7	- 42	70
Breakdown by business unit					
Business unit Belgium	- 65	- 64	- 73	- 328	- 205
Business unit Czech Republic	- 13	- 14	- 16	- 46	- 34
Business unit International Markets	- 821	- 63	- 62	- 1 171	- 273
<i>of which: Hungary</i>	- 43	- 11	- 13	- 76	- 47
<i>of which: Slovakia</i>	- 2	- 3	- 5	- 27	- 17
<i>of which: Bulgaria</i>	- 2	- 2	- 3	- 9	- 10
<i>of which: Ireland</i>	- 773	- 47	- 41	- 1 059	- 198
Group Centre	- 39	- 49	- 7	- 169	- 75
Impairment on available-for-sale assets	- 10	- 6	- 14	- 34	- 29
Breakdown by type					
Shares	- 10	- 6	- 14	- 24	- 29
Other	0	0	0	- 10	0
Impairment on goodwill	0	0	0	- 7	0
Impairment on other	7	139	- 21	- 173	109
Intangible assets, other than goodwill	- 2	0	- 23	- 2	- 23
Property and equipment and investment property	7	0	- 7	- 39	- 8
Held-to-maturity assets	0	0	0	0	1
Associated companies and joint ventures	0	0	0	0	0
Other	1	139	9	- 132	139

In 3Q 2014 KBC decided to wind down (instead of sell) Antwerp Diamond Bank. Since it is therefore no longer considered for treatment under IFRS 5 there was an impact on 'other – other' which includes the reversal of the impairment recorded in 2012 and 2013 for the sale.

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

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Pro forma
FINANCIAL ASSETS, 31-12-2013									
Loans and advances to credit institutions and investment firms ^a	5 100	1 596	0	9 571	-	-	-	16 267	16 294
Loans and advances to customers ^b	706	774	0	118 892	-	-	-	120 371	121 534
<i>Excluding reverse repos</i>	703	200	0	118 796	-	-	-	119 698	120 861
Discount and acceptance credit	0	0	0	605	-	-	-	605	605
Consumer credit	0	0	0	3 322	-	-	-	3 322	3 322
Mortgage loans	0	34	0	51 583	-	-	-	51 617	51 617
Term loans	696	697	0	52 786	-	-	-	54 179	55 125
Finance leasing	0	0	0	4 044	-	-	-	4 044	4 044
Current account advances	0	0	0	2 451	-	-	-	2 451	2 667
Securitised loans	0	0	0	0	-	-	-	0	0
Other	10	43	0	4 101	-	-	-	4 154	4 154
Equity instruments	283	8	1 579	-	-	-	-	1 870	1 868
Investment contracts (insurance)	-	12 745	-	-	-	-	-	12 745	12 745
Debt securities issued by	2 974	1 319	25 728	1 690	31 323	-	-	63 034	62 168
Public bodies	2 385	771	17 337	118	29 630	-	-	50 240	49 409
Credit institutions and investment firms	268	195	3 289	154	1 040	-	-	4 946	4 911
Corporates	321	353	5 102	1 418	654	-	-	7 848	7 848
Derivatives	7 823	-	-	-	-	777	-	8 600	8 603
Other	0	0	0	0	-	-	-	0	0
Total carrying value	16 885	16 441	27 307	130 153	31 323	777	0	222 887	223 212
^a Of which reverse repos								8 483	8 483
^b Of which reverse repos								673	673
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	
<i>Excluding reverse repos</i>	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	0	0	0	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	

As of 2Q 2014, in order to provide a more transparent product view, factoring is no longer included in the other loans and advances to customers (total impacted amount of 2.4 billion euros), but – together with the discount and acceptance credits – combined in trade receivables. Moreover, as of 4Q 2014, financial assets that are not directly related to commercial lending are included in other financial assets (previously other loans and receivables).

Pro forma: the figures of 31-12-2013 are presented pro forma for comparability reasons, whereby the figures of Antwerp Diamond Bank are added to the financial assets (shift from 'non-current assets held for sale and disposal groups') and the figures of Transformation fund (subsidiary of ČSOB (Czech Republic)) are deducted since it has been deconsolidated as from 3Q 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	Pro forma
FINANCIAL LIABILITIES, 31-12-2013									
Deposits from credit institutions and investment firms ^a	939	896	-	-	-	-	12 884	14 719	14 733
Deposits from customers and debt certificates ^b	3 634	12 248	-	-	-	-	145 253	161 135	160 182
<i>Excluding repos</i>	319	5 292	-	-	-	-	144 869	150 480	149 527
Deposits from customers	3 348	7 836	-	-	-	-	120 538	131 722	130 769
Demand deposits	0	50	-	-	-	-	38 999	39 049	39 277
Time deposits	3 347	7 786	-	-	-	-	43 837	54 970	54 973
Savings deposits	0	0	-	-	-	-	34 990	34 990	34 990
Special deposits	0	0	-	-	-	-	1 335	1 335	1 335
Other deposits	0	0	-	-	-	-	1 378	1 378	195
Debt certificates	286	4 412	-	-	-	-	24 715	29 413	29 413
Certificates of deposit	0	6	-	-	-	-	3 540	3 546	3 546
Customer savings certificates	0	0	-	-	-	-	473	473	473
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	286	3 763	-	-	-	-	14 869	18 919	18 919
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	643	-	-	-	-	5 832	6 475	6 475
Liabilities under investment contracts	-	11 787	-	-	-	-	0	11 787	11 787
Derivatives	8 161	-	-	-	-	1 678	-	9 838	9 844
Short positions	386	0	-	-	-	-	-	386	386
in equity instruments	40	0	-	-	-	-	-	40	40
in debt instruments	345	0	-	-	-	-	-	345	345
Other	0	0	-	-	-	-	1 556	1 556	1 556
Total carrying value	13 119	24 931	-	-	-	1 678	159 693	199 421	198 488
^a Of which repos								1 672	1 672
^b Of which repos								10 655	10 655
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	
<i>Excluding repos</i>	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	0	-	-	-	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	

Pro forma: the figures of 31-12-2013 are presented pro forma for comparability reasons, whereby the figures of Antwerp Diamond Bank are added to the financial liabilities (shift from 'liabilities related to disposal groups') and the figures of Transformation fund (subsidiary of ČSOB (Czech Republic)) are deducted since it has been deconsolidated as from 3Q 2014.

Additional information on quarterly time series

Loans and deposits

In millions of EUR	31-12-2013	31-03-2014	30-06-2014	30-09-2014	31-12-2014
Total customer loans excluding reverse repo					
Business unit Belgium	81 673	81 967	83 542	84 086	84 165
Business unit Czech Republic	15 684	15 424	15 586	15 899	16 216
Business unit International Markets	21 261	21 119	21 038	21 059	20 790
<i>of which: Hungary</i>	3 864	3 863	3 916	4 023	3 771
<i>of which: Slovakia</i>	4 248	4 342	4 436	4 464	4 578
<i>of which: Bulgaria</i>	612	603	623	664	666
<i>of which: Ireland</i>	12 537	12 311	12 064	11 908	11 776
Group Centre	1 080	1 095	1 096	2 157	1 990
KBC Group	119 698	119 606	121 262	123 202	123 161
Mortgage loans					
Business unit Belgium	31 146	31 183	31 347	31 518	32 318
Business unit Czech Republic	6 522	6 633	6 747	7 142	7 251
Business unit International Markets	13 925	13 833	13 844	13 715	13 561
<i>of which: Hungary</i>	1 548	1 520	1 511	1 511	1 320
<i>of which: Slovakia</i>	1 722	1 780	1 862	1 740	1 807
<i>of which: Bulgaria</i>	236	234	235	243	239
<i>of which: Ireland</i>	10 419	10 299	10 236	10 221	10 195
Group Centre	24	24	24	26	26
KBC Group	51 617	51 674	51 963	52 400	53 156
Customer deposits and debt certificates excl. repos					
Business unit Belgium	97 051	100 471	100 910	103 984	105 885
Business unit Czech Republic	21 834	22 025	22 390	21 385	22 047
Business unit International Markets	14 472	14 390	14 248	14 581	14 860
<i>of which: Hungary</i>	5 878	5 442	5 175	5 298	5 220
<i>of which: Slovakia</i>	4 583	4 555	4 547	4 748	4 856
<i>of which: Bulgaria</i>	544	547	553	565	600
<i>of which: Ireland</i>	3 466	3 846	3 973	3 970	4 185
Group Centre	17 123	14 152	13 231	11 448	11 187
KBC Group	150 480	151 039	150 778	151 399	153 979

Technical provisions plus unit linked, life insurance

Technical provisions , Life Insurance	31-12-2013		31-03-2014		30-06-2014		30-09-2014		31-12-2014	
In millions of EUR	Interest		Interest		Interest		Interest		Interest	
	Guaranteed	Unit Linked	Guaranteed	Unit Linked	Guaranteed	Unit Linked	Guaranteed	Unit Linked	Guaranteed	Unit Linked
Business unit Belgium	13 493	11 864	13 589	12 052	13 630	12 402	13 724	12 623	13 831	12 637
Business unit Czech Republic	530	546	527	526	520	507	517	502	491	483
Business unit International Markets	228	272	221	271	219	292	218	300	214	305
<i>of which: Hungary</i>	54	193	53	186	53	199	53	203	52	209
<i>of which: Slovakia</i>	139	78	133	84	129	92	129	96	126	96
<i>of which: Bulgaria</i>	35	1	36	1	36	1	36	1	36	1
Group Centre	54	65	0	0	0	0	0	0	0	0
KBC Group	14 304	12 747	14 338	12 848	14 369	13 201	14 460	13 425	14 535	13 425

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

For more details on how KBC defines and determines (i) fair value and the fair value hierarchy and (ii) level 3 valuations reference is made to notes 23 up to and including 26 of the annual accounts 2013.

Fair value hierarchy In millions of EUR	31-12-2013				31-12-2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 556	11 846	2 483	16 885	2 292	7 306	2 584	12 182
Designated at fair value	13 444	2 615	382	16 441	14 551	3 250	363	18 163
Available for sale	21 444	4 091	1 772	27 307	27 782	3 051	1 557	32 390
Hedging derivatives	0	777	0	777	0	1 104	0	1 104
Total	37 444	19 330	4 637	61 411	44 624	14 711	4 503	63 839
Financial liabilities measured at fair value								
Held for trading	374	10 088	2 658	13 119	327	5 746	2 376	8 449
Designated at fair value	11 787	12 600	543	24 931	12 552	10 932	424	23 908
Hedging derivatives	0	1 678	0	1 678	0	3 491	0	3 491
Total	12 161	24 365	3 201	39 728	12 879	20 170	2 800	35 848

In the course of FY2014, KBC de-risked its legacy CDO portfolio. This de-risking resulted in a decrease of the P/L sensitivity to a +50% credit spread widening from -92 million euros as at 31 December 2013 to an insignificant amount as at 31 December 2014. The remaining minor sensitivity is due to the fact that KBC is still the counterparty to and issuer of a further 0.3 billion euros worth of notes held by investors that will remain outstanding until November 2017. These notes may change in value primarily due to credit spread movements on the underlying portfolio.

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

In FY2014, 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 1.6 billion euros in financial instruments at fair value from level 2 to level 1. The majority of transfers from level 2 to level 1 consists of covered bonds (around 1 billion euros) because the market became more active for those instruments. The remaining part consists of government bonds (around 0.3 billion euros) and corporate bonds (around 0.2 billion euros) due to changed liquidity of these bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 26 in the annual accounts 2013)

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 31-12-2014, 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	1	0	342	2 141	24	5	0	352	300	1 472	0
Total gains/losses	0	0	0	17	253	1	0	0	0	41	- 11	0
in profit and loss*	0	0	0	17	253	1	0	0	0	4	- 24	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	37	13	0
Acquisitions	0	0	0	2	305	0	0	0	18	23	835	0
Sales	0	0	0	- 20	- 77	0	- 5	0	- 2	- 6	- 74	0
Settlements	0	0	0	- 61	- 312	- 3	0	0	- 16	- 1	- 464	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	110	0
Transfers out of level 3	0	0	0	- 31	0	0	0	0	0	0	- 687	0
Transfers 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	14	11	3	0	0	36	0	1	0
Changes in scope	0	0	0	0	0	0	0	0	- 22	- 3	- 20	0
Other	0	0	0	0	0	0	0	0	- 29	39	0	0
Closing balance	0	0	0	263	2 321	26	0	0	337	393	1 163	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	0	22	304	1	1	0	10	- 1	6	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	102	0	2 542	13	0	0	543	0	0	0	0
Total gains/losses	0	1	0	- 58	0	0	0	- 25	0	0	0	0
in profit and loss*	0	1	0	- 58	0	0	0	- 25	0	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	293	0	0	0	0	0	0	0	0
Repurchases	0	- 5	0	0	0	0	0	- 119	0	0	0	0
Settlements	0	- 66	0	- 452	- 13	0	0	0	0	0	0	0
Transfers into level 3	0	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	0
Transfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	7	0	10	0	0	0	23	0	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	0	41	0	2 335	0	0	0	424	0	0	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	0	0	329	0	0	0	- 8	0	0	0	0

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

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

in number of shares	31-12-2013	31-12-2014
Ordinary shares	417 364 358	417 780 658
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	417 364 358	417 780 658
<i>of which treasury shares</i>	802	488
Non-voting core-capital securities	79 096 044	67 796 608
Other information		
Par value per ordinary share (in EUR)	3,48	3,48
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted only on NYSE Euronext (Brussels). As mentioned in a press release on 23 October 2014 KBC decided to delist the shares of KBC Group NV from the Luxembourg Stock Exchange. Shareholders could trade their shares on the Luxembourg Stock Exchange until 26 September 2014.

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (*pari passu*) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual report 2013.

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

On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (583 million euros in total). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.

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

During the second quarter of 2014, KBC called all its Trust preferred securities for a total amount of 0.4 billion euros. On top of this, KBC also called two other classic subordinated Tier-1 securities, both from KBC Bank NV and for a total consideration of 1.95 billion euros (included in non-convertible subordinated liabilities – see note 18).

Capital increase: In December 2014, the group increased its equity by 14 million euros following the capital increase reserved for staff.

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

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

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

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

Company	Consolidation method	Ownership percentage at group level		Comments
For balance sheet comparison		31/12/2013	31/12/2014	
Additions				
None				
Exclusions				
Absolut Bank	Full	-----	-----	Sold in 2Q 2013
KBC Banka A.D.	Full	-----	-----	Sold in 4Q 2013
KBC Bank Deutschland AG	Full	100%	-----	Sold in 3Q 2014
Transformation fund Stabilita	Full	100%	-----	Deconsolidated in 3Q 2014
Name Changes				
KBC Ifima SA	Full	100,00%	100,00%	Before : KBC Internationale Financieringsmaatschappij NV
Changes in ownership percentage and internal mergers				
KBC Consumer Finance NV	Full	100%	-----	Merged with KBC Bank NV on 1 January 2014

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

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

Significant events between the balance sheet date (31 December 2014) and the publication of this report (12 February 2015): none.

KBC Group Risk and capital management 4Q 2014 and FY2014



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. Structured credit exposure is described separately. Information specifically on sovereign bonds can be found under 'note 47 (in the annual accounts 2013)'. The reference figures of the loan portfolio have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportional consolidation to equity method - for more information see note 1a of the Consolidated financial statements of this interim report.). Furthermore, all loans of Antwerp Diamond Bank (in wind-down) have been re-included in the reference figures, since the latter entity is no longer recognized as 'disposal group' under IFRS 5.

Credit risk: loan portfolio overview	31-12-2013 Pro forma	31-12-2014
Total loan portfolio (in billions of EUR)		
Amount granted	161	166
Amount outstanding ¹	135	139
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	64%
Czech Republic	13%	14%
International Markets	19%	18%
Group Centre	4%	4%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	13 871	13 692
of which: more than 90 days past due	8 086	7 676
Ratio of impaired loans, per business unit		
Belgium	4.7%	4.3%
Czech Republic	4.3%	3.8%
International Markets	33.0%	34.1%
Group Centre	10.6%	8.6%
Total	10.2%	9.9%
of which: more than 90 days past due	6.0%	5.5%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 521	5 709
of which: more than 90 days past due	4 046	4 384
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	40%	42%
of which: more than 90 days past due	50%	57%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	47%	51%
of which: more than 90 days past due	62%	70%
Credit cost, by business unit (%) ²		
Belgium	0.37%	0.23%
Czech Republic	0.26%	0.18%
International Markets	4.48%	1.06%
Slovakia	0.60%	0.36%
Hungary	1.50%	0.94%
Bulgaria	1.19%	1.30%
Ireland	6.72%	1.33%
Group Centre ³	2.40%	1.17%
Total ³	1.21%	0.41%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

2. Annualized credit cost.

3. Including IFRS 5 entities (ex KBC Bank Deutschland) the CCR per 31-12-2014 would be 0.42% for Group Centre and 1.17% for the Total.

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 report FY 2013 - 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									
31-12-2014, in millions of EUR									
	Belgium			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	83,780			5,280			89,060		
Counterparty break down	<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>		
SME / corporate	23,211	27.7%		5,280	100.0%		28,492	32.0%	
retail	60,569	72.3%		0	0.0%		60,569	68.0%	
o/w private	33,337	39.8%		0	0.0%		33,337	37.4%	
o/w companies	27,232	32.5%		0	0.0%		27,232	30.6%	
Mortgage loans (1)	<u>% outst.</u> <u>ind. LTV</u>			<u>% outst.</u> <u>ind. LTV</u>			<u>% outst.</u>		
total	32,276	38.5%	59%	0	0.0%	-	32,276	36.2%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w vintage 2007 and 2008	1,823	2.2%	-	0	0.0%	-	1,823	2.0%	
o/w ind. LTV > 100%	1,618	1.9%	-	0	0.0%	-	1,618	1.8%	
Probability of default (PD)	<u>% outst.</u>			<u>% outst.</u>			<u>% outst.</u>		
low risk (pd 1-4; 0.00%-0.80%)	62,650	74.8%		3,084	58.4%		65,734	73.8%	
medium risk (pd 5-7; 0.80%-6.40%)	15,643	18.7%		1,457	27.6%		17,100	19.2%	
high risk (pd 8-9; 6.40%-100.00%)	2,167	2.6%		144	2.7%		2,311	2.6%	
impaired loans (pd 10 - 12)	3,233	3.9%		592	11.2%		3,826	4.3%	
unrated	87	0.1%		3	0.1%		90	0.1%	
Overall risk indicators	<u>spec. imp.</u> <u>% cover</u>			<u>spec. imp.</u> <u>% cover</u>			<u>spec. imp.</u> <u>% cover</u>		
outstanding impaired loans	3,233	1,338	41.4%	592	286	48.3%	3,826	1,623	42.4%
o/w pd 10 impaired loans	1,483	261	17.6%	388	129	33.3%	1,871	390	20.8%
o/w more than 90 days past due (pd 11+12)	1,750	1,077	61.5%	204	156	76.5%	1,954	1,234	63.1%
all impairments (specific + portfolio based)	n.a.			n.a.			1,675		
o/w portfolio based impairments	n.a.			n.a.			51		
o/w specific impairments	1,338			286			1,623		
2013 Credit cost ratio (CCR)	n.a.			n.a.			0.37%		
2014 CCR	n.a.			n.a.			0.23%		

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		Czech republic		For information: ČMSS (consolidated via equity-method since 1Q14)	
31-12-2014, in millions of EUR				Czech Rep (ČMSS) (3)	
Total outstanding amount	18,775			2,498	
Counterparty break down		<u>% outst.</u>		<u>% outst.</u>	
SME / corporate	6,762	36.0%		79	3.2%
retail	12,012	64.0%		2,419	96.8%
o/w private	8,431	44.9%		2,404	96.2%
o/w companies	3,581	19.1%		15	0.6%
Mortgage loans (1)		<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>
total	7,682	40.9%	64%	1,862	74.5%
o/w FX mortgages	0	0.0%	-	0	0.0%
o/w vintage 2007 and 2008	1,262	6.7%	-	261	10.5%
o/w ind. LTV > 100%	202	1.1%	-	152	6.1%
Probability of default (PD)		<u>% outst.</u>		<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)	12,719	67.7%		1,705	68.2%
medium risk (pd 5-7; 0.80%-6.40%)	4,730	25.2%		552	22.1%
high risk (pd 8-9; 6.40%-100.00%)	466	2.5%		166	6.6%
impaired loans (pd 10 - 12)	706	3.8%		76	3.1%
unrated	154	0.8%		0	0.0%
Overall risk indicators (2)		<u>spec. imp.</u>	<u>% cover</u>	<u>spec. imp.</u>	<u>% cover</u>
outstanding impaired loans	706	382	54.2%	76	29
o/w pd 10 impaired loans	165	37	22.4%	25	2
o/w more than 90 days past due (pd 11+12)	541	345	63.9%	51	27
all impairments (specific + portfolio based)	412			32	
o/w portfolio based impairments	30			3	
o/w specific impairments	382			29	
2013 Credit cost ratio (CCR)	0.26%			n/a	
2014 CCR	0.18%			n/a	

Remarks

- (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
31-12-2014, in millions of EUR

	Ireland		Slovakia		Hungary		Bulgaria		Total Int Markets	
Total outstanding amount	14.498		5.065		5.089		794		25.446	
Counterparty break down	<u>% outst</u>		<u>% outst</u>		<u>% outst</u>		<u>% outst</u>		<u>% outst</u>	
SME / corporate	2.628	18,1%	2.113	41,7%	2.685	52,8%	322	40,5%	7.748	30,4%
retail	11.870	81,9%	2.952	58,3%	2.404	47,2%	472	59,5%	17.698	69,6%
o/w private	11.870	81,9%	2.377	46,9%	1.892	37,2%	284	35,8%	16.422	64,5%
o/w companies	0	0,0%	576	11,4%	512	10,1%	188	23,7%	1.276	5,0%
Mortgage loans (1)	<u>% outst</u> <u>ind. LTV</u>		<u>% outst</u> <u>ind. LTV</u>		<u>% outst</u> <u>ind. LTV</u>		<u>% outst</u> <u>ind. LTV</u>		<u>% outst</u> <u>ind. LTV</u>	
total	11.870	81,9% 102%	1.979	39,1% 59%	1.731	34,0% 94%	138	17,4% 69%	15.718	61,8% 69%
o/w FX mortgages	0	0,0% -	0	0,0% -	1.285	25,2% 105%	76	9,5% 69%	1.360	5,3% -
o/w vintage 2007 and 2008	4.208	29,0% -	158	3,1% -	863	17,0% -	37	4,6% -	5.267	20,7% -
o/w ind. LTV > 100%	5.390	37,2% -	0	0,0% -	695	13,7% -	10	1,3% -	6.095	24,0% -
Probability of default (PD)	<u>% outst</u>		<u>% outst</u>		<u>% outst</u>		<u>% outst</u>		<u>% outst</u>	
low risk (pd 1-4; 0.00%-0.80%)	709	4,9%	3.372	66,6%	2.288	45,0%	97	12,2%	6.466	25,4%
medium risk (pd 5-7; 0.80%-6.40%)	5.059	34,9%	1.156	22,8%	1.747	34,3%	385	48,5%	8.347	32,8%
high risk (pd 8-9; 6.40%-100.00%)	1.185	8,2%	268	5,3%	359	7,1%	72	9,1%	1.884	7,4%
impaired loans (pd 10 - 12)	7.544	52,0%	215	4,3%	689	13,5%	223	28,1%	8.672	34,1%
unrated	0	0,0%	55	1,1%	6	0,1%	16	2,0%	77	0,3%
Overall risk indicators (2)	<u>spec. imp.</u>	<u>% cover</u>	<u>spec. imp.</u>	<u>% cover</u>	<u>spec. imp.</u>	<u>% cover</u>	<u>spec. imp.</u>	<u>% cover</u>	<u>spec. imp.</u>	<u>% cover</u>
outstanding impaired loans	7.544	2.822 37,4%	215	105 48,9%	689	388 56,3%	223	91 40,6%	8.672	3.406 39,3%
o/w pd 10 impaired loans	3.630	799 22,0%	57	14 24,4%	130	49 37,2%	28	1 5,0%	3.845	863 22,4%
o/w more than 90 days past due (pd 11+12)	3.914	2.023 51,7%	159	91 57,6%	559	339 60,7%	195	89 45,7%	4.826	2.543 52,7%
all impairments (specific + portfolio based)	2.909		116		405		92		3.522	
o/w portfolio based impairments	87		11		17		2		116	
o/w specific impairments	2.822		105		388		91		3.406	
2013 Credit cost ratio (CCR)	6,72%		0,60%		1,50%		1,19%		4,48%	
2014 CCR	1,33%		0,36%		0,94%		1,30%		1,06%	

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 31-12-2014, in millions of EUR	Total Group Centre (mainly KBC Finance Ireland, KBC Credit Investments and Antwerp Diamond Bank (in wind-down))
--	---

Total outstanding amount	5,650		
Counterparty break down		<u>% outst.</u>	
SME / corporate	5,648	100.0%	
retail	2	0.0%	
o/w private	2	0.0%	
o/w companies	0	0.0%	
Mortgage loans (1)		<u>% outst.</u>	<u>ind. LTV</u>
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)		<u>% outst.</u>	
low risk (pd 1-4; 0.00%-0.80%)	2,310	40.9%	
medium risk (pd 5-7; 0.80%-6.40%)	2,239	39.6%	
high risk (pd 8-9; 6.40%-100.00%)	580	10.3%	
impaired loans (pd 10 - 12)	488	8.6%	
unrated	32	0.6%	
Overall risk indicators (2)		<u>spec. imp.</u>	<u>% cover</u>
outstanding impaired loans	488	297	60.9%
o/w pd 10 impaired loans	134	35	26.2%
o/w more than 90 days past due (pd 11+12)	355	262	74.0%
all impairments (specific + portfolio based)	315		
o/w portfolio based impairments	18		
o/w specific impairments	297		
2013 Credit cost ratio (CCR)	2.90%		
2014 CCR	1.17%		

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

Structured credit exposure

Standing at more than 25 billion euros in 2008, KBC has fully scaled down its CDO portfolio with the last action taking place in September 2014 by collapsing the last two remaining CDOs originated by KBC FP. These collapses ended the guarantee agreement with the Belgian State for KBC and completely eliminates the group's exposure to MBIA.

For the record, KBC wishes to point out that it is the counterparty to and issuer of a further 0.25 billion euros' worth of CDO notes issued by KBC FP and held by third-party investors that will remain outstanding until November 2017. Consequently, negligible movements may yet be recorded in KBC's income statement in the coming quarters based on changes in the value of these notes (due primarily to credit spreads on the underlying portfolio). For more information, see the press release of 1 October 2014 on www.kbc.com.

Since 2008, KBC has a tight strategy in place related to structured credit products and gradually imposed a moratorium on all origination and investment activity in CDOs and ABS. In 4Q13 KBC decided to lift the strict moratorium on investments in ABS and to allow new treasury investments in high quality ABS. This allows a further diversification of the investment portfolios. Important to note is that the moratorium on investments in synthetic securitizations or re-securitisations continues to exist.

The total amount of these treasury investments stands at 1.0 billion euros as at 31 December 2014. Next to the treasury ABS, (i) a portfolio for an amount of 0.7 billion euros of other (legacy) ABS and (ii) a small portfolio of below 0.1 billion euros not by KBC FP originated CDOs continue to exist. In KBC's treasury portfolio, investments to the tune of 0.1 billion euros were done in RMBS and other ABS assets.

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

Solvency KBC Group

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

In addition to this calculation method, KBC has to disclose also the capital adequacy ratio as calculated in accordance with the 'building block' method. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%.

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

KBC's own minimum target for the common equity ratio is 10.5% on a fully loaded basis (presuming full implementation of all CRDIV/CRR rules and including the remaining Flemish government support until 2018). KBC's fully loaded common equity ratio stood at 14.3% as at the end of December 2014 (and based on a phased-in basis: 14.4%).

Moreover, the supervisory authorities, with the NBB as the consolidating supervisor, have requested KBC to minimally uphold a fully loaded common equity ratio, excluding latent gains, of 9.25%. According to this calculation, KBC's fully loaded common equity ratio stood at 13.6% as at the end of December 2014.

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 80% of the weighted credit risks, of which approx. 68% according to Advanced and approx. 12% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 20%) 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	31-12-2013	31-12-2014
Danish compromise - Fully loaded		
Total regulatory capital, KBC Group (after profit appropriation)	16 258	16 688
Tier-1 capital	11 711	14 476
Common equity	11 711	13 076
Parent shareholders' equity (after deconsolidating KBC Insurance)	11 361	12 592
Non-voting core capital securities	2 333	2 000
Intangible fixed assets (incl deferred tax impact) (-)	- 341	- 334
Goodwill on consolidation (incl deferred tax impact) (-)	- 950	- 769
Minority interests	- 3	- 3
Hedging reserve (cash flow hedges) (-)	497	1 391
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 6	- 21
Value adjustment due to the requirements for prudent valuation (-)	0	- 92
Equalization reserve (-)	- 131	0
Dividend payout (-)	0	- 836
Remuneration of government securities (-)	0	- 171
Remuneration of AT1 instruments (-)	0	- 2
Deduction re. financing provided to shareholders (-)	- 176	- 159
IRB provision shortfall (-)	- 225	- 225
Deferred tax assets on losses carried forward (-)	- 648	- 297
Additional going concern capital	0	1 400
Grandfathered innovative hybrid tier-1 instruments	0	0
Grandfathered non-innovative hybrid tier-1 instruments	0	0
CRR compliant AT1 instruments	0	1 400
Minority interests to be included in additional going concern capital	0	0
Tier 2 capital	4 547	2 212
IRB provision excess (+)	342	375
Subordinated liabilities ¹	4 206	1 837
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier 2 capital	0	0
Capital requirement		
Total weighted risk volume ^{2,3,4}	91 216	91 236
Banking	80 189	80 232
Insurance	11 068	10 897
Holding activities	72	191
Elimination of intercompany transactions	- 113	- 85
Solvency ratios		
Common equity ratio	12,8%	14,3%
Tier-1 ratio	12,8%	15,9%
Total capital ratio	17,8%	18,3%

1. The decrease in subordinated liabilities is amongst other things the result of the call of almost all KBC's classic subordinated instruments.
2. Until 30 September 2014, KBC Group's RWA included a yearly decreasing amount of RWA for residual operational risks related to KBL EPB (sold in 2012). As of 31 December 2014, no RWA for residual operational risk related to KBL EPB are included anymore.
3. The reference figures on total weighted risk volume have been restated to account for the different treatment of the joint venture ČMSS in the Czech Business Unit (from proportionate consolidation to equity method - for more information see note 1a of the Consolidated financial statements of this interim report.).
4. As from 1Q 2014 the RWA methodology changed whereby the 'carve out' of the home-country sovereign bonds (risk weighting these at zero percent) was not applied anymore. This change increased RWA by approximately 4.4 billion euros as calculated based on positions as at the end of 2013.

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

Overview of KBC Group CET ratio In Millions of EUR - 31-12-2014	Danish Compromise		Building Block Method	
	Fully loaded	Phased-in	Fully loaded	Phased-in
Common equity	13 076	12 684	13 270	11 748
Total Weighted risk volume	91 236	88 382	92 596	89 742
Common equity ratio	14,3%	14,4%	14,3%	13,1%

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel III/CRD IV Danish Compromise for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance as at 31-12-2013 can be found in their consolidated financial statements and in the KBC Risk Report on www.kbc.com.

Solvency, KBC Bank consolidated (in millions of EUR) - Fully loaded	31-12-2013	31-12-2014
Total regulatory capital, after profit appropriation	14 400	14 154
Tier-1 capital	9 602	11 132
Of which common equity	9 602	9 727
Tier-2 capital	4 797	3 021
Total weighted risks	79 822	80 232
Credit risk	64 776	67 197
Market risk	4 308	2 424
Operational risk	10 738	10 611
Solvency ratios		
Common equity ratio	12,0%	12,1%
Tier-1 ratio	12,0%	13,9%
Total capital ratio	18,0%	17,6%
Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2013	31-12-2014
Available capital	2 721	3 166
Required solvency margin	968	981
Solvency ratio and surplus		
Solvency ratio (%)	281%	323%
Solvency surplus (in millions of EUR)	1 753	2 185