Annual Report for 2015

To the reader

Company name

KBC', 'the group', 'we' or 'KBC Bank' as used in this annual report refer (unless otherwise indicated) to the consolidated bank entity, i.e. KBC Bank NV including all group companies included in the scope of consolidation. KBC Bank NV' refers solely to the non-consolidated entity. The 'Company annual accounts' section deals only with the non-consolidated entity.

Difference between KBC Bank and KBC Group

KBC Bank NV is a subsidiary of KBC Group NV. The KBC group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, viz. KBC Bank NV and KBC Insurance NV. All KBC Bank NV shares are owned (directly and indirectly) by KBC Group NV. A number of KBC Bank NV's debt instruments are exchange-listed. Everywhere where mention is made of KBC Group or the KBC group in this annual report, KBC Group NV is meant, including all group companies included in the scope of consolidation.

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this annual report are based on assumptions and assessments made when drawing up this report. By their nature, forward-looking statements involve uncertainty. Various factors could cause actual results and developments to differ from the initial statements.

Translation

This annual report is available in Dutch and English. The Dutch version is the original and the English-language version an unofficial translation. KBC warrants that every reasonable effort has been made to avoid any discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

Articles 96 and 119 of the Belgian Companies Code

These articles specify the minimum content of company and consolidated financial statements required by law. This information has been incorporated into the different sections of the 'Report of the Board of Directors', which also contains additional, non-compulsory information. To avoid repetition, reference is sometimes made to information presented in other sections of this report. Pursuant to Article 119, KBC Bank NV has combined the reports for its company and consolidated financial statements. The Risk Report and the www.kbc.com website referred to in certain sections do not form part of the annual report.

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Ratios used

See 'Additional information'.

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Report of the Board of Directors

Group profile

Statement by the Chairman of the Board of Directors and the Chief Executive Officer

Was 2015 a good year for KBC?

Thomas Leysen: It certainly was a good year. In fact, it was the first time in recent years that we were able to concentrate fully on our core activities after having spent a substantial amount of our time previously on the divestment plan agreed with the European Commission. At the same time, we're committed to heeding the lessons learned from the financial crisis. We've slimmed down, we've improved our risk profile considerably over the past few years and, above all, we've returned to the essence of what we do – bank-insurance in a carefully considered selection of European countries. Our results illustrate that it's working. We've taken another step towards realising our objective of becoming the reference for bank-insurance in all our core markets. In other words, we're prepared for the future.

Our net profit came to 2.2 billion euros. What were the most important contributors to that figure?

Johan Thijs: We saw a fine 7% rise in our income, with just about every one of our group's activities contributing to this performance. Despite the climate of low interest rates, net interest income remained around the same level as last year. Our net fee and commission income grew by an impressive 7%, thanks primarily to our asset management activities. All the other income items combined were – on balance – almost double their level of 2014. The quality of our loan portfolio continued to improve and the amount of provisioning required was much lower than in 2014, due in part to a significant improvement in Ireland. We also wrote down goodwill on a number of participating interests. Our costs remained well under control and, as a result, the cost/income ratio stood at an excellent 55% at year-end. On top of that, the liquidation of a group company had a net positive impact of 765 million euros, which brought our total net profit for 2015 to 2.2 billion euros – an excellent performance to be proud of and one for which we're genuinely grateful to our clients and employees.

KBC Group, KBC Bank's parent company, has repaid the state aid in full, before the originally agreed deadline.

Thomas Leysen: That's right. KBC Group repaid the 2 billion euros in outstanding state aid in full at the end of 2015, plus a 50% penalty, to the Flemish Regional Government. That was considerably earlier than originally agreed with Europe. We remain grateful for the support we received when our group was in difficulty and also for the government's belief in our resilience. At the same time, the government – and by extension society – has received an attractive gain from the aid operations. I'd also like to add that our solvency position remains extremely strong, even after the repayment of state aid.

Will we now embark on a fresh round of acquisitions?

Johan Thijs: Our focus is clearly on our current set of core countries and on further optimising our position there. We therefore do not intend to expand our geographical presence as it now stands. We're concentrating instead on organic growth in these countries, with the specific aim of growing our core businesses - banking, leasing, asset management, etc. - in a profitable way. What that means in Belgium's case, for instance, is that we have launched KBC Brussels and have continued to roll out our growth strategy for CBC in Wallonia. If opportunities to make acquisitions in these core countries present themselves, we will definitely consider them, but only if they fit in with our strategy and satisfy clear and stringent financial criteria. A good example of this is our acquisition of Volksbank Leasing Slovakia, which allowed us to strengthen our position on the Slovakian leasing market.

Will market conditions remain challenging?

Thomas Leysen: Competition is extremely tough and will remain so, not only from the traditional players, but also from online banks and e-commerce businesses in general. We will continue therefore to focus on new products and services, so that we can offer our clients innovative solutions. The climate of low interest rates is also impacting our current and future levels of interest income. We have responded to this, but the possibilities are finite. To reduce our dependence on interest margins, we will continue to diversify our income, including through such sources as our investment funds and investment-type insurance products. We will also ensure that our costs are kept under control and will continue to reduce complexity in all layers of the organisation.

What does corporate sustainability mean to you?

Thomas Leysen: To us, sustainability means focusing on our long-term performance, placing the client's interests at the heart of everything we do, embedding our operations in a framework of stringent risk management, being responsive to society's expectations and maintaining a dialogue with our stakeholders.
We also view transparent reporting as an important part of sustainability that takes account of all our stakeholders. In other words, we will continue along the path we started last year, which means working pragmatically towards the integrated reporting of financial and non-financial information, with considerable attention being paid to the principle of brevity. The reason for this is simple: if a report goes into too much detail, hardly anyone will read it, which defeats the whole purpose of publishing it.

Will digitisation continue to grow in importance?

Johan Thijs: We're committed to putting the client at the heart of what we do. Specifically, this means adopting a proactive approach to meet our clients' needs in terms of financial products. What's more, their preferences and behaviour are instrumental in determining how we cater for them. Our various distribution channels, our branches, our call centre, our online applications and our mobile apps are all being seamlessly integrated, which gives clients the freedom to choose how to contact KBC whenever it suits them. Besides having an extensive network of bank branches and insurance agencies, we're fully committed in our strategy to digitisation. Digitisation of our products and processes allows us to make it easier and more convenient for clients to access us 24/7. The world we live in is changing at a very fast pace because of digitisation and the financial sector is no exception to this transformation. We are now busily preparing for this new future.

How did the economy perform in 2015 and what do you expect to see in 2016?

Thomas Leysen: The world economy was split in 2015 between developed economies and emerging markets. Growth in the euro area was driven by consumer spending, thanks primarily to lower energy and commodity prices, and a further improvement in the labour market. Looser budget policy, additional monetary easing by the ECB and the weaker euro were factors that also contributed to this situation. The emerging economies were adversely affected by low commodity prices and the prospect of a first interest-rate hike in the US, which in fact materialised in December.
We expect this trend to continue in 2016 and that, on balance, global economic growth will pick up slightly, as well. So, we are looking ahead with a sense of confidence. We have tightened up our strategy, set our long-term goals and are now fully focused on the further development of our bank-insurance group. Paramount in this regard is putting the client firmly centre stage.

We hope you enjoy our annual report.

Johan Thijs
Chief Executive Officer

Thomas Leysen
Chairman of the Board of Directors

Area of operation and activities

KBC Bank is a multi-channel bank catering mainly for retail, private banking, SME and mid-cap clients. Geographically, we focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We are also present in Ireland and, to a limited extent, elsewhere in the world, primarily to support corporate clients from our core markets.

Summary of the main events in 2015 and at the beginning of 2016

- January 2015: launch of ‘KBC Brussels’, KBC and CBC’s commercially autonomous joint brand, which is aimed at people who live and/or work in Brussels.
- July 2015: agreement on the acquisition of Volksbank Leasing Slovakia.
- August 2015: publication of first-half results (net profit of 895 million euros).
- October 2015: announcement of sale of the stake in Union KBC Asset Management in India.
- November 2015: launch of our new corporate website (www.kbc.com).
- November 2015: announcement that KBC would liquidate KBC Financial Holding Inc., triggering inter alia the recognition of a deferred tax asset and leading to a net positive impact on the results of 765 million euros.
- November 2015: announcement of the ECB’s new minimum capital requirements for 2016 (a common equity ratio of at least 9.75%, phased-in). In addition to that is the National Bank of Belgium’s new capital buffer for systemically important banks (an additional 0.5% in common equity for 2016 to be built up over three years on a straight-line basis to 1.5% in 2018).
- December 2015: KBC Group (KBC Bank's parent company) repays the final outstanding instalment of 2 billion euros of state aid (plus a 50% penalty) to the Flemish Regional Government.

More detailed information on the events summarised above can be found in the relevant sections.

Shareholders

Shareholder structure (31-12-2015)	Number of shares
KBC Group NV	915 228 481
KBC Insurance NV	1
Total	915 228 482

All shares carry voting rights. The shares are not listed.

Network and personnel

Network and personnel	
Bank branches (31-12-2015)	
Belgium	783
Central and Eastern Europe (the four home markets of the Czech Republic, Slovakia, Hungary and Bulgaria)	750
Rest of the world	27
Number of staff (2015 average in FTEs)	approx. 27 000

Financial calendar

Financial communication is largely organised at KBC Group level. Financial information relating to KBC Bank is available at www.kbc.com/Investor Relations/Information on KBC Bank.

Financial calendar for KBC Group and KBC Bank	
FY2015	Earnings release for KBC Group: 18 February 2016
	KBC Group Annual Report for 2015 and Risk Report for 2015 available: 31 March 2016
	KBC Bank Annual Report for 2015 available: 31 March 2016
	AGM of KBC Bank: 27 April 2016
	AGM of KBC Group: 4 May 2016
1Q2016	Earnings release for KBC Group: 12 May 2016
2Q2016/1H2016	Earnings release for KBC Group: 11 August 2016
	Earnings release for KBC Bank: 31 August 2016
3Q2016/9M2016	Earnings release for KBC Group: 17 November 2016

The most up-to-date version of the financial calendar is available at www.kbc.com.

Long-term credit ratings

The table shows the long-term and short-term credit ratings of KBC Bank NV.

Credit ratings for KBC Bank (17 March 2016)	long-term ratings	short-term ratings
Fitch	A- (stable outlook)	F1
Moody's	A1 (stable outlook)	P-1
Standard & Poor's	A (negative outlook)	A-1

Please refer to the respective credit rating agencies for definitions of the different ratings and methodologies.

Our business model

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the business model of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business.

For more detailed information, please see the 2015 annual report for the KBC group.

How do we create value? (KBC Group)

In our capacity as a bank, we provide a range of savings accounts and other savings and investment products to ensure that our clients can save and invest in a well-informed manner. In this way, every client can grow their assets in keeping with their personal risk profile, and call on the expertise of our staff to assist them. We also see it as our task to contribute to general financial education and have taken a variety of initiatives in that field.

We use the money acquired through deposits to provide loans to individuals and businesses, thereby putting that money to productive use in society. As a lender, we enable people to build a house or buy a car, for instance, and to create and grow businesses. We also invest in the economy indirectly through our investment portfolio. Besides loans to individuals and businesses, we fund specific sectors and target groups, such as the social profit sector. We also provide funding to infrastructure projects that have a major impact on the domestic economy, and we contribute to the development of green energy projects.

The intermediation we provide as a deposit-taker and a lender ultimately means that we assume our clients' risks for them. Our highly developed risk and capital management know-how allows us to manage those risks.

As an insurer (via our sister company, KBC Insurance), we enable our clients to operate free of worry and to limit their risks.

The relevance of insurance for the economy and for society as a whole speaks for itself. It is the ideal means of covering the risks associated with activities that are essential in our day-to-day lives. For instance, without car insurance, goods and

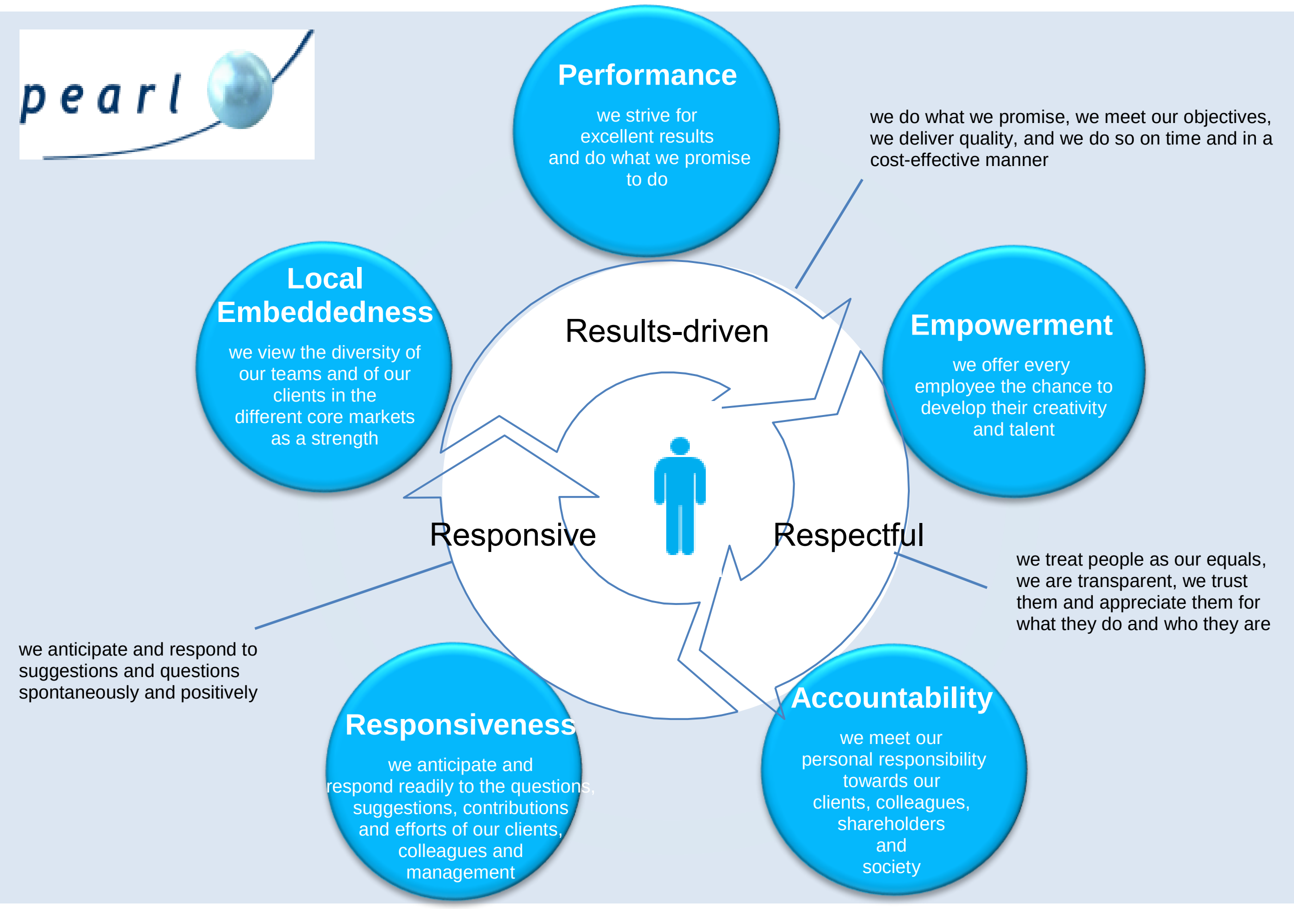
people would not be transported; without public liability insurance, businesses could not be run; without fire insurance, property would not be protected; without industrial accident insurance, people would not be protected at work; and without income and health insurance, health care would become unaffordable.
What's more, we have a tradition going back many years of working closely with organisations involved in road safety, welfare and victim assistance, and, as an insurer, we are totally committed to 'prevention'. Preventing human suffering and focusing on values such as safety, security, health and concern for victims are just some of the social objectives we have set ourselves, which is reflected in initiatives like our awareness-raising campaigns.

We also offer our clients a variety of other financial services that are indispensable in everyday life, including payments, cash management, trade finance, leasing, corporate finance, and money and capital market products. In this way too, we contribute to the economic system.

We contribute significantly to employment in all our core markets. We recognise that we have a significant direct impact on the lives of our people. Therefore, we offer them a fair reward for the work they do, thereby contributing to the welfare of the countries in which we operate. We also offer them development opportunities and the means to maintain the best possible work-life balance. What's more, as a major local player in each of our core countries, we form part of the economic and social fabric in those countries. We take account of this in our activities, and we take a range of initiatives to support local communities.

What makes us who we are? (KBC Group)

Our business culture and values define how we work towards our goal of becoming the reference as bank-insurer and contributing positively to society. We have summed up our business culture in the acronym 'PEARL' – Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness – to define our business culture. We also encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the following diagram.



It goes without saying that we monitor how embedded our culture and values are among our staff. We have appointed a dedicated PEARL manager to ensure that all our employees are thoroughly imbued with these values. The PEARL manager reports on a regular basis to our Group CEO, ensuring that senior management is aware of the extent to which PEARL is known, practised by and embedded within our group.

Besides our culture and our values, our business model is characterised by a number of highly specific elements that set us apart from our competitors, such as our integrated bank-insurance model and our focus on a number of specific countries. The table below goes into this in greater depth.

The specific characteristics of our business model (KBC Group)

What differentiates us from our peers

Our integrated bank-insurance model

We offer an integrated response to our clients' banking and insurance needs. Our organisation is similarly integrated, with most services operating at KBC Group level and the group managed in an integrated style. Our integrated model offers the client the benefit of a comprehensive, one-stop financial service that allows them to choose from a wider, complementary and optimised range of products and services. It offers the group benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, and significant cost-savings and synergies.

Our strong geographical focus

We focus on our core markets of Belgium, the Czech Republic, Hungary, Slovakia and Bulgaria. As a result, we now operate in a mix of mature and growth markets, taking advantage in the latter of the catch-up potential for financial services. Our focus in Ireland is on raising profitability by expanding our retail business there. We have a limited presence elsewhere in the world to support activities in our core markets.

Our focus on local responsiveness

We want to build sustainable local relationships with private individuals, SMEs and mid-caps in our core countries. Local responsiveness is very important to us in that regard. It means we know and understand our local clients better, that we pick up signals effectively and respond to them proactively, and that we offer products and services tailored to these local needs. It also means that we focus on the sustainable development of the markets and communities in which we operate.

The shareholder structure of KBC Group

A special feature of the shareholder structure of KBC Group is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which held just over 40% of the shares at the end of 2015. These shareholders act in concert, thereby ensuring shareholder stability and the further development of our group. KBC Bank is wholly owned by KBC Group.

Our strengths

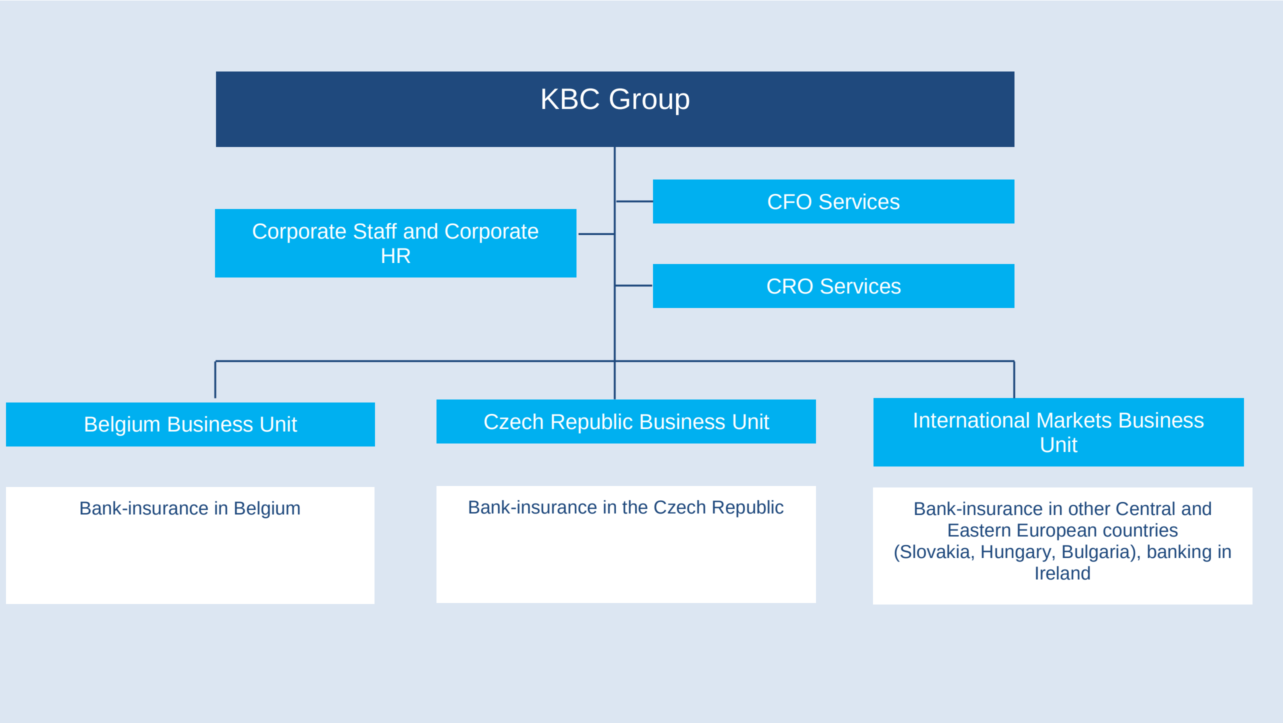
A well-developed bank-insurance strategy, which enables us to respond immediately to our clients' needs	Strong and finely meshed commercial banking and insurance franchises in Belgium and the Czech Republic, with solid returns	Further turnaround potential of the International Markets Business Unit	Successful track record of underlying business results	Solid capital position and historically strong liquidity	Firmly embedded in the local economies of our core countries

Our challenges

Macroeconomic environment characterised by low interest rates, demographic ageing and increased nervousness	Stricter regulation in areas like client protection and solvency	Competition, new players in the market, new technologies and changing client behaviour	Increasing cyber crime	Public image of the financial sector

We have aligned the governance of our group with our strategic choices and our business model, and have ensured that our structure supports effective decision-making and individual accountability.

For that reason, our group (both KBC Group and KBC Bank) is structured around three business units, which focus on local activities and are expected to contribute to sustainable earnings and growth. The business units are Belgium, the Czech Republic and International Markets (Slovakia, Hungary, Bulgaria and Ireland). A more detailed description of each business unit (and the Group Centre) can be found in the 'Review of the business units' section.



The *Board of Directors* is responsible for defining our group's strategy, general policy and risk appetite. It is supported by several specialised committees, namely the Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee. The role and activities of these committees are dealt with in the 'Corporate governance statement' section.

The *Executive Committee* is responsible for the operational management of the group within the confines of the general strategy approved by the board. In view of its responsibility for financial policy and risk management, the Executive Committee also includes a *chief financial officer* (CFO) and *chief risk officer* (CRO) among its ranks.

Detailed information on our remuneration policy for senior management can be found under 'Remuneration report' in the 'Corporate governance statement' section of the KBC Group annual report. The principle underpinning our remuneration policy for senior management – and indeed for all our staff – is that good performance deserves to be rewarded. It is only fair that every employee who works hard is properly rewarded for their efforts, including by means of (limited) variable remuneration.

In what environment do we operate? (KBC Group)

The world economy, the financial markets and other macroeconomic and demographic developments can strongly influence our results. The same goes for technological changes and intensifying and evolving competition. Regulation, moreover, continues to grow and tighten, which affects our operations and capital management. Cyber threats have also become a major concern in an increasingly more digitised world. Each of these challenges is dealt with in the following overview.

The specific risks associated with our core bank-insurance business – including credit risk, market risk and technical insurance risk – are discussed in brief under 'We aim to achieve our ambitions within a stringent risk management framework' in the 'Our strategy' section, and at greater length in the 'Risk management' and 'Capital adequacy' sections.

The world economy in 2015

The world economy was marked by encouraging growth in developed countries and hesitant growth in emerging markets. Falling oil and commodity prices served to boost purchasing power for developed-world consumers, but resulted in a loss of income for producer nations. Uncertainty as to the sustainability of the Chinese growth model also had a significant impact. Within the euro area, Spain and Ireland experienced a vigorous recovery and there was little threat to financial stability, even during the summer when Greece found itself on the brink of a single currency exit. Generally speaking, weak investment growth in the euro area remained the Achilles heel. Low inflation and jittery financial markets led to shifting expectations in terms of the Fed raising interest rates for the first time in many years, something which eventually happened at the end of the year. With fear of deflation in the euro area in the background, the ECB took a step in the opposite direction in March, when it further eased its policy by announcing a fresh bond-purchasing programme, targeted primarily at government paper. German ten-year government bond yields dipped temporarily to just above zero in anticipation of the move. A correction followed, but yet more easing in December pushed German long-term bond yields back towards the 0.5% mark. The ECB's purchasing programme caused rate spreads on government bonds in the euro area to narrow further.

Main challenges	How are we addressing them?
The economy The world economy (see boxed text above), the financial markets and demographic developments can strongly influence our results. This relates to matters like the level and volatility of interest rates, inflation, employment, bankruptcies, disposable household income, financial market liquidity, exchange rate movements, availability of funding, investor and consumer confidence and credit spreads. The risk of persistently low interest rates has become more important in recent years, exerting significant pressure on the income of banks and insurers. Demographic ageing is also a challenge for the life business of KBC Insurance, for instance, where it can lead to a changing product offering due to the shift in the composition of the insurance population, and because it drives up demand for rate products with longer maturities.	• We also ensure that, in our long-term planning, our capital and liquidity position is capable of withstanding a negative scenario. • We take proactive measures. Examples include adjusting our offering to take account of demographic ageing (more insurance policies relating to health care, investment products linked to financial planning, etc.); strengthening our own capital position to ensure financial stability; and continuing to invest in investment solutions that offer protection against stock market shocks.
Competition and technological change We carry out most of our activities in a highly competitive environment. Besides the traditional players, there is also intensifying competition from smaller banking entities and e-commerce in general. Our competitors too are being affected by technological change and shifting client behaviour. Examples include the surge in growth of online services. We are both eager and obliged to keep up with technological developments and the new needs of a changing society.	• The creative input of our employees is highly important when it comes to equipping ourselves to deal with competition and technological change. We do everything we can to attract and motivate talented staff. • As a bank-insurer, we can draw on an immense volume of data, which enables us to understand more clearly what clients really want. Our integrated model allows us to offer our clients more comprehensive solutions than pure banks or insurers can. • We have a specific process in place to ensure that the business side receives approval quickly and efficiently for new product launches. The process also includes a thorough examination of the potential risks. We regularly review all our existing products as well, so that they can

	be adapted – where necessary – to take account of evolving client needs or changing market conditions. • We pay particular attention to digitisation and are investing roughly 0.5 billion euros in this area between 2014 and 2020.
Increasing regulation Increasing regulation is an issue for the financial sector as a whole. It includes rules like the Markets in Financial Instruments Directive, the Markets in Financial Instruments Regulation and the Insurance Distribution Directive to protect clients from unfair or inappropriate practices. Other regulation relates to the foundations of the European Banking Union, i.e. harmonised supervision by the European Central Bank of the most important euro area banks (Single Supervisory Mechanism) and the Single Resolution Mechanism in the euro area. The Banking Act came into force in Belgium, transposing the provisions of the Capital Requirements Directive into Belgian law and imposing restrictions on certain activities. Various new initiatives are currently underway in the area of solvency, including recent developments in the Basel regulations for banks and the introduction of the Solvency II Directive for insurers with effect from 2016. The Bank Recovery and Resolution Directive (BRRD), which includes the introduction of resolution instruments such as bail-ins and the associated MREL requirements, is also important. It is designed to ensure that investors rather than governments have to absorb losses incurred by banks. Another factor is the new IFRS that have yet to become effective, including IFRS 4 (applies specifically to the insurance business) and especially IFRS 9 (introduces a number of measures, including a new classification system for financial instruments and new impairment rules).	• We are making thorough preparations for the new regulations. Specialised teams (group legal, capital management, group risk and compliance) keep close track of the rules and propose the necessary responses (in terms of the group's capital planning, for instance). • In the case of regulations that will have a major impact on us (such as Solvency II and IFRS 9), internal programmes and working groups are also set up, in which staff from all the relevant areas can work together. • A special team focuses on contacts with government and regulators. • We participate in the working groups of sector organisations like Febelfin and Assuralia, where we analyse draft texts. • Memorandums are produced and training provided for the business side, to raise awareness of the forthcoming regulations.
Cyber risk Hacking and cyber attacks are a constant threat in an increasingly digital world, with the potential to cause significant financial and reputational harm.	• We raise our employees' awareness of cyber risk by providing regular training in areas like phishing and vishing, and fraud in general. • We have reliable ICT systems and robust data protection procedures, and we constantly monitor our systems and the environment (e.g., Security Incident and Event Monitoring). Action is taken whenever necessary. • We also share information about cyber risks and challenge ourselves on a regular basis.

Market conditions in our most important countries in 2015

Belgium

Market environment

- Continued modest recovery, higher inflation
- Limited growth in business lending reflecting modest recovery in investment
- Growth in home loans more dynamic than expected due to low interest rates
- Forecast real GDP growth of 1.4% in 2016

KBC Group in Belgium[1]

- Main brands: KBC, KBC Brussels and CBC
- 783 bank branches, 441 insurance agencies, electronic channels
- 21% share of the market for traditional bank products, 40% for investment funds, 13%[2] for life insurance and 9% for non-life insurance
- 3.5 million clients (bank: 3.2 million clients)
- 93-billion-euro loan portfolio and 115 billion euros in deposits and debt securities

1 Including 10 KBC Bank branches in the US, Asia and Europe (5-billion-euro loan portfolio).
2 Or 17% excluding group insurance.

Czech Republic

Market environment

- Best performing economy in the EU after Ireland
- Vigorous growth in business investment gave a powerful boost to business lending
- Significant drop in unemployment rate, inflation just above 0%
- Forecast real GDP growth of 2.5% in 2016

KBC Group in the Czech Republic

- Main brand: ČSOB
- 316 bank branches, various distribution channels for insurance, electronic channels
- 19% share of the market for traditional bank products, 26% for investment funds, 7% for life insurance and 7% for non-life insurance
- 4 million clients (bank: 3 million clients)
- 20-billion-euro loan portfolio and 24 billion euros in deposits and debt securities

Slovakia

Market environment

- Economic growth above the EU average
- Robust domestic demand allied with strong lending growth
- Falling energy prices resulted in negative inflation
- Forecast real GDP growth of 3.3% in 2016

KBC Group in Slovakia

- Main brand: ČSOB
- 125 bank branches, various distribution channels for insurance, electronic channels
- 11% share of the market for traditional bank products, 7% for investment funds, 4% for life insurance and 3% for non-life insurance
- 0.6 million clients (bank: 0.4 million clients)
- 6.0-billion-euro loan portfolio and 5.3 billion euros in deposits and debt securities

Hungary

Market environment

- Economic growth above the EU average
- New Growth Supporting Programme to stimulate lending to SMEs
- Inflation around 0%
- Forecast real GDP growth of 2.4% in 2016

KBC Group in Hungary

- Main brand: K&H
- 209 bank branches, various distribution channels for insurance, electronic channels
- 10% share of the market for traditional bank products,
  18% for investment funds,
  4% for life insurance and 5% for non-life insurance
- 1.6 million clients (bank: 0.8 million clients)
- 4.5-billion-euro loan portfolio and 5.9 billion euros in deposits and debt securities

Bulgaria

Market environment

- Economic growth above the EU average
- Growth driven chiefly by net exports
- Lending growth remained very weak
- Forecast real GDP growth of 2.5% in 2016

KBC Group in Bulgaria

- Main brands: CIBANK and DZI Insurance
- 100 bank branches, various distribution channels for insurance, electronic channels
- 3% share of the market for traditional bank products,
  12% for life insurance and 10% for non-life insurance
- 0.6 million clients (bank: 0.2 million clients)
- 0.9-billion-euro loan portfolio and 0.7 billion euros in deposits and debt securities

Ireland

Market environment

- Strongest growth of any developed country
- Growth driven by both domestic demand and exports
- Continuing debt reduction further reduced outstanding loan volumes
- Forecast real GDP growth of 4.5% in 2016

KBC Group in Ireland

- Main brand: KBC Bank Ireland
- 17 bank branches (hubs), electronic channels
- 11% share of the market for retail home loans, 6% for retail deposits
- 0.2 million clients
- 13.9-billion-euro loan portfolio and 5.3 billion euros in deposits and debt securities

Our employees, capital, network and relationships (KBC Group)

As a financial group, we draw on many different types of capital, most notably our employees and our capital base. Our brands, reputation and capacity to innovate, our relationships with all our stakeholders, our networks – both electronic and bricks-and-mortar – and our ICT infrastructure are also important elements that enable us to operate. We also make us of a variety of raw materials, although our consumption of these is less significant, certainly compared to industrial companies.

Our HR policy is embedded in our PEARL business culture, where the ideas of Performance, Empowerment, Accountability and Responsiveness are crucial, as is a regional approach to each of our core countries (Local Embeddedness). It is our employees who give tangible shape to this policy, and the manner in which they do so reflects KBC's three core values, i.e. those of being results-driven, respectful and responsive. We closely monitor how the PEARL business culture is understood in all our core countries. It is our belief that the strength of our PEARL culture will ultimately result in more satisfied stakeholders and in a robust economic performance.

To help anchor our business culture, we have also adjusted our HR tools. In 2015, we launched updated career assessments that run in parallel in all our core countries. This will ensure that we recruit the right applicants and that new KBC employees meet the right profile. The new career assessments will also guarantee opportunities for our own staff to progress their career.

We create a stimulating working environment where employees are given the opportunity to develop their talents and skills, not only by learning, but also by communicating their ideas and taking responsibility. We view self-development as the key to career-long employability. With that in mind, we offer our staff a wide range of traditional training courses, e-learning, Skype sessions, workplace coaching, and other development opportunities. Although employees are primarily responsible for developing their careers, KBC offers a great deal of support. There is also a range of interesting jobs, and plenty of opportunities are offered to change jobs internally and for employees to grow in their current position. At the same time, we pay particular attention to career-long employability. Minerva, our HR plan for older employees in Belgium, has enabled us to move towards a more individualised approach that is geared more closely to their particular needs. We are responding in this way to demographic developments and preparing people to work for longer.

Leadership is no longer just a question of delegating and overseeing, but more of enthusing, inspiring and motivating people. We realise that good managers are key when it comes to enabling employees to bring out the best in themselves. That's why we have intensive leadership tracks in place at different levels. Managers develop their skills through our 'lead yourself', 'lead your business' and 'lead your people' courses. We also launched KBC University in 2015, an ambitious development programme for senior managers from the entire KBC group, with different speakers and modules focusing on bank-insurance, leadership and 'client-centricity'. The 'leadership@kbc' Intranet portal was set up too as an open forum on which everyone can exchange ideas.

KBC rewards its employees fairly, offering them a competitive pay package that reflects the differing levels of responsibility. We use variable remuneration to differentiate between individual and team performance. In addition to these components, the overall remuneration package incorporates an attractive range of fringe benefits, including a pension scheme and free insurance. Besides financial rewards, we attach a great deal of importance to the recognition of employees who, for instance, have made an exceptional contribution to a project.

We offer our employees the scope to show enterprise and encourage collaboration, we invest in self-directing teams and set up international collaborative projects. In 2015, particular attention was paid to reducing the complexity of our products, processes, tools and specific working methods.

KBC also embarked on the roll-out of a uniform ICT platform for 'soft' HR processes in 2015. To get the very best out of our employees' talents, we have transparent HR processes and intuitive tools that support those processes. The advantage of an integrated ICT platform is that HR data can be compared across the different countries. The new system is already being used in the Czech Republic for performance management and recruitment. Belgium will follow, with an emphasis on the internal job market, recruitment and succession management.

We do not make any distinction on the grounds of gender, religion, ethnic background or sexual orientation in our HR, recruitment and promotion policies or in our remuneration systems. Equal treatment of employees is also enshrined in the KBC Code of Conduct and in the various manifestos and charters KBC has endorsed. As an employer, KBC wants to give a clear signal to society: we treat our employees in a socially responsible manner and that relationship is grounded in mutual trust and respect.

Given the importance of our employees to the group, we attach particular importance to tracking their satisfaction and involvement, and so survey them on a regular basis. We surveyed the entire group for the first time in 2015, with an exceptionally high 80% of staff actually responding. The survey revealed an involvement level higher than the European financial sector average. The engagement index rose in Belgium and Bulgaria. Although the index in the Czech Republic was down on last year's very high level, it remained well above the benchmark. The index remained at its traditionally high level in Hungary too. In Slovakia and Ireland, it was slightly lower than the national benchmark.

The KBC Group annual report contains a table that provides an overview of the total workforce and a breakdown into various categories. Information on KBC Bank's workforce is provided in Note 10 of the 'Consolidated financial statements' section.

It goes without saying that we need a solid capital base if our employees are to work properly. At year-end 2015, our total equity came to 15.8 billion euros (KBC Group), or 13.5 billion euros (KBC Bank). A detailed breakdown of our equity is provided in the 'Consolidated statement of changes in equity' table in the 'Consolidated financial statements' section.

The KBC Group share is traded on Euronext Brussels. Its closing price at year-end 2015 was 57.67 euros, up 24% on the year-earlier figure. As a result, the market value of KBC Group was about 24 billion euros at the end of 2015. The KBC Bank share is traded on the stock market.

KBC Group is the sole shareholder of KBC Bank. KBC Group shares are held by a large number of shareholders spread across a number of countries. A group of shareholders consisting of MRBB, Cera, KBC Ancora and the Other core shareholders, constitute KBC's core shareholders. They have signed a shareholder agreement in order to support and co-ordinate the general policy of our group and to supervise its implementation. The agreement establishes a contractual shareholder syndicate and contains provisions on the transfer of securities and the exercise of voting rights. The current agreement applies for a ten-year period with effect from 1 December 2014. According to the most recent notifications, the core shareholders own approximately 40% of KBC Group shares between them. More information on the KBC Group's shareholder structure can be found in the KBC Group annual report.

KBC Group received financial support from the Belgian Federal and Flemish Regional governments in 2008 and 2009 to strengthen its capital base. This state aid, which initially amounted to 7 billion euros, was paid back in full at the end of 2015 (when a final repayment of 2 billion euros was made, plus a 50% penalty). In 2009, we also signed an agreement with the Belgian State regarding a guarantee for a substantial part of our structured credit portfolio (CDOs). Since then, our exposure to CDOs has been scaled back to zero and this guarantee agreement also terminated.

Our strong capital base enables us to pursue our business activities, a significant part of which is to transform deposits and other forms of funding into loans. For that reason, funding acquired through deposits and the issue of debt securities are important 'raw materials' for our group, alongside our capital. We have therefore developed a strong retail/mid-cap deposit base in our core markets. We are also a regular issuer of debt instruments and we issue ordinary and subordinated bonds in various currencies in a number of ways, including through issues as part of the wholesale and retail programmes of KBC IFIMA.

Alongside our staff and capital, our network and relationships are extremely important to our activities. An overview of our network can be found under 'Market conditions in our most important countries in 2015'. Our social and relationship capital comprises all relationships with our clients, shareholders, government, regulators and other stakeholders who enable us to remain socially relevant and to operate as a socially responsible business. This theme is dealt with in depth under 'Our role in society: to be responsive to society's expectations and to maintain a dialogue with our stakeholders' in the 'Our strategy' section.

Our financial and social achievements (KBC Bank)

It goes without saying that profitability – enshrined within a sustainable framework (see below) – is important for any business.

Because of the state aid received, we carried out an onerous divestment programme in recent years, as reflected in the decline in total assets during that time. The divestment programme and the repercussions of the financial crisis also naturally had an impact on our net profit in the years in question. Nevertheless, our business model remained profitable and efficient throughout, as demonstrated for instance by our adjusted net profit figures (i.e. net profit corrected for the impact of divestments and CDOs) and our cost/income ratio.

We take a closer look at our financial results for 2015 in the 'Review of the consolidated financial statements' section. A number of key figures are provided in the following table.

Selection of financial data (at KBC Bank level)		2014	2015
Total assets	millions of EUR	211 116	217 626
Loans and advances to customers	millions of EUR	125 550	129 206
Deposits from customers and debt certificates	millions of EUR	163 647	170 873
Total equity	millions of EUR	13 336	13 490
Risk-weighted assets (fully loaded Basel III)	millions of EUR	80 232	79 758
Net result	millions of EUR	1 312	2 239
Total income	millions of EUR	5 734	6 145
Cost/income ratio, banking	%	58%	55%
LCR	%	120%	127%
NSFR	%	123%	121%
*Common equity ratio**	%	12.2%/12.1%	14.1%/13.7%
Total capital ratio	%	17.9%/17.6%	20.6%/20.1%

* Phased-in/fully loaded.

As stated already, it is important to us that our profitability is enshrined within the pursuit of sustainability.

When Corporate Sustainability and Responsibility or CSR is mentioned, the first thing that usually springs to mind is ecological or social impact. As far as we are concerned, however, sustainability goes a lot further than that.
It means that the client's interests are at the heart of everything we do, that we focus on our long-term performance, that we are responsive to the expectations of society, and that we surround all this with stringent risk management. All these elements are embedded in our strategy for the future, which is discussed at length in the 'Our strategy' section.

This does not mean, of course, that specific ecological or social impact is not important to us. Even though a financial institution's ecological footprint is traditionally much smaller than that of an industrial company, we strive continuously to reduce that footprint further. Ecology has a direct influence on our activities too. To give just one example, climate change (more extreme weather) can have a direct negative impact on our insurance results due to higher claim levels.
Of course, we also remain sensitive to the social impact we have on the communities in which we operate, especially the urban areas where our business is focused, and we play an active role in patronage. Each of our group's business units engages in local community projects, the precise focus of which depends on local priorities and culture.

We decided in consultation with our Internal Sustainability Board (see below) to define a number of focus areas regarding corporate sustainability and responsibility. At group level, we will focus on the areas of financial literacy, entrepreneurship and environmental responsibility. In addition, each of our entities can choose between health and demographic ageing as the fourth area.

A selection of data relating to our environmental efforts is provided below. We expanded the scope in 2015 to include the entire KBC group. For purposes of comparison, we have also included the relevant figures for Belgium and the Czech Republic in 2014 and 2015.

Selection of non-financial data KBC Group	2014 Belgium and the Czech Republic	2015 Belgium and the Czech Republic	2015 Group as a whole
Electricity consumption	480 382 GJ	448 479 GJ	558 864 GJ
Water consumption	302 173 m3	268 266 m3	402 039 m3
CO_2 emissions	56 107 tonnes	54 905 tonnes	68 395 tonnes*
Waste	-	-	6 476 tonnes

* Excluding Bulgaria.

CSR is not a separate policy for us, it forms an integral part of our group-wide strategy. We do, however, have a separate CSR department, which reports directly to the CEO, and also have specific CSR committees in all our core countries and in Ireland, which deliver and validate non-financial data and organise and communicate on local initiatives. Sustainable business has to be supported, however, by all the group's employees. To ensure this is the case, we have – alongside our Sustainability Advisory Board of external experts – set up an Internal Sustainability Board, where representatives of the different business units create a platform with the CEO and the CSR General Manager for internal awareness-raising and communication.

Since CSR policy constitutes an integral part of our group's strategy, we report where possible in an integrated manner. We no longer have a separate CSR section, therefore, and have incorporated this information instead into the description of our model and our strategy.

We have developed a number of guidelines to ensure that sustainability is firmly embedded in our everyday activities. The most important of these are listed below. The actual codes of conduct can be found at www.kbc.com.

Key themes for which codes of conduct and guidelines are in place	
• Ethics and fraud	• Human rights
• Whistleblowers	• Environment
• Money laundering	• Investor relations
• Corruption	• Clients
• Bribery	• Suppliers
• Controversial weapons	• Employees
• Investment	• Tax matters
• Soft commodities	• Sustainable business
• Role in society	• Global Compact

Our strategy

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the strategy of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business.

For more detailed information, please see the 2015 annual report for the KBC group.

The core of our strategy for the future (KBC Group)

Our strategy rests on four, mutually reinforcing principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth.
- We meet our responsibility to society and local economies.
- We implement our strategy within a strict risk, capital and liquidity management framework.

Our ultimate goal is to be the reference for bank-insurance in all our core markets. We are convinced that our strategy will help increase trust in us day by day and will thus place us firmly on the road towards that goal.

The client is at the centre of our business culture (KBC Group)

We have to earn and retain our clients' trust day after day if we are to become the reference. To do so, we put our clients at the heart of everything we do. We offer them complete, accessible and relevant solutions and an optimum experience. Trust, convenience and proactivity take the lead in everything we do.

How do we place the client at the heart of everything we do?

- We want to create added value for our clients by accurately meeting their needs in terms of financial products. Therefore, everything at KBC is based on the client's needs and not on our banking or insurance products. It is also the client who chooses how and when these products and services are provided and through which channel. That's why the different channels are accorded equal status at KBC and need to seamlessly complement and reinforce each other.
- As both a bank and an insurer with a wide range of distribution channels, we (as KBC Group) know our clients very well. This means we can improve our insight into their needs and expectations and offer them more complete and relevant solutions. In this way, we help our clients to get more out of their relationship with us.
- We want not only to respond to our clients' needs, but also to shield them from certain risks. As a bank, we are working in each of our core markets, for instance, on solutions for clients who need to get through a difficult financial period. As an insurer (via KBC Insurance), our focus is firmly on prevention, health and safety, with a variety of prevention campaigns being launched throughout the year.
- Since putting the interests of our clients at the heart of all we do is the cornerstone of our strategy, we keep a close eye on their situation. That is why we are collecting their experiences in the various markets in which we are active and using that information to improve our services and products. We also closely monitor our reputation, which can be influenced by a range of factors. Not only do we calculate our score for reputation in general, we do so for the underlying elements, as well, and communicate this analysis to all the departments and individuals concerned, raising their

awareness of it and ensuring they take appropriate action. The emphasis in 2015 was on actions relating to governance, citizenship and client centricity.
- By setting targets for client experience and reputation, we want to ensure that the general level of client satisfaction increases. At the same time, however, we want everyone in the group to become aware in this manner of our client approach. Putting the client at the centre of all we do has to be in our DNA and must be part of our everyday routine.

The most important Key Performance Indicators (KPIs) relating to reputation and client satisfaction are set out in the KBC Group annual report.

We offer our clients a unique bank-insurance experience (KBC Group)

One of the foundations of the KBC Group business model is that we engage in bank-insurance activities (where KBC Bank is responsible for the banking business and KBC Insurance for the insurance business). It means that we respond in an integrated way to all of our clients' banking and insurance needs and that we also position ourselves as an integrated bank-insurer within our organisation.
Our integrated model offers the client the benefit of a comprehensive, one-stop financial service that allows them to choose from a wider, complementary and optimised range of products and services. It offers the group benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, and significant cost-savings and synergies.

How do we as a bank-insurer offer our clients a unique experience?

- As an integrated bank-insurer, we can put our clients' interests at the heart of what we do by offering them an integrated product range and advising them based on *'grouped' needs* that transcend pure banking or insurance, and include payment convenience, for instance, the home, mobility and family.
- Our clients expect a seamless service. We do everything we can, therefore, to integrate our channels (bank branches and insurance agencies, contact centres, ATMs, the website, our home banking application and mobile apps). Because we are both a bank and an insurer, we can commit ourselves completely to this integrated approach and seamless service. The best mix of channels – for both banking and insurance – is determined locally based on the client's needs and depends on the degree of maturity of the bank and insurer together. For that reason, the pace of the integration effort is determined locally.
- We have developed a unique bank-insurance co-operation concept within our group, the roll-out of which varies from one market to another.
- We are furthest advanced in Belgium, where our bank-insurance business already operates as a single company that is achieving both commercial and non-commercial synergies. An important feature of our model in Belgium is the unique co-operation between our bank branches and insurance agencies in micro markets. The branches sell bank and standard insurance products, and refer clients to the insurance agency in the same micro market for other insurance products. The insurance agencies sell the full range of insurance products and handle all claims, including those relating to policies taken out at a bank branch.
- We have not yet gone so far as in Belgium in our other core countries, but we want to create an integrated distribution model by no later than 2017, which will allow commercial synergies.

The most important Key Performance Indicators (KPIs) relating to bank-insurance are set out in the KBC Group annual report.

Our bank-insurance model also enables us to achieve various commercial synergies. In Belgium, for instance, some seven out of ten clients who agreed home loans with our bank in 2015 also took out mortgage protection cover with our insurer, while eight to nine out of ten purchased home insurance. At ČSOB in the Czech Republic, approximately six out of ten clients who took out home loans in 2015 also purchased home insurance from the group. To give another example, roughly one-fifth of households in Belgium that bank with KBC Bank hold at least three banking and three insurance products from KBC Insurance.

We focus on sustainable and profitable growth (KBC Group)

To secure our long-term future, we build long-term relationships with our clients. We do not pursue high short-term returns that come with excessive risks but rather focus on sustainable and profitable growth in the long run.

How do we ensure sustainable and profitable growth?

- Our financial performance is important, but must above all be sustainable. This means not fixating on short-term returns, but focusing on long-term performance that contributes to sustainable growth. We have deliberately opted, for instance, not to set a target for return on equity (ROE), because we want to be profitable on a sustainable basis and avoid getting caught up in the kind of short-term thinking that means pursuing the highest possible ROE every quarter.
- We observe solid risk, capital and liquidity standards. Stringent risk management in everything we do is an absolute precondition in terms of guaranteeing this sustainability. For more information on this, see 'We aim to achieve our ambitions within a stringent risk management framework'.
- Sustainable and long-term thinking also means focusing on the local economies of the core markets in which we operate and that we invest only to a very limited extent in projects far beyond these markets.
- Sustainable and long-term thinking also means that we go beyond pure financial operations and deliver initiatives that offer genuine, long-term support for the local economies in which we operate. The 'Start it' project in Belgium is an excellent example in this regard. We launched Start it @kbc a few years ago in response to the fact that start-up costs have been one of the main reasons for the decline in the number of new businesses in Flanders. The aim here is for KBC, together with a number of partners, to help start-ups with various aspects of doing business, such as making contacts and developing a network.
- We defined Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria as our core countries and have sold off most of our presence elsewhere in recent years. The announced sale of Union KBC Asset Management in India and the acquisition of Volksbank Leasing Slovakia, both in 2015, further illustrate this strategy. We view our presence in all our core countries as a long-term commitment and are not planning to alter our geographical footprint significantly. We want to further optimise our current geographical presence in order to become a reference in bank-insurance in each core country. We will consolidate our presence in these core countries by means of organic growth or attractive acquisitions, in line with clear strategic and financial criteria, and will seek to be a market leader (top three for banking activities, top four for insurance activities) by 2020. We are continuing to work on profitability in Ireland, after which all options will be considered (growing further organically into a profitable bank; building an attractive bank-insurance group; or selling a profitable bank).

The most important Key Performance Indicators (KPIs) relating to sustainable and profitable growth are set out in the KBC Group annual report.

Summary of the most important strategic initiatives in the years ahead.

Belgium

- Seamless integration of the branch network via new, accessible and client-centric technologies.
- More efficient utilisation of the potential of Brussels by launching a separate KBC Brussels brand.
- Growth of CBC in Wallonia in selected market segments.
- Further optimisation of the bank-insurance model by applying digital solutions and specific initiatives.

Czech Republic

- Switch from a channel-centric to a more client-centric approach.
- Extension of offering to include non-financial products.
- Ongoing simplification of processes.
- Increasing bank-insurance activities.
- Growth in selected areas, such as lending to SMEs and consumer finance.

International Markets (Slovakia, Hungary, Bulgaria, Ireland)

- Transition from branch-oriented to hybrid distribution model, focus on growth in key segments, progress on efficiency, and growth in bank-insurance activities in Slovakia, Hungary and Bulgaria.
- Ongoing transition from direct monoliner to fully fledged retail bank in Ireland.

Our role in society: to be responsive to society's expectations and to maintain a dialogue with our stakeholders (KBC Group)

We build trust in us not only by creating financial sustainability, but also by meeting the expectations of our clients, our employees, our shareholders and society. As we have to constantly earn our stakeholders' loyalty and preference, we work persistently on the commitment of our employees and demonstrate day after day how we contribute positively to society: we stimulate the local economy in all our core markets, we work on innovative solutions to present and future problems, and we communicate on social themes as transparently as possible.

How do we respond to society's expectations?

- We recognise that the way society views the financial sector is changing. Consumers are increasingly rewarding those brands that listen to them, judging them on relevant aspects such as delivering good quality, launching innovative products at fair prices, focusing on things which make their lives happier, easier and healthier, and which are beneficial to the economy, environment and community. Value is no longer measured purely in terms of money, but also based on emotional parameters like trust and pride.
- At the same time, suspicion of business – in the financial sector certainly – remains strong and companies are also being held to account on issues like fair trade, their impact on the environment and responsible behaviour. The bar for the financial world has been set at a high level, especially after the crisis, and *trust* is now the licence to operate. Being a responsible and respected player in this new world therefore means that we are primarily working further to create or restore trust.
- We are keen to know what is important to our stakeholders and so we organise a detailed stakeholder survey each year. We limited last year's survey to Belgium and the Czech Republic; this year, by contrast, we have extended our dialogue to include all our core markets and Ireland. We surveyed both clients and non-clients in different age groups. The survey formed part of our international reputation study. Participating stakeholders were asked to rate 16 items by importance and to evaluate KBC based on these items. By way of illustration, we have set out the complete overview for Belgium below. The matrix shows the importance of a sustainability item to stakeholders (vertical axis) and KBC's performance in that regard (horizontal axis). KBC's performance is expressed as the average score that KBC received from all the participating stakeholders for each of the 16 sustainability items. The respondents rated KBC's sustainability performance on a scale of 1 to 5, where 1 equals 'totally disagree' and 5 'totally agree'. The results in the matrix show us that KBC scored well on all these sustainability items, as we had a score above 3 (= neutral) for virtually every item. More information on this survey can be found in our 'Report to Society'.

The most important Key Performance Indicators (KPIs) relating to our role in society are set out in the KBC Group annual report.

Results of the survey of stakeholders in 2015

Customer experience
- Offers quality products & services
- Offers transparent products & services
- Understands customer needs
- Protects customers from unfair or inappropriate practices*

Innovation
- Develops products and services for problems of tomorrow*

Employer & workplace
- Treats its employees fairly and ethically
- Offers job security*

Governance
- Behaves ethically
- Is open and transparent

Citizenship & CSR
- Pays attention to the environment, including climate change*
- Supports good causes to make a positive impact in local communities
- Helps persons or organisations who care about how things turn out in society
- Is here for a long term purpose to make a positive impact to the local economy
- Proposes sustainable investment products

CEO & leadership
- Risk is managed in a responsible way in order to protect the long term interests of all stakeholders*

Financial performance
- Is a solid company with good financial results

We aim to achieve our ambitions within a stringent risk management framework (KBC Group)

Our sustainable and profitable performance is achieved through robust risk, capital and liquidity management.

We have already fully embedded risk management in our strategy and our decision-making process, as illustrated by the fact that:

- we perform risk scans to identify all key risks;
- we define our risk appetite in a clear manner;
- we translate that into strict limit tracking per activity and business unit;
- we monitor the risk profile of existing and new products via a New and Active Product Process;
- we challenge the results of the periodic planning process via stress tests;
- we have installed independent chief risk officers with a time-out right in all relevant levels of our organisation.

Our risk management is based on a 'Three Lines of Defence model', to shield us against risks that might threaten the achievement of our goals (see table below).

Our 'Three Lines of Defence' model	
1 The business itself	The business operations side is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, that self-assessment of the business side is of a sufficiently high standard, that there is adequate awareness of risk and that sufficient priority/capacity is allocated to risk themes.
2 The Risk function, Compliance, and – for certain matters – Finance, Legal and Tax, and Information Risk Security	Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting KBC. In this way, they provide an adequate degree of certainty that the first-line control function is keeping these risks under control, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. The risk function has a veto right to ensure that it is respected. The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the group, and supervise how they are applied. Compliance is an independent function that aims to prevent KBC from being exposed to compliance risk or suffering harm through non-compliance with the prevailing laws, regulations or internal rules. It pays particular attention in this regard to compliance with the Integrity Policy.
3 Internal audit	As the independent third-line of control, Internal Audit is responsible for the quality control of the existing business processes. It performs risk-based and general audits to ensure that the internal control and risk management system, including Risk Policy, are effective and efficient, and to ensure that policy measures and processes are in place and consistently applied within the group to guarantee the continuity of operations.

Although the activities of a large financial group are inherently exposed to various risks that only become apparent in retrospect, we can currently identify a number of major challenges and priorities for our group. These are set out under 'In what environment do we operate' in the 'Our business model' section. They are:

- the global economic situation;
- intensified competition and new technologies (new players, digitisation, etc.) and the associated changes in consumer behaviour;
- increased regulation in areas such as client protection and capital requirements;
- cyber risk.

In addition to these general risks, we are exposed as a bank-insurer to sector-specific risks such as credit risk, country risk, interest rate risk, foreign exchange risk, insurance underwriting risk and operational risk. An overview of these risks can be found in the table, with more detailed information provided in the 'Risk management' and 'Capital adequacy' sections.

Sector-specific risks (KBC Bank)	How are we addressing them?
Credit risk The potential negative deviation from the expected value of a financial instrument caused by default on the part of a party to a contract, due to the inability or unwillingness of that party to pay or perform, or due to particular situations or measures on the part of political or monetary authorities in a particular country. Any concentrations in the loan portfolio can have a particularly significant impact.	• Existence of a robust management framework • Recording impairment charges, taking risk-mitigating measures, optimising the overall credit risk profile, etc.
Market risk in non-trading activities Structural market risks, such as interest risk, equity risk, real estate risk, currency risk and inflation risk. Structural risks are risks inherent to the commercial activity or long-term positions.	• Existence of a robust management framework • ALM VaR limits at group level, for each risk type and entity; supplemented by other risk-measuring methods, such as Basis Point Value (BPV), nominal amounts, limit tracking for crucial indicators, etc.
Liquidity risk The risk that KBC will be unable to meet its payment obligations as they come due, without incurring unacceptable losses.	• Existence of a robust management framework • Liquidity stress tests, management of funding structure, etc.
Market risk in trading activities The potential negative deviation from the expected value of a financial instrument caused by fluctuations in interest rates, exchange rates, and share or commodity prices.	• Existence of a robust management framework • Historical VaR method, duration, 'greeks' for products with options, stress tests, etc.
Operational and other non-financial risks The risk of loss resulting from inadequate or failed internal processes and (ICT) systems, human error or sudden external events, whether man-made or natural.	• Existence of a robust management framework • Group key controls, Loss Event Databases, Risk Scans (bottom-up and top-down), Case Study Assessments, Key Risk Indicators (KRIs), etc.
Solvency risk Risk that the capital base will fall below an acceptable level.	• Existence of a robust management framework • Statutory and in-house minimum solvency ratios, active capital management, etc.

The most important Key Performance Indicators (KPIs) relating to solvency and liquidity are set out in the KBC Group annual report.

Review of the consolidated financial statements

- We discuss the consolidated results in this section of the annual report. The non-consolidated financial statements and balance sheet can be found in the ‘Company annual accounts’ section.
- Acquisitions (Volksbank Leasing Slovakia) in 2015 had no material impact on our results, balance sheet or capital position.
- The overall impact on the net result of fluctuations in the exchange rates of the main non-euro currencies was negligible.
- Information on financial instruments, hedge accounting and the use thereof is provided in the ‘Consolidated financial statements’ section (Notes 1b, 5 and 14–25 among others) and in the ‘Risk management’ section.
- To provide a clearer insight into the operating results, our previous annual reports included – in addition to the income statement according to IFRS – an 'adjusted' presentation of the income statement, in which we excluded a limited number of non-operating items under the usual headings (impact of legacy business related to divestments and CDOs and of the valuation of own credit risk) and reclassified certain results related to market activities under ‘Net result from financial instruments at fair value through profit and loss’. More information on how these underlying results were calculated can be found in previous annual reports. Since the impact of the legacy business has become negligible (after completion of the divestment plan and the scaling back of the CDO portfolio), and in order to simplify our reporting, we have stopped providing adjusted results with effect from 2015 and will only review the IFRS results from now on. This also applies to segment reporting (Note 2 in the ‘Consolidated financial statements’ section), where IFRS figures for 2014 have now also been restated retroactively.
- All KBC Bank shares are owned directly and indirectly by KBC Group. In 2015, KBC Bank paid an interim dividend of 1 162 million euros to KBC Group, and will pay it a final dividend for 2015 of 165 million euros in 2016.

Consolidated income statement

Consolidated income statement, KBC Bank (in millions of EUR)	2014	2015
Net interest income	3 648	3 675
Interest income	7 305	6 605
Interest expense	-3 657	-2 930
Dividend income	14	19
Net result from financial instruments at fair value through profit or loss	195	224
Net realised result from available-for-sale assets	49	82
Net fee and commission income	1 822	1 945
Fee and commission income	2 303	2 408
Fee and commission expenses	-482	-462
Other net income	5	200
Total income	5 734	6 145
Operating expenses	-3 311	-3 388
Impairment	-472	-650
on loans and receivables	-587	-323
on available-for-sale assets	-4	-11
on goodwill	0	-308
other	119	-9
Share in results of associated companies	22	21
Result before tax	1 973	2 128
Income tax expense	-504	291
Net post-tax result from discontinued operations	0	0
Result after tax	1 469	2 419
Result after tax, attributable to minority interests	157	180
Result after tax, attributable to equity holders of the parent	1 312	2 239
Ratio of ‘result before' tax to ‘average total assets'	0.70%	1.13%

* Primarily the 48.14% stake that KBC Group holds in KBC Asset Management.

Key consolidated balance sheet and solvency figures

Selected balance-sheet and solvency items, KBC Bank (in millions of EUR)	2014	2015
Total assets	211 116	217 626
Loans and advances to customers	125 550	129 206
Securities (equity and debt instruments)	50 175	51 613
Deposits from customers and debt securities	163 647	170 873
Risk-weighted assets (fully loaded Basel III)	80 232	79 758
Total equity	13 336	13 490
of which parent shareholders' equity	11 676	11 888
Common equity ratio (Basel III, phased-in/fully loaded)	12.2%/12.1%	14.1%/13.7%
Total equity ratio (Basel III, phased-in/fully loaded)	17.9%/17.6%	20.6%/20.1%
Liquidity coverage ratio (LCR)	120%	127%
Net stable funding ratio (NSFR)	123%	121%

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Analysis of the result

Net interest income

Net interest income came to 3 675 million euros in 2015, up slightly (by 1%) on its year-earlier level, despite the climate of low interest rates and the related low level of reinvestment income. The latter was offset by the positive effect of lower rates of interest being paid on savings accounts, for instance, lower funding costs and higher volumes (see below). What's more, the high level of home loan refinancing in Belgium in the first half of 2015 led – as it did in the second half of 2014 – to a large amount of early-repayment penalties, but this was offset by the related negative hedging effect (pro rata funding losses), which will continue to have an impact in the years ahead.
As far as volumes are concerned, loans and advances to customers (excluding reverse repos) rose on a comparable basis by 3% in 2015 (after eliminating intragroup transactions within the KBC group), increasing by 3% at the Belgium Business Unit and by 8% at the Czech Republic Business Unit, remaining unchanged at the International Markets Business Unit (growth in Slovakia and Bulgaria, but a decline in Ireland and Hungary), and contracting at the Group Centre. The total volume of deposits from customers and debt securities (excluding repos) at year-end rose by 5% in 2015, with the Belgium Business Unit recording an increase of 5%, the Czech Republic Business Unit 6%, the International Markets Business Unit 15% (with growth in all countries) and the Group Centre recording a decline.
Consequently, the net interest margin came to 2.02% in 2015, 6 basis points lower than in 2014. The interest margin for 2015 came to 1.91% in Belgium, 3.03% in the Czech Republic and 2.55% at the International Markets Business Unit.

Net fee and commission income

Net fee and commission income came to 1 945 million euros in 2015, up 7% on the year-earlier figure. Most of the increase was accounted for by Belgium in the first half of the year and related primarily to growth in assets under management (investment funds, discretionary and advisory asset management, etc.). At the end of 2015, the group's total assets under management came to 209 billion euros, up 12% on the year-earlier figure, due to a positive volume effect (8%) and a price effect that – on balance – was also positive (4%). Most of these assets were managed at the Belgium Business Unit (194 billion euros, up 13%) and the Czech Republic Business Unit (9 billion euros, up 19%).

Other income

The net result from financial instruments at fair value through profit or loss (trading and fair value income) came to 224 million euros in 2015. The figure also includes -156 million euros (before tax) relating to the liquidation of KBC Financial Holding Inc. (i.e. a foreign exchange loss on the capital of KBC Financial Holding Inc.'s following its liquidation; see Note 5 and also the impact on the 'Income tax expense' item). Disregarding this item, trading and fair-value income would have come to 380 million euros in 2015, 94% more than in 2014. The increase chiefly reflected the marked-to-market valuation of certain derivatives used for asset/liability management purposes, which had been extremely negative in 2014 (-184 million euros) but positive in 2015 (+107 million euros), and which more than made up for the lower result generated by the dealing room in Belgium and the negative impact of various value adjustments (MVA, CVA, FVA).
Other income (dividends, realised gains and other net income) came to an aggregate 301 million euros in 2015, as opposed to 68 million euros in 2014. The difference is largely attributable to the higher level of other net income, which had been severely impacted in 2014 by provisioning related to legislation on retail loans in Hungary (-231 million euros (before tax); we were able to reverse part of this – 34 million euros – in 2015; see Note 8 of the 'Consolidated financial statements' section for more information).

Operating expenses

Operating expenses amounted to 3 388 million euros in 2015, up slightly (by 2%) on their year-earlier level. This reflected a number of items, including higher special bank taxes (including the contribution to the European Resolution Fund), ICT costs (relating to digitisation, etc.) and pension expenses, offset in part by lower marketing costs and lower costs relating to the operations of the former Antwerp Diamond Bank (cf. restructuring costs in 2014).
As a result, the cost/income ratio for the group came to approximately 55% in 2015, compared with 58% a year earlier. It was 50% for the Belgium Business Unit, 48% for the Czech Republic Business Unit and 66% for the International Markets Business Unit.

Impairment

Impairment on loans and receivables (loan loss provisions) amounted to 323 million euros in 2015, compared with 587 million euros in 2014. Much of this significant improvement is attributable to Ireland, where loan loss provisioning fell from 198 million euros to 48 million euros. Loan loss provisions for the other countries came to 177 million euros in Belgium (28 million euros less than in 2014), 6 million euros in Hungary (41 million euros less than in 2014), 36 million euros in the Czech Republic (2 million euros more than in 2014) and 56 million euros for the remaining countries (46 million euros less than in 2014, due primarily to lower provisioning at the Group Centre). Overall, the group's credit cost ratio subsequently improved from 42 basis points in 2014 to a very favourable 23 basis points in 2015 (19 basis points at the Belgium Business Unit, 18 basis points at the Czech Republic Business Unit and 32 basis points at the International Markets Business Unit (Ireland: 34 basis points; Slovakia: 32 basis points; Hungary: 12 basis points; and Bulgaria: 121 basis points)).
The proportion of impaired loans (see 'Glossary of ratios and terms' for definition) in the total loan portfolio was 8.6% at year-end 2015, compared with 9.9% in 2014. This breaks down into 3.8% at the Belgium Business Unit, 3.4% at the Czech Republic Business Unit, and 30% at the International Markets Business Unit (due primarily to Ireland, with a ratio of 47%). The proportion of impaired loans more than 90 days past due came to 4.8% in 2015, compared to the year-earlier figure of 5.5%. At year-end 2015, 45% of the impaired loans were covered by specific impairment charges. More information on the composition of the loan portfolio is provided in the 'Risk management' section.
Other impairment charges totalled 327 million euros in 2015 and related inter alia to available-for-sale securities (11 million euros), goodwill (308 million euros, primarily in relation to CIBANK in Bulgaria and ČSOB in Slovakia; see Note 11 of the 'Consolidated financial statements' section) and other items (9 million euros).

Income tax expense

'Income tax expense' made a positive contribution of 291 million euros in 2015, compared with a negative 504 million euros in 2014. This reflects the fact that this item benefited to the tune of 921 million euros in 2015 from the recognition of a deferred tax asset related to the liquidation of KBC Financial Holding Inc. – an offshoot of the divestment programme that KBC had agreed with the European Commission in 2009 (the amount given also incorporates the tax impact of the exchange difference recorded under 'Other income'). More information in this regard can be found in Note 13 of the 'Consolidated financial statements'.

Analysis of the balance sheet

Total assets

At the end of 2015, the group's consolidated total assets came to 218 billion euros, up 3% year-on-year. However, risk-weighted assets (fully loaded Basel III) declined by 1% to 80 billion euros, due in part to certain add-ons no longer being required for our IRB Advanced models, a further reduction in the remaining activities in run-off (at the Group Centre) and several other items.

Loans and deposits

A bank's core business is to attract deposits and provide loans. This is naturally reflected in the figure for loans and advances to customers (excluding reverse repos) on the asset side of the balance sheet (127 billion euros at year-end 2015). On a comparable basis (and after eliminating intragroup transactions within the KBC group), total loans and advances to clients rose by 3% (up 3% at the Belgium Business Unit and 8% at the Czech Republic Business Unit, and more or less the same at the International Markets Business Unit (an increase in Slovakia and Bulgaria, but a decline in Hungary and Ireland)). The main products (including reverse repos) were again term loans (58 billion euros) and mortgage loans (55 billion euros).
On the liabilities side, the group's customer deposits (deposits from customers and debt securities, excluding repos) grew by 5% to 162 billion euros. Deposits increased by 5% at the Belgium Business Unit, by 6% at the Czech Republic Business Unit and by 15% at the International Markets Business Unit (with growth in all countries), but fell in the Group Centre. As in 2014, the main deposit products (including repos) were time deposits (38 billion euros), demand deposits (56 billion euros) and savings accounts (50 billion euros, up 6% on their level at the end of 2014).

Securities

The group also holds a significant portfolio of securities, which totalled roughly 52 billion euros at year-end 2015. The portfolio comprised 2% shares and 98% bonds (with bonds increasing by 1.3 billion euros in 2015). Roughly 85% of these bonds at year-end 2015 consisted of government paper, the most important being Belgian, Czech, French, Spanish and Slovak. A detailed list of these bonds is provided in the 'Risk management' section.

Other assets and other liabilities

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (14 billion euros, up 8% year-on-year due in part to higher reverse repos) and derivatives (positive marked-to-market valuation of 9 billion euros, down 12% year-on-year). Other significant items on the liabilities side of the balance sheet were derivatives (negative mark-to-market valuation of 10 billion euros, down 14% year-on-year) and deposits from credit institutions and investment firms (19 billion euros, up 7% year-on-year).

Equity

On 31 December 2015, total equity came to 13.5 billion euros. This figure included 11.9 billion euros in parent shareholders' equity, 1.4 billion euros in additional tier-1 instruments and 0.2 billion euros in minority interests. On balance, total equity increased by 0.2 billion euros in 2015. The most important components in this regard were the inclusion of the annual profit (+2.4 billion euros, including minority interests), the dividend payment to KBC Group (-2.7 billion euros, -1.2 billion euros of which as an interim dividend for 2015) and a number of smaller other items (primarily changes in the available-for-sale reserve and cashflow hedge reserve, changes in defined benefit plans, and changes in translation differences: an aggregate +0.5 billion euros).

At year-end 2015, the *common equity ratio* came to 14.1% *(phased-in)* or 13.7% (*fully loaded).* Our leverage ratio came to an equally impressive 5.4% at the end of the year. Detailed calculations of our solvency indicators are given in the 'Capital adequacy' section.

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

Review of the business units

Our group's management structure centres on three business units: 'Belgium', 'Czech Republic' and 'International Markets'. The latter is responsible for the other core countries in Central and Eastern Europe (Slovakia, Hungary and Bulgaria) and Ireland.

- The Belgium Business Unit comprises the activities of KBC Bank NV and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities.
- The Czech Republic Business Unit comprises all KBC's activities in the Czech Republic. These consist primarily of the activities of the ČSOB group (under the ČSOB Bank, Era, Postal Savings Bank, Hypoteční banka, ČMSS and Patria brands) and ČSOB Asset Management.
- The International Markets Business Unit comprises the activities conducted by entities in the other Central and Eastern European core countries, namely ČSOB in Slovakia, K&H Bank in Hungary and CIBANK in Bulgaria, plus KBC Bank Ireland's operations.

Besides financial reporting for three business units, we also report on a separate Group Centre. This centre includes the operating results of the group's holding-company activities, certain costs related to capital and liquidity management, costs related to the holding of participating interests and the results of the remaining companies and activities in the process of being run down. The Group Centre also contains the results of legacy business (CDOs and divestments) to year-end 2014 (immaterial thereafter) and the valuation of own credit risk.

The economic context

Belgium

Following a decent first six months, waning household and business confidence caused growth to dip in the summer, but the economic outlook brightened again towards the end of the year. Growth came to 1.4% on balance, the first time it was less than the euro area average since 2006. Household consumption made an even greater contribution to growth than in recent years. However, the recovery in business investment remained modest, something that was also reflected in the weak pattern of lending to businesses. A revival in this regard did not become apparent until the second half of the year. Home building was weak and the secondary housing market experienced a soft landing. Nevertheless, mortgage lending increased more dynamically than expected, as many households continued to take advantage of low interest rates, prompting a slowdown in growth in outstanding deposits. Investment funds were also very popular.
The competitiveness of the Belgian economy developed positively, thanks to factors like persistent wage restraint. This development – along with regional government employment measures – also helped to create more jobs. Inflation rose from 0.7% in January to 1.5% in December. This reflected price adjustments on the government's initiative, such as the end of the impact of the April 2014 VAT reduction on electricity, the raising of registration fees in higher education, and a fresh VAT increase on electricity towards the end of the year. Uncertainty regarding a possible 'Grexit' briefly drove up the spread between Belgian ten-year government bonds and their German counterparts to more than 50 basis points at the beginning of July, though for the rest of the time, the spread mostly fluctuated around 30 basis points.
We expect real GDP growth to come to roughly 1.4% in 2016.

Czech Republic

The Czech Republic was second only to Ireland as the European Union's best-performing economy in 2015. Domestic demand caused real GDP growth to double to 4.3%, more than twice as strong as the EU average. Household consumption was boosted by real wage increases and job creation, while a catch-up process in terms of drawing on European cohesion funds was a significant stimulus to government investment. Business investment grew fairly strongly too, although it did not contribute to GDP growth, as it led chiefly to an increase in imports. It did, however, deliver a powerful impulse to business lending. Historically low interest rates and an improving labour market sparked an acceleration in the growth of home loans.
Relatively favourable economic growth was accompanied by a sharp increase in employment and a significant drop in unemployment. The jobless rate was just 4.5% of the labour force at year-end 2015, compared to a peak of 7.8% at the beginning of 2010. Inflation hovered just above 0% throughout the year, well below the central bank's target of 2%. Monetary policy remained expansive as a result. Low interest rates did not prevent deposit growth from remaining robust, but investment funds and shares were also much in demand.
We expect real GDP growth to ease to a projected 2.5% in 2016, as the impulse provided by European funds for government investment will dissipate. Underlying domestic demand will remain healthy, however, with persistent growth in household consumption.

International Markets

As was the case in the Czech Republic, investment growth in other Central European countries benefited from the catch-up in use of European cohesion funds. As a result, real GDP growth in Slovakia (3.5%), Hungary (2.8%) and Bulgaria (2.7%) was well above the EU average. Growth in Bulgaria was driven primarily by net exports, whereas domestic demand was the chief engine of growth in Slovakia and Hungary. Substantial real wage increases and a sharp fall in unemployment underpinned household consumption. Falling energy prices left inflation moving around the 0% mark in Hungary throughout the year, and even resulted in negative inflation in Slovakia and Bulgaria. As was the case in other countries, rates spreads in Slovakia, Hungary and Bulgaria widened slightly for a time with Germany during the Greek crisis.
Robust domestic demand in Slovakia was accompanied by persistently vigorous growth in lending to households and a recovery in lending to businesses. Lending continued to be weak in Bulgaria, however, and Hungary remained in the grip of debt reduction, despite the central bank's stimulus package. It launched a fresh growth-support programme in November to further encourage lending to SMEs and also announced that its policy rate was likely to remain unchanged until the autumn of 2017, illustrating its concern at the further pattern of economic growth.
We expect real GDP growth in Slovakia, Hungary and Bulgaria to ease somewhat in 2016 to 3.3%, 2.4% and 2.5% respectively, owing to the catch-up in financing from the European cohesion funds coming to an end.
Ireland posted the strongest economic growth of any industrialised country in 2015 (7.2%). Exports continued to grow robustly and domestic demand picked up strongly. The factors stimulating growth were the lower oil price, the improvement in the terms of trade, low inflation, robust job creation, more flexible budget policy and resurgent demand following the deep crisis. Strong economic growth has helped reduce the level of debt, although it still remains high. Continuing debt reduction served to reduce the banks' outstanding loan volumes further, whereas household and business deposits grew rapidly. Economic growth is likely to slow down in 2016, but will remain very robust.

The outlook for all countries is based on forecasts made at the start of 2016, and so the actual situation could differ (considerably).

Macroeconomic indicators*	Belgium		Czech Republic		Hungary		Slovakia		Bulgaria		Ireland	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
GDP growth (real)	1.3%	1.4%	2.0%	4.3%	3.7%	2.8%	2.5%	3.5%	1.5%	2.7%	5.2%	7.2%
Inflation (average annual increase in consumer prices (%))	0.5%	0.6%	0.4%	0.3%	0.0%	-0.1%	-0.1%	-0.3%	-1.6%	-1.0%	0.3%	-0.1%
Unemployment (% of the labour force at year-end; Eurostat definition)	8.6%	7.9%	5.8%	4.5%	7.3%	6.3%	12.4%	10.6%	10.2%	8.8%	10.2%	9.0%
Government budget balance (% of GDP)	-3.1%	-2.8%	-1.9%	-1.9%	-2.5%	-2.3%	-2.8%	-2.7%	-5.8%	-2.8%	-3.9%	-1.5%
Public debt (% of GDP)	106.7%	106.5%	42.7%	41.0%	76.2%	75.8%	53.5%	52.7%	27.0%	31.8%	107.5%	96.0%

* Data for 2015 based on estimates made at the start of 2016.

Where do we stand in each of our countries?

The following table provides an indication of our presence (brands, network) and our scale (clients, loan portfolio, deposits, market share) per country.

Market position in 2015[1]	Belgium	Czech Republic	Hungary	Slovakia	Bulgaria	Ireland
Main brands	KBC, CBC, KBC Brussels	ČSOB	K&H	ČSOB	CIBANK	KBC Bank Ireland
Network	783 bank branches Various online channels	316 bank branches[2] Various online channels	209 bank branches Various online channels	125 bank branches Various online channels	100 bank branches Various online channels	17 bank branches Various online channels
Clients (millions, estimate)	3.2	3.0	0.8	0.4	0.2	0.2
Loan portfolio (in billions of EUR)	93	20	4.5	6.0	0.9	13.9
Deposits and debt securities (in billions of EUR)	115	24	5.9	5.3	0.7	5.3
Market shares						
- bank products	21%	19%	10%	11%	3%	–[3]
- investment funds	40%	26%	18%	7%	–	–

1 Market shares and client numbers: based on own estimates. Share for traditional bank products: average estimated market share for loans and deposits. Loan portfolio: see 'Risk management'. Deposits and debt securities: deposits from customers and debt securities (excluding repos). The Belgium Business Unit also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia, which focus on activities and clients with links to KBC's core markets (10 branches with a total loan portfolio of approximately 5 billion euros). The group operates under various brands in the Czech Republic, including ČSOB, Era, PSB, ČMSS and Hypoteční Banka.
2 ČSOB Bank and Era.
3 Retail market share: 11% for home loans and 6% for deposits.

We offer a wide range of loan, deposit, asset management, insurance (through KBC Insurance's subsidiary companies) and other financial products in virtually all our countries, where our focus is on private individuals, SMEs and high-net-worth clients. Services for corporate clients additionally include cash management, payments, trade finance, lease, money market activities, capital market products, stockbroking and corporate finance. As yet, we do not offer any asset management products in Bulgaria, and in Ireland, we only have a banking subsidiary.

The KBC group positions itself as a bank-insurer in every country apart from Ireland, although the roll-out of our bank-insurance concept varies from market to market.

Our bank-insurance business is already operating as a single company in Belgium, enabling it to achieve both commercial and non-commercial synergies. An important feature of our model in Belgium is the unique cooperation between our (KBC Bank) branches and (KBC Insurance) agencies in micro markets. The branches sell bank and standard insurance products, and refer clients to the insurance agency in the same micro market for other insurance products. The insurance agencies sell the full range of insurance products and handle all claims, including those relating to policies taken out at a bank branch.
We have not yet gone so far as in Belgium in our other core countries, but we want to create an integrated distribution model by no later than 2017, which will allow commercial synergies.

Where are we going and what did we achieve in 2015?

We announced our plans for the future and our updated strategy at an Investor Day in 2014. We also unveiled a variety of financial and non-financial targets for each country. More detailed information in this regard is provided in the 'Our strategy' section.

A selection of specific initiatives and achievements is set out below for each business unit.

Belgium

- We continue to focus on our multi-channel strategy, which entails ongoing investment in our branch network, our regional advisory centres, our websites and our mobile apps. To make us even more accessible to our clients, we want their experience in the physical bank branch to dovetail neatly with their online experience. This enables us to stay close to our clients in Belgium, always and everywhere.
- We want to exploit the potential of Brussels more efficiently via the separate new brand, *KBC Brussels*, which reflects the capital's specific cosmopolitan character and is designed to better meet the needs the people living there.
- Through CBC, we want to tap potential growth in specific bank-insurance market segments and to expand our presence in Wallonia, along with our accessibility and the services we provide, by opening new insurance agencies and bank branches and by relocating existing ones.
- We are doing all of this while continuing to optimise our bank-insurance model in Belgium. We aim to increase KBC Group's bank-insurance revenues in the years ahead by an average of at least 5% annually, partly through the provision of digital solutions and specific bank-insurance initiatives for defined target groups.
- Our commitment to Belgian society extends beyond just offering the right products and services. We also express it in the range of initiatives we take in such areas as environmental protection, financial literacy, stimulating entrepreneurship and demographic ageing.

A few achievements in 2015

- ✓ *We opened five regional advisory centres, spread across the five Flemish provinces. They provide remote tailored advice and have extended opening hours.*
- ✓ *Following intensive consultation with clients, we launched KBC Touch for private individuals and businesses to do their bank-insurance business online. We introduced simple account packages, contactless debit cards, the KBC Invest app, the Bolero app for iPhones, an app for Apple Watch, and more besides.*
- ✓ *We opened FarmCafe, a digital platform for farmers and horticulturists, and appointed 100 relationship managers for independent medical professionals.*
- ✓ *We started up KBC Brussels. We worked on a support team in the European Quarter and organised a variety of client events. The existing KBC/CBC branches in Brussels were repositioned.*
- ✓ *We rolled out our growth strategy in Wallonia: six new bank branches were opened and ten existing ones relocated to better locations, a first virtual branch launched and work was started on the new head office in Namur.*
- ✓ *We took various initiatives for start-ups and growers, launching the KBC Clickshop (which enables clients to set up their own online stores) and the KBC Paypage (for managing payments in those stores). We further expanded Start it@kbc (through which KBC and a number of partners help new businesses in Flanders), unveiled the Bolero crowd-funding platform (which investors can use to provide financial support to new businesses) and launched the 'PopUpWebShop' campaign to support local businesses.*
- ✓ *Our bank-insurance concept enjoyed continued success. At year-end 2015, almost a fifth of households that are clients of KBC Bank held at least three KBC Bank and three KBC Insurance products. To give another example, eight to nine of every ten clients who have taken out a home loan have also taken out a KBC Home Insurance policy.*
- ✓ *We took a variety of initiatives in the areas of environmental protection, health and safety, combating social deprivation, and developing the local market. For instance, we participated in the 'Mobility Week', supported the cancer charity 'Kom op tegen Kanker', collaborated with 'Close The Gap', and linked the non-recurrent results-based bonus paid to employees to the achievement of sustainability targets. We organised another stakeholder debate, where we presented our Report to Society and responded to the questions of our stakeholders.*

Czech Republic

- We want to create added value for our clients by moving from largely channel-centric solutions to ones that are more client-centric, based on an integrated model that brings together clients, third parties and our bank-insurer.
- We will also offer new non-financial products and services to add value for our clients and to further enhance client satisfaction.
- Our Czech group companies will concentrate even more on simplifying products, IT, organisation, the bank distribution network, head office and branding, to achieve even greater cost efficiency.
- We also want to expand our bank-insurance activities through steps like introducing a progressive and flexible pricing model, developing combined banking and insurance products, and strengthening our insurance sales teams.
- We intend to keep growing in the fields in which we have traditionally been strong, such as lending to business and providing home loans. We want to move forward in fields in which we have yet to tap our full potential, such as the attractive market for lending to SMEs and consumer finance.
- Our commitment to Czech society extends beyond just offering the right products and services. It is also expressed in the various initiatives we take in the areas of corporate responsibility, training, diversity and the environment.

A few achievements in 2015

✓ *We launched many new products and services, including a new application for mobile phones (Smart OTP), a prepaid card (COOL karta) and several flexible funds (ČSOB Flexibilní portfolio and ČSOB Flexibilní plán). We introduced digital documents for customers and biometric signatures. We also launched a 'Gap in the Market' campaign, which brought local residents and businesspeople together and informed them about initiatives lacking in their neighbourhood that could add value.*

✓ *We worked to simplify our business model, with initiatives being taken in the areas of governance, organisation and process simplification. We also unveiled a new website, offering simple and convenient navigation based on situations from the client's everyday life.*

✓ *We launched fresh bank-insurance initiatives, including offering insurance products via smart banking, further expanding the number of insurance specialists in the branch network and at the call centre, and bringing out new non-life insurance products at ČMSS and other entities.*

✓ *We achieved decent growth in the areas we targeted for growth, such as consumer finance (+5% in 2015) and lending to SMEs (+4%).*

✓ *We took a number of initiatives in terms of our social engagement. Our ongoing commitment to the environment, for instance, was apparent in the use of renewable energy at our head office. The battle against exclusion continued in the shape of our wheelchair-friendly branches, ATMs adapted for visually impaired clients, the eScribe transcription service for people with hearing difficulties, financial education via the 'ČSOB Education Programme', the 'Education Fund' and 'Blue Life Academy'. ČSOB also organised a wide-ranging stakeholder debate in 2015 to discuss its sustainability approach with a range of shareholders.*

International Markets

- We want to move from a branch-oriented distribution model in Hungary and Slovakia to a hybrid model. That is also the case in Bulgaria, but at a slower pace. In Ireland, we are positioning ourselves as leader in the area of hybrid distribution.
- K&H in Hungary will continue to use its surplus liquidity to support the local economy, to grow its market share in important segments, and to further improve its efficiency and profitability. Client acquisition, share-of-wallet campaigns and cost containment are the top priority.
- We want to see our income in Slovakia increase considerably, especially in retail asset classes (home loans, consumer finance, SME funding and leasing), which – combined with cost containment – should result in an improvement in the cost/income ratio.
- CIBANK is concentrating on specific client segments in Bulgaria within a controlled and robust risk framework. Collaboration between DZI (a KBC Insurance subsidiary) and CIBANK will be expanded through the further development of products (including unit-linked ones) and distribution channels.
- We are moving towards a retail bank with a full product offering in Ireland. Distribution should increasingly occur through our own channels, including online, mobile and via a contact centre, supported by a flexible physical presence (hubs, mobile banks and advisers) in major urban areas. We want to grow significantly in new retail mortgage loans, to expand the range of retail products and to further increase local deposits. The existing portfolio of loans to large businesses and SMEs will continue to be scaled down.
- KBC is committed to a socially responsible approach in all countries, as illustrated in our policy towards staff and clients, and in our involvement with society.

A few achievements in 2015

✓ *The performance turned in by all the countries of the business unit was much better than in 2014.*

✓ *We strengthened our position in Slovakia through the acquisition of Volksbank Leasing Slovakia, a universal leasing firm with a roughly 6% share of the Slovakian leasing market.*

✓ *We opened new retail hubs in Ireland and expanded our team of mobile advisers. We launched a new website and an improved mobile app, and also expanded our product offering to include asset management products and car insurance (in partnership). The number of clients and the number of products per client increased.*

✓ *The conversion of foreign-currency mortgages to forint loans is now complete in Hungary. We recorded strong growth in the sale of insurance through our banking channel and increased our market shares, achieving a solid position in new mortgage production and rolling stock insurance.*

✓ *Our share of the banking market in Bulgaria increased.*

✓ *We put our social engagement into practice through various initiatives. K&H in Hungary, for instance, provides financial and material assistance to sick children through the 'K&H MediMagic Programme', while 'K&H for the Underprivileged' supports the most disadvantaged micro-regions. K&H promotes financial education with its national 'K&H Ready, Steady, Money' contest. Financial education is also the focus of the 'ČSOB Head and Heel' programme in Slovakia, where students are encouraged to find a creative approach to a financial topic. ČSOB in Slovakia also organises the ČSOB Bratislava Marathon, with which a variety of charities are affiliated, and supports a number of NGOs through its 'Employee Grant Programme'. CIBANK in Bulgaria celebrated its 20-year existence by supporting 20 small local communities with sustainability initiatives. KBC Bank Ireland supports the Barretstown and Barnardos projects, which focus on the welfare of children.*

How do the business units contribute to the group result?

Consolidated income statement, KBC Bank: 'Result after tax, attributable to equity holders of the parent' (in million EUR)	2014	2015
Belgium Business Unit	1 051	1 064
Czech Republic Business Unit	500	517
International Markets Business Unit	-205	225
Hungary	-102	125
Slovakia	65	74
Bulgaria	11	12
Ireland	-179	13
Group Centre (including planned divestments)	-34	433
Total net result, KBC Bank	1 312	2 239

The group's net result by business unit in 2015 breaks down as follows:

- Belgium: 1 064 million euros (up 13 million euros on the figure for 2014, due primarily to higher net fee and commission income and trading and fair-value income, together with lower loan losses, and despite slightly lower net interest income and higher costs);
- the Czech Republic: 517 million euros (up 16 million euros on the figure for 2014, owing to factors such as higher trading and fair-value income and despite slightly higher costs);
- International Markets: 225 million euros (a 430-million-euro improvement on the figure for 2014, due mainly to lower loan loss provisioning in Ireland in 2015, whereas 2014 had been adversely affected by the recognition of a 183-million-euro provision (after tax) related to the Hungarian act on consumer loans);
- the Group Centre: 433 million euros (an improvement of 468 million euros on the figure for 2014, primarily because of the recognition of the deferred tax asset related to KBC Financial Holding Inc., and despite provisioning for impairment on goodwill).

A complete overview of the underlying results and a brief commentary for each business unit is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section.

Risk management

Mainly active in banking and asset management, we are exposed to a number of typical industry-specific risks such as – but not exclusively – credit risk, movements in interest rates and exchange rates, liquidity risk, operational risks, exposure to emerging markets, changes in regulations, customer litigation, as well as the economy in general.

This section of our annual report focuses on our risk governance model and the most material sector-specific risks we face, namely credit risk, market risk, liquidity risk, and operational risk.

Our statutory auditors have audited the information in this section that forms part of the IFRS financial statements, viz.:

- the 'Risk governance' section;
- certain parts of the 'Credit risk' section, namely the introduction, 'Credit risk management at transactional level', 'Credit risk management at portfolio level', the 'Loan and investment portfolio' table (audited parts are indicated in the footnote to the table), the 'Details for the loans and investment portfolio of KBC Bank Ireland' table, 'Forbearance measures', the 'Other credit exposure' table and 'Overview of exposure to sovereign bonds';
- certain parts of the 'Market risk in non-trading activities' section, namely the introduction, 'Managing market risk in non-trading activities', 'Interest rate risk' (except for the 'Impact of a parallel 10-basis-point increase in the yield curve KBC Bank' table) and 'Foreign exchange risk';
- certain parts of the 'Liquidity risk' section, namely the introduction, 'Managing liquidity risk' and 'Maturity analysis';
- certain parts of the 'Market risk in trading activities' section, namely the introduction, 'Managing market risk' and 'Risk analysis and quantification';

Risk governance

Risk governance in KBC Bank is fully embedded in the risk governance of KBC Group. Below, the risk governance model of KBC Group is highlighted.

Our risk governance model is characterised primarily by:

- the Board of Directors, assisted by the Group Risk & Compliance), which sets the risk appetite each year, monitors risks and proposes action, where necessary;
- integrated architecture centred on the Executive Committee that links risk appetite, strategy and performance goal setting;
- the CRO Services Management Committee and activity-based risk committees mandated by the Group Executive Committee;

- risk-aware business people, who act as the first line of defence for conducting sound risk management in the group.
- a single, independent risk function that comprises the Group Chief Risk Officer (CRO), local CROs, local risk functions and the group risk function. The risk function (together with the compliance function) acts as the second line of defence, while Internal Audit is the third line.

Relevant risk management bodies and control functions:

- Group Executive Committee:
  - makes proposals to the Board of Directors about risk and capital strategy, risk appetite, and the general concept of the risk management framework;
  - decides on the non-strategy-related building blocks of the risk management framework and monitors its implementation throughout the group;
  - allocates capital to activities in order to maximise the risk-adjusted return;
  - acts as the leading risk committee, covering material issues that are channelled via the specific risk committees or the Group ALCO;
  - monitors the group's major risk exposure to ensure conformity with the risk appetite.

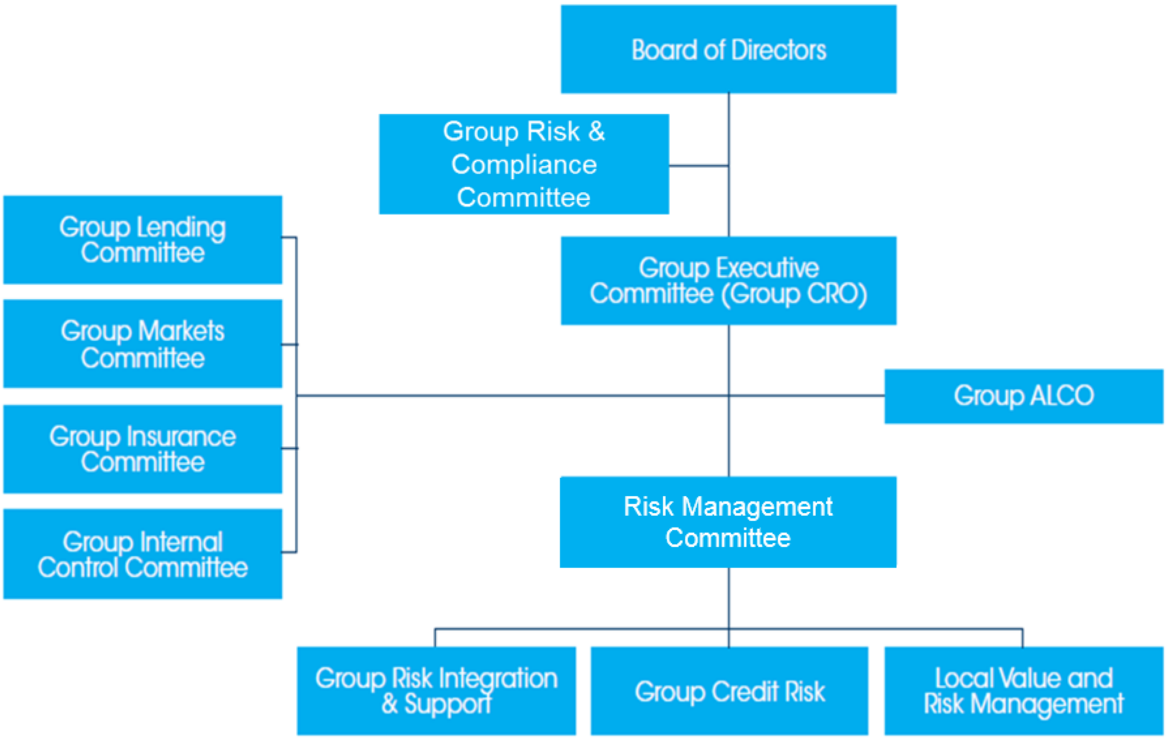
- Group ALCO:
  - is a business committee that assists the Group Executive Committee in the domain of (integrated) balance sheet management at group level. It handles matters related to ALM and liquidity risk.

- Risk committees:

  - The Risk Management Committee supports the Group Executive Committee in assessing the adequacy of, and compliance with, the KBC Risk Management Framework and defines and implements the vision, mission and strategy for the CRO Services of the KBC group.
  - The Group Lending Committee (GLC) supports the Group Executive Committee in setting, monitoring and following up limits for lending activities (funding, liquidity and ALM issues related to lending activities remain the responsibility of the Group Executive Committee/Group ALCO).
  - The Group Markets Committee (GMC) supports the Group Executive Committee in setting, monitoring and following up limits for markets activities (trading activity, where there is not only market risk, but also operational and counterparty credit risks).
  - The Group Insurance Committee (GIC) supports the Group Executive Committee in setting, monitoring and following up
  - limits for insurance activities at group level.
  - met betrekking tot kredietverlening blijven de verantwoordelijkheid van het Groeps-DC/Groeps-ALCO).
  - The Group Internal Control Committee (GICC) supports the Group Executive Committee in monitoring and strengthening the quality and effectiveness of KBC's internal control system

- Local Chief Risk Officers (LCROs) are situated throughout the group according to a logical segmentation based on entity and/or business unit. Close collaboration with the business is assured since they take part in the local decision-making process. Independence of the LCROs is achieved through a direct reporting line to the Group CRO.
.
- Group Risk Integration & Support and Group Credit Risk (known collectively as 'the Group risk function') have a number of responsibilities, including monitoring risks at an overarching group-wide level, developing risk and capital models (while business models are developed by business), performing independent validations of all risk and capital models, developing risk frameworks and advising/reporting on issues handled by the Group Executive Committee and the risk committees.

Performance is assessed on a yearly basis as part of the Internal Control Statement.
A simplified schematic of our risk governance model is shown below.



Risk culture

KBC seeks to promote a strong risk culture throughout its organisation. The Risk Function's vision is to put risk in the hearts and minds of everyone, to help KBC create sustainable growth and earn its clients' trust. Its mission is to inspire, equip and challenge the business to excel in managing the risk/return balance of its activities, within the playing field defined in the risk appetite.

We consider risk culture as a powerful wheel of effective and efficient risk management. It cultivates a shared perception among employees of the priority given to risk management. This includes perceptions of risk-related practices and behaviours that are expected, valued and supported.
As a basis for evaluating progress, we ask ourselves the following questions:

- Is risk management valued throughout the organisation?
- Are risk issues and events proactively identified and effectively addressed?
- Are risk issues and policy breaches ignored, downplayed or excused?
- Is the immediate manager an effective role model for desirable risk behaviour?

Across KBC, individual entities and departments made important strides in implementing risk culture throughout their respective organisations. Focusing on the questions above, several local initiatives were launched to enhance risk awareness. Furthermore, the topic has been at the top of the agenda of KBC's CRO Community, which enables insights, best practices and ideas to be shared.

During 2015, substantial action was taken on a number of other fronts to further improve the quality and effectiveness of the internal control environment. We revised and simplified our overarching Risk Management Frameworks (RMFs) in order to achieve better and more focused risk management. Most notably, we thoroughly reviewed the KBC Three Lines of Defence model, taking important steps to promote clear accountability for risk taking, oversight and independent assurance.

Credit risk

Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk, which is the risk for adverse changes in credit ratings.

We manage credit risk at both transactional and portfolio level. Managing credit risk at the transactional level means that we have sound practices, processes and tools in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are taken. Managing the risk at portfolio level encompasses, *inter alia*, periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios, taking risk mitigating measures and optimising the overall credit risk profile.

Credit risk management at transactional level

We have sound acceptance policies and procedures in place for all kinds of credit risk exposure. We are limiting our description below to exposures related to traditional loans to businesses and to lending to individuals, as these account for the largest part of the group's credit risk exposure.

Lending to individuals (e.g., mortgages) is subject to a standardised process, during which the output of scoring models plays an important role in the acceptance procedure. Lending to businesses is subject to a more integrated acceptance process in which relationship management, credit acceptance committees and model-generated output are taken into account.

For most types of credit risk exposure, monitoring is determined primarily by the *risk class*, with a distinction being made based on the Probability of Default (PD) and the Loss Given Default (LGD). The latter reflects the estimated loss that would be incurred if an obligor defaults.

In order to determine the risk class, we have developed various rating models for measuring how creditworthy borrowers are and for estimating the expected loss of various types of transactions. We use a number of uniform models throughout the group (models for governments, banks, large companies, etc.), while others have been designed for specific geographic markets (SMEs, private individuals, etc.) or types of transaction. We use the same internal rating scale throughout the group.

We use the output generated by these models to split the non-defaulted loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. We assign an internal rating ranging from PD 10 to PD 12 to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12. Default status is fully aligned with non-performing status and with impaired status. PD classes 10,11 and 12 are therefore referred to as "defaulted" and "impaired". Likewise, "performing" status is fully aligned with "non-default" and "non-impaired" status.

We review loans to large corporations at least once a year, with the internal rating being updated as a minimum. If ratings are not updated in time, a capital add-on is imposed. Loans to small and medium-sized enterprises and to private individuals are reviewed periodically, with account being taken of any new information that is available (such as arrears, financial data, a significant change in the risk class). This monthly exercise can trigger a more in-depth review or may result in action being taken towards the client.

For credit linked to defaulted borrowers in PD classes 10, 11 and 12, we record impairment losses based on an estimate of the net present value of the recoverable amount. This is done on a case-by-case basis, and on a statistical basis for smaller credit facilities. In addition, for non-defaulted credit in PD classes 1 to 9, we record impairment losses on a 'portfolio basis', using a formula based on the IRB Advanced models used internally, or an alternative method if a suitable IRB Advanced model is not yet available.

Credit risk management at portfolio level

We also monitor credit risk on a portfolio basis, *inter alia* by means of monthly and/or quarterly reports on the consolidated credit portfolio in order to ensure that lending policy and limits are being respected. In addition, we monitor the largest risk concentrations via periodic and *ad hoc* reports. Limits are in place at borrower/guarantor, issuer or counterparty level, at sector level and for specific activities or geographic areas. Moreover, we perform stress tests on certain types of credit, as well as on the full scope of credit risk.

Whereas some limits are in notional terms, we also use concepts such as 'expected loss' and 'loss given default'. Together with 'probability of default' and 'exposure at default', these concepts form the building blocks for calculating the regulatory capital requirements for credit risk, as KBC has opted to use the Internal Rating Based (IRB) approach. By the end of 2015, the main group entities (save for CIBANK and CSOB in Slovakia) and some smaller entities had adopted the IRB Advanced approach. Others are scheduled to shift to the IRB Advanced approach in the coming years, subject to regulatory approval. 'Non-material' entities will continue to adopt the Standardised approach.

Credit risk exposure

The main source of credit risk is the loan and investment portfolio. This portfolio has been built up mainly through what can be considered as pure, traditional lending activities. It includes all retail lending such as mortgage loans and consumer loans, all corporate lending such as (committed and uncommitted) working capital credit lines, investment credit, guarantee credit and credit derivatives (protection sold) and all non-government debt securities in the investment books. The table excludes other credit risks, such as trading exposure (issuer risk), counterparty risk associated with interprofessional transactions, international trade finance (documentary credit, etc.) and government bonds. We describe these items separately below.

The loan and investment portfolio as defined in this section differs significantly from ‘Loans and advances to customers’ in Note 14 of the ‘Consolidated financial statements’ section.For more information, please refer to the ‘Glossary of ratios and terms’.

Loan and investment portfolio	31-12-2014	31-12-2015
Total loan portfolio (in billions of EUR)		
Amount granted	166	174
Amount outstanding	139	143
Loan portfolio breakdown by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	65%
Czech Republic	14%	14%
International Markets	18%	18%
Group Centre	4%	3%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the portfolio of credit outstanding)[1]		
Private individuals	42%	42%
Financial and insurance	6%	6%
Governments	4%	3%
Corporates	49%	49%
Services	11%	11%
Distribution	8%	8%
Real estate	7%	7%
Building and construction	4%	4%
Agriculture, farming, fishing	3%	3%
Automotive	2%	2%
Other[2]	14%	14%
Total	100%	100%
Loan portfolio breakdown by region (as a % of the portfolio of credit outstanding)[1]		
Western Europe	75%	74%
Central and Eastern Europe	21%	22%
North America	1%	1%
Other	2%	3%
Total	100%	100%
Loan portfolio breakdown by risk class (part of the portfolio, as a % of the portfolio of credit outstanding)[1, 3]		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	30%	31%
PD 2 (0.10% – 0.20%)	11%	11%
PD 3 (0.20% – 0.40%)	13%	14%
PD 4 (0.40% – 0.80%)	15%	15%
PD 5 (0.80% – 1.60%)	11%	11%
PD 6 (1.60% – 3.20%)	10%	9%
PD 7 (3.20% – 6.40%)	5%	4%
PD 8 (6.40% – 12.80%)	2%	2%
PD 9 (highest risk, ≥ 12.80%)	2%	2%
Total	100%	100%
Impaired loans[4] (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans[5]	13 692	12 305
Specific impairment	5 709	5 517
Portfolio-based impairment (i.e. based on PD 1 to 9)	215	229
Credit cost ratio		
Belgium Business Unit	0.23%	0.19%
Czech Republic Business Unit	0.18%	0.18%
International Markets Business Unit	1.06%	0.32%
Ireland	1.33%	0.34%
Slovakia	0.36%	0.32%
Hungary	0.94%	0.12%
Bulgaria	1.30%	1.21%
Group Centre	1.17%	0.54%
Total	0.42%	0.23%

Impaired loans ratio		
Belgium Business Unit	4.3%	3.8%
Czech Republic Business Unit	3.8%	3.4%
International Markets Business Unit	34.1%	29.8%
Group Centre	8.6%	10.0%
Total	9.9%	8.6%
Impaired loans that are more than 90 days past due (PD 11 + 12; in millions of EUR or %)		
Impaired loans that are more than 90 days past due	7 676	6 936
Specific impairment for impaired loans that are more than 90 days past due	4 384	4 183
Ratio of impaired loans that are more than 90 days past due		
Belgium Business Unit	2.2%	2.2%
Czech Republic Business Unit	2.9%	2.5%
International Markets Business Unit	19.0%	16.0%
Group Centre	6.3%	6.1%
Total	5.5%	4.8%
Cover ratio [Specific loan loss impairment]/[impaired loans]		
Total	42%	45%
Total (excluding mortgage loans)	51%	53%

The Belgium Business Unit also includes the small network of 10 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. These branches, which focus on activities and clients with links to KBC's core markets, have a total loan portfolio of approximately 5 billion euros.
1 Audited figures.
2 Individual sector shares not exceeding 3%.
3 Internal rating scale.
4 Figures differ from those appearing in Note 17 of the 'Consolidated financial statements' section, due to differences in scope.
5 Reconciliation of year-end figures: the difference of 1 386 million euros between the figures for 2014 and 2015 was due to this category of loan decreasing by 277 million euros at the Belgium Business Unit, by 5 million euros at the Czech Republic Business Unit, by 6 million euros at the Group Centre, and by 1 099 million euros at the International Markets Business Unit (962 million euros of which in Ireland).

We have provided the following additional information for the loan and investment portfolio in Ireland, due to the specific situation on this market.

Details for the loan and investment portfolio of KBC Bank Ireland	31-12-2014	31-12-2015
Total portfolio (outstanding, in billions of EUR)	14	14
Breakdown by loan type		
Home loans	82%	84%
SME & corporate loans	9%	8%
Real estate investment and real estate development	9%	8%
Breakdown by risk class		
Normal (PD 1-9)	48%	53%
Impaired (PD 10)	25%	24%
Impaired (PD 11+12)	27%	24%
Credit cost ratio[2]	1.33%	0.34%
Cover ratio	37%	41%

1 For a definition, see 'Overview of credit risk exposure' (i.e. excluding *inter alia* government bonds).
2 Unaudited.

Forbearance measures

In order to avoid a situation where an obligor facing financial difficulties ends up defaulting, we can decide to renegotiate its loans and grant forbearance measures in accordance with internal policy guidelines.

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties.

Forbearance measures may involve:
- lowering or postponing interest or fee payments;
- extending the term of the loan to ease the repayment schedule;
- capitalising arrears;
- declaring a moratorium (temporary principal and/or interest payment holidays);
- providing debt forgiveness.

After a forbearance measure has been decided upon, a forbearance tag is attached to the file in the credit systems for identification, monitoring and reporting purposes.

A client with a forborne loan will in principle be assigned a PD class that is higher than the one it had before the forbearance measure was granted, given the higher risk of the client.

In case a client/file has a default status (assigned before or at the moment of granting forbearance measures), the client/forborne facility (dependent on whether the default status is assigned on client or on facility level) should stay defaulted for at least one year. Only upon strict conditions, the client/facility can be reclassified as 'non-defaulted'. A forborne facility with a non-defaulted status, will be tagged as 'forborne' for at least two years after the forbearance measure has been granted, or after the client/facility becomes non-defaulted, and can only be removed when strict extra criteria have been met (non-defaulted, regular payments, etc.).

As forbearance measures constitute an objective indicator (i.e. impairment trigger) that requires assessing whether impairment is needed, all forbearance measures are subject to an impairment test.

t the end of 2015, forborne loans accounted for some 5% of the total loan portfolio. The tables below provide further details on the movement in forborne exposure and impairments thereon between end 2014 and end 2015 and a breakdown by PD class.

Compared to the end of 2014, there was a decrease in the forborne loan exposure by 1.3%, as the slight increase due to the new EBA-based policy on forbearance measures (2 year tagging period) was more than compensated by the drop as a result of repayments, cures and write-offs and – specifically in Hungary – the impact on mortgage loans of the settlement and conversion to HUF of FX loans following the Curia act.

On-balance exposures with forbearance measures (in millions of EUR) – Movements between opening and closing balance 2015							
Gross carrying amount		Movements					
	2015 opening balance	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments	Write-offs	Other[1]	2015 closing balance
Total	7 897	2 099	-1 443	-671	-105	16	7 794
Of which: KBC Bank Ireland	5 703	541	-377	-426	-75	17	5 383
K&H	197	91	-3	-138	-24	4	128
Impairments		Movements					
	2015 opening balance	Existing impairments on loans which have become forborne	Decrease in impairments because loans are no longer forborne	Increase in impairments on forborne loans	Decrease in impairments on forborne loans	Other[2]	2015 closing balance
Total	2 108	586	-304	209	-378	-19	2 203
Of which: KBC Bank Ireland	1 664	228	-160	176	-300	0	1 607
K&H	72	19	-1	5	-49	-1	46

1 Includes a.o. FX effects for credits granted in currencies other than local reporting currency, changes in drawn/undrawn part of the facilities, increase in gross carrying amount of an existing forborne loan.
2 Includes a.o. use of impairment in case of write-off.

Forborne loans	% of outstanding portfolio	Breakdown by PD class (as a percentage of the entity's portfolio of forborne loans)			
		PD 1-8	PD 9	PD 10 (impaired, less than 90 days past due)	PD 11-12 (impaired, 90 days and more past due)
31-12-2014					
Total	6%	6%	7%	58%	29%
Of which: KBC Bank Ireland	39%	1%	6%	61%	32%
K&H	4%	1%	5%	55%	39%
By client segment					
Private individuals[1]	8%	6%	7%	62%	25%
SMEs	1%	21%	16%	40%	23%
Corporations[2]	5%	4%	5%	54%	37%
31-12-2015					
Total	5%	8%	11%	53%	28%
Of which: KBC Bank Ireland	38%	1%	11%	59%	29%
K&H	3%	2%	8%	70%	21%
By client segment					
Private individuals[1]	8%	9%	13%	59%	19%
SMEs	1%	28%	12%	35%	25%
Corporations[2]	5%	3%	6%	46%	45%

1 99% of the forborne loans total relating to mortgage loans in 2014 and 99% in 2015.
2 55% of the forborne loans total relating to commercial real estate loans in 2014 and 53% in 2015.

Other credit risks

The main sources of other credit risk are:

Short-term commercial transactions. This involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and only entails exposure to financial institutions. We manage risks associated with this activity by setting limits per financial institution and per country or group of countries.

Trading book securities. These securities carry an issuer risk (potential loss on default by the issuer). We measure exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

Interprofessional transactions (deposits with professional counterparties and derivatives trading). These transactions result in counterparty risk. The amounts shown in the table are the group's pre-settlement risks, measured as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. Risks are curtailed by setting limits per counterparty. We also use close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk-mitigants for regulatory capital calculations.

Other credit exposure (in billions of EUR)	31-12-2014	31-12-2015
Short-term commercial transactions	4.4	2.9
Issuer risk[1]	0.2	0.1
Counterparty risk in interprofessional transactions[2]	10.1	9.6

1 Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.
2 After deduction of collateral received and netting benefits.

Government securities in the investment portfolio of banking entities. We measure exposure to governments in terms of nominal value and book value. Such exposure relates mainly to EU states (particularly Belgium). We have put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure to government bonds are provided in a separate section below.

Exposure to sovereign bonds

We hold a significant portfolio of government bonds, primarily as a result of our considerable excess liquidity. A breakdown per country is provided in the table below.

Overview of exposure to sovereign bonds at year-end 2015, carrying value[1] (in millions of EUR)								
Total (by portfolio)	Available for sale	Held to maturity	Designated at fair value through profit or loss	Loans and receivables	Held for trading	Total	*For comparison purposes: total at year-end 2014*	Economic impact of +100 basis points[3]
Southern Europe and Ireland								
Greece	0	0	0	0	0	0	*0*	0
Portugal	227	36	0	0	1	264	*37*	-18
Spain	2 364	263	0	0	3	2 630	*1 403*	-174
Italy	1 880	82	0	0	8	1 970	*1 627*	-114
Ireland	437	465	0	0	3	905	*661*	-48
KBC core countries								
Belgium	2 568	14 427	77	0	510	17 582	*19 444*	-854
Czech Republic	1 500	4 797	0	18	491	6 806	*7 085*	-396
Hungary	500	1 356	0	5	128	1 988	*1 914*	-71
Slovakia	1 285	1 234	0	0	2	2 522	*2 432*	-157
Bulgaria	233	0	0	0	0	233	*158*	-14
Other countries								
France	1 440	2 314	0	0	117	3 871	*2 766*	-314
Poland	665	94	12	0	6	777	*340*	-38
Germany	159	0	0	0	4	164	*192*	-7
Austria	183	260	21	0	11	476	*830*	-30
Netherlands	0	224	1	0	3	228	*546*	-16
Rest[2]	1092	1 568	10	0	121	2 790	*2 632*	-143
Total carrying value	14 532	27 119	120	22	1 408	43 202	*42 069*	–

1 Excluding exposure to supranational entities of selected countries. No material impairment on the government bonds in portfolio.
2 Sum of countries whose individual exposure is less than 0.5 billion euros at year-end 2015 (except for the ones shown in the table).
3 Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure (in millions of euros). Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to banking book exposure only (impact on trading book exposure was very limited and amounted to -27 million euros at year-end 2015).

Main changes in 2015:

- The carrying value of the total sovereign bond exposure increased slightly by 1.1 billion euros, due primarily to the higher exposure to Spanish, French, Italian and Polish government bonds (+1.2 billion euros, +1.1 billion euros, +0.3 billion euros and +0.4 billion euros, respectively), but partly offset by a decrease in exposure to Belgian government bonds (-1.8 billion euros).

Revaluation reserve for available-for-sale assets at year-end 2015:

- At 31 December 2015, the carrying value of the total available-for-sale government bond portfolio incorporated a revaluation reserve of 0.8 billion euros, before tax.
- This included 212 million euros for Belgium, 157 million euros for Italy, 88 million euros for Slovakia, 63 million euros for the Czech Republic and 303 million euros for the other countries combined.

KBC sees no major sources of estimation uncertainty that would significantly increase the risk of a material adjustment to the carrying value of sovereign debt over financial year 2016.

Portfolio of Belgian government bonds:

- Belgian sovereign bonds accounted for 41% of the total government bond portfolio at the end of 2015, reflecting the importance to KBC of Belgium, the group's primary core market. The importance of Belgium, in general, is also reflected in the 'Loan and investment portfolio' table towards the start of this section, in the contribution that Belgium makes to group profit and in the various components of the result (see ‘Notes on segment reporting’ under ‘Consolidated financial statements’).

- At year-end 2015, the credit ratings assigned to Belgium by the three main international agencies were Aa3 from Moody’s, AA from Standard & Poor’s and AA from Fitch. More information on Belgium’s macroeconomic performance is provided in the separate section dealing with Belgium. For more information, please refer to the rating agencies’ websites.
- The main risk to our holdings of Belgian sovereign bonds is a widening of the credit spread. The potential impact of a 100-basis-point upward shift in the spread (by year-end 2015) can be broken down as follows:
  - Theoretical full economic impact (see previous table): the impact on IFRS profit or loss is very limited since the lion’s share of the portfolio of Belgian sovereign bonds was classified as ‘Available For Sale’ (15%) and ‘Held To Maturity’ (82%); the impact on IFRS unrealised gains on available-for-sale assets is -72 million euros (after tax).
  - Impact on liquidity: a widening credit spread affects the liquidity coverage ratio (LCR), but the group has a sufficiently large liquidity buffer.

Structured credit exposure

At 1.6 billion euros, the total net portfolio (i.e. excluding de-risked positions) of structured credit products (consisting primarily of European residential mortgage-backed securities (RMBS)) decreased by 0.1 billion euros on its level at year-end 2014, as redemptions were slightly higher than new investments to the tune of 0.1 billion euros. In 2013, KBC decided to lift the strict moratorium on investments in ABS and to allow treasury investments in liquid, high-quality, non-synthetic European ABS, which are also accepted as eligible collateral by the European Central Bank (ECB). This allows for further diversification in the investment portfolios. The moratorium on investments in synthetic securitisations or re-securitisations is still in place.

In September 2014, KBC collapsed the last two remaining CDOs originated by KBC Financial Products, enabling it to fully scale down its CDO portfolio, which had stood at more than 25 billion euros in 2008. Collapsing these CDOs ended the guarantee agreement that KBC had concluded with the Belgian Federal Government and completely eliminated 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 0.2 billion euros' worth of CDO notes issued by KBC Financial Products and held by third-party investors that will remain outstanding until November 2017.

Market risk in non-trading activities

The process of managing structural exposure to market risks (including interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk) is also known as Asset/Liability Management (ALM).

'Structural exposure' encompasses all exposure inherent in our commercial activity or in our long-term positions. Trading activities are consequently not included. Structural exposure can also be described as a combination of:

mismatches in the banking activities linked to the branch network's acquisition of working funds and the use of those funds (via lending, among other things);

the risks associated with holding an investment portfolio for the purpose of reinvesting shareholders' equity;

the structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its investments).

Managing market risk in non-trading activities

The main building blocks of KBC's ALM Risk Management Framework are:

- a broad range of risk measurement methods such as Basis-Point-Value (BPV), gap analysis and economic sensitivities
- net interest income simulations under a variety of market scenarios. Simulations over a multi-year period are used within budgeting and risk processes.
- capital sensitivities arising from banking book positions that have impact on available regulatory capital (e.g. AFS bonds)
- Value-at-Risk (VaR) which measures the maximum loss that might be sustained over a one-year time horizon with a certain confidence level, as a result of movements in interest rates and other fluctuations in market risk factors

KBC Bank non-trading market risk (VaR 99.93%, 1-year time horizon) (in billions of EUR)*	31-12-2014	31-12-2015
Total	3.49	3.36

* Cyclical prepayment options embedded in mortgage loans have not been captured. VaR is measured using the VaR-CoVaR approach.

Interest rate risk

The main technique we use to measure interest rate risks is the 10 BPV. The 10 BPV measures the extent to which the value of the portfolio would change if interest rates were to go up by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). We also use other techniques such as gap analysis, the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net income perspective).

Impact of a parallel 10-basis-point increase in the yield curve for KBC Bank (in millions of EUR)	Impact on value[1]	
	2014	2015
Banking	-57	-25

1Full market value, regardless of accounting classification or impairment rules.

We manage the ALM interest rate positions of the banking entities via a system of market-oriented internal pricing for products with a fixed maturity date, and via a replicating portfolio technique for products without a fixed maturity date (e.g., current and savings accounts).
The bank takes interest rate positions mainly through government bonds, with a view to acquiring interest income, both in a bond portfolio used for reinvesting equity and in a bond portfolio financed with short-term funds. The table shows the bank's exposure to interest rate risk in terms of 10 BPV.

BPV (10 basis points) of the ALM book* (in millions of EUR)	2014	2015
Average for 1Q	-55	-60
Average for 2Q	-61	-40
Average for 3Q	-71	-28
Average for 4Q	-57	-25
As at 31 December	-57	-25
Maximum in year	-71	-60
Minimum in year	-55	-25

* Unaudited figures, except for those 'As at 31 December'.

In line with the Basel guidelines, we conduct a 200-basis-point stress test at regular intervals. It sets off the total interest rate risk in the banking book (given a 2% parallel shift in interest rates) against total capital and reserves. This risk came to 7,3% of total capital and reserves at year-end 2015. This is well below the 20% threshold which is monitored by the NBB.

The following table shows the interest sensitivity gap of the ALM book. In order to determine the sensitivity gap, we break down the carrying value of assets (positive amount) and liabilities (negative amount) according to either the contractual repricing date or the maturity date, whichever is earlier, in order to obtain the length of time for which interest rates are fixed. We include derivative financial instruments, mainly to reduce exposure to interest rate movements, on the basis of their notional amount and repricing date.

Interest sensitivity gap of the ALM book (including derivatives) (in millions of EUR)	≤ 1 month	1–3 months	3–12 months	1–5 years	5–10 years	> 10 years	Non-interest-bearing	Total
31-12-2014	-13 126	-2 961	5 099	20 560	9 205	-2 172	-16 606	0
31-12-2015	-20 413	300	13 132	15 847	8 163	-4 006	-13 024	0

The interest sensitivity gap shows our overall long position in interest rate risk. Generally, assets reprice over a longer term than liabilities, which means that KBC's net interest income benefits from a normal yield curve. The economic value of KBC Bank is predominantly sensitive to movements at the long-term end of the yield curve.

Credit spread risk

We manage the credit spread risk for the sovereign portfolio by monitoring the extent to which the value of the sovereign bonds would change if credit spreads were to go up by 100 basis points across the entire curve. The economic sensitivity of the main sovereign positions to changes in spreads is dealt with in the 'Credit risk' section.

Equity risk

We have provided more information on total non-trading equity exposures at KBC in the tables below.

Equity portfolio of KBC Bank (breakdown by sector, in %)	31-12-2014	31-12-2015
Financials	68%	71%
Consumer non-cyclical	1%	0%
Communication	0%	1%
Energy	0%	0%
Industrials	17%	25%
Utilities	0%	0%
Consumer cyclical	0%	1%
Materials	0%	0%
Other and not specified	13%	2%
Total	100%	100%
In billions of EUR	0.2	0.3
of which unlisted	0.1	0,1

Impact of a 12.5% drop in equity prices (in millions of EUR)	Impact on value	
	2014	2015
KBC Bank	-20	-30

Non-trading equity exposure (in millions of EUR)	Net realised gains (in income statement)		Net unrealised gains on year-end exposure (in equity)	
	31-12-2014	31-12-2015	31-12-2014	31-12-2015
KBC Bank	2	31	108	238

Real estate risk

The groups’ real estate businesses hold a limited real estate investment portfolio. The table provides an overview of the sensitivity of economic value to fluctuations in the property markets.

Impact of a 12.5% drop in real estate prices (in millions of EUR)	Impact on value	
	2014	2015
KBC Bank	-51	-48

Foreign exchange risk

We pursue a prudent policy as regards our structural currency exposure, essentially seeking to avoid currency risk. Foreign exchange exposures in the ALM books with a trading book are transferred to the trading book where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of other entities has to be hedged, if material. Equity holdings in non-euro currencies that are part of the investment portfolio do not need to be hedged. Participating interests in foreign currency are in principle funded by borrowing an amount in the relevant currency equal to the value of the net assets excluding goodwill.

Liquidity risk

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses.

The principal objective of our liquidity management is to be able to fund the group and to enable the core business activities of the group to continue to generate revenue, even under adverse circumstances. Since the financial crisis, there has been a greater focus on liquidity risk management throughout the industry, and this has been intensified by the minimum liquidity standards defined by the Basel Committee, which have been transposed into European law through CRD IV/CRR.

Managing liquidity risk

A group-wide ‘liquidity risk management framework’ is in place to define the risk playing field.

Liquidity management itself is organised within the Group Treasury function, which acts as a first line of defence and is responsible for the overall liquidity and funding management of the KBC group. The Group Treasury function monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management (intra-group funding, funds transfer pricing). These policies ensure that local management has an incentive to work towards a sound funding profile. It also actively monitors its collateral on a group-wide basis and is responsible for drafting the liquidity contingency plan that sets out the strategies for addressing liquidity shortfalls in emergency situations.

Our liquidity risk management framework is based on the following pillars:

- *Contingency liquidity risk*. This risk is assessed on the basis of liquidity stress tests, which measure how the liquidity buffer of the group’s bank entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows (retail customer behaviour, professional client behaviour, drawing of committed credit lines, etc.) and liquidity inflows resulting from actions to increase liquidity (‘reporting’ the bond portfolio, reducing unsecured interbank lending, etc.). The liquidity buffer has to be sufficient to cover liquidity needs (net cash and collateral outflows) over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. The overall aim of the liquidity framework is to remain sufficiently liquid in stress situations, without resorting to liquidity-enhancing actions which would entail significant costs or which would interfere with the core banking business of the group.

- *Structural liquidity risk*. We manage our funding structure so as to maintain substantial diversification, to minimise funding concentrations in time buckets, and to limit the level of reliance on short-term wholesale funding. We manage the structural funding position as part of the integrated strategic planning process, where funding – in addition to capital, profits and risks – is one of the key elements. At present, our strategic aim for the next few years is to build up a sufficient buffer in terms of LCR and NSFR via a funding management framework, which sets clear funding targets for the subsidiaries (own funding, reliance on intra-group funding) and provides further incentives via a system of intra-group pricing to the extent subsidiaries run a funding mismatch.
  In the table below, we have illustrated the structural liquidity risk by grouping the assets and liabilities according to the remaining term to maturity (contractual maturity date). The difference between the cash inflows and outflows is referred to as the ‘net funding gap’. At year-end 2015, KBC had attracted 28 billion euros’ worth of funding on a gross basis from the professional interbank and repo markets. on short-term wholesale funding.

- *Operational liquidity risk*. Operational liquidity management is conducted in the treasury departments, based on estimated funding requirements. Group-wide trends in funding liquidity and funding needs are monitored on a daily basis by the Group Treasury function, ensuring that a sufficient buffer is available at all times to deal with extreme liquidity events in which no wholesale funding can be rolled over.

Maturity analysis

Liquidity risk (excluding intercompany deals)* (in billions of EUR)	<= 1 month	1–3 months	3–12 months	1–5 years	5–10 years	> 10 years	On demand	Not defined	Total
31-12-2014									
Total inflows	16	8	16	55	45	33	3	35	211
Total outflows	35	9	15	31	8	1	84	27	211
Professional funding	15	3	1	5	0	0	0	0	26
Customer funding	17	5	9	11	4	0	84	0	130
Debt certificates	0	2	4	14	4	1	0	0	26
Other	2	–	–	–	–	–	–	27	30
Liquidity gap (excl. undrawn commitments)	-19	-1	2	24	37	32	-81	7	0
Undrawn commitments	–	–	–	–	–	–	–	-32	–
Financial guarantees	–	–	–	–	–	–	–	-10	–
Net funding gap (incl. undrawn commitments)	-19	-1	2	24	37	32	-81	-34	-42
31-12-2015									
Total inflows	17	11	15	56	48	34	4	34	218
Total outflows	34	14	10	28	12	1	93	26	218
Professional funding	15	4	1	6	1	0	0	0	28
Customer funding	17	10	6	9	3	0	93	0	138
Debt certificates	0	0	3	13	8	1	0	0	24
Other	2	–	–	–	–	–	–	26	28
Liquidity gap (excl. undrawn commitments)	-17	-3	6	28	36	33	-90	8	0
Undrawn commitments	–	–	–	–	–	–	–	-37	–
Financial guarantees	–	–	–	–	–	–	–	-9	–
Net funding gap (incl. undrawn commitments)	-17	-3	6	28	36	33	-90	-38	-46

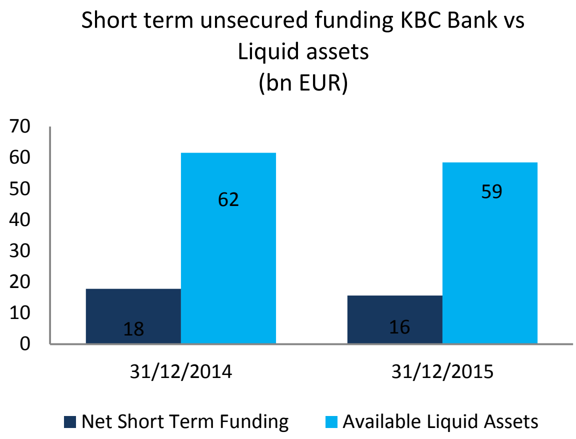
* Cashflows exclude interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for MtM positions in derivatives are reported in the 'not defined' bucket. Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. Instruments are classified on the basis of their first callable date. Some instruments are reported at fair value (on a discounted basis), whereas others are reported on an undiscounted basis (in order to reconcile them with Note 14 of the 'Consolidated financial statements' section). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'Not defined' bucket. The 'Other' category under 'Total outflows' contains own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities.

Typical for a banking group, funding sources generally have a shorter maturity than the assets that are funded, leading to a negative net liquidity gap in the shorter time buckets and positive net liquidity gap in the longer term buckets. This creates liquidity risk if KBC would be unable to renew maturing short-term funding. Our liquidity framework imposes a funding strategy to ensure that the liquidity risk remains within the group's risk appetite.

Liquid asset buffer

KBC Bank has a solid liquidity position. Historically, it has always had a substantial amount of liquid assets. At year-end 2015, KBC Bank (at the consolidated level) had 59 billion euros' worth of unencumbered central bank eligible assets, 43 billion euros of which in the form of liquid government bonds (74%). The remaining available liquid assets are mainly other ECB/FED eligible bonds (10%) and pledgeable credit claims (10%). Most of the liquid assets are expressed in euros, Czech koruna and Hungarian forint (all home market currencies).

Unencumbered liquid assets were more than three times the net recourse to short-term wholesale funding, while funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets.

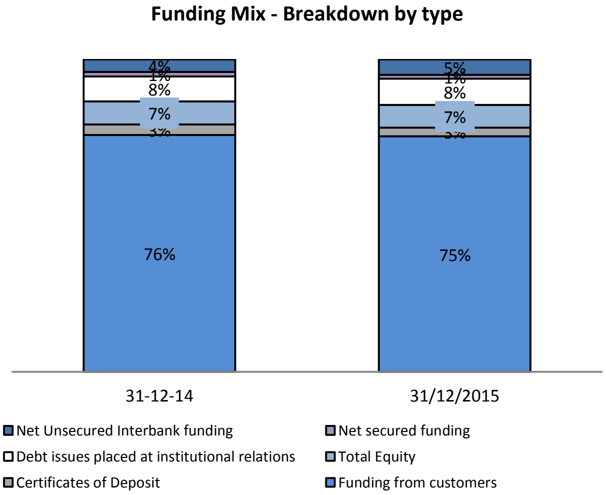


Funding information

KBC Bank continues to have a strong retail/mid-cap deposit base in its core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments and markets.

KBC Bank's funding mix (31 December 2015) can be broken down as follows:

- Funding from customers (circa 141 billion euros, 75% of the total figure), consisting of demand deposits, time deposits, savings deposits, other deposits, savings certificates and debt issues placed in the network. Some 58% of the funding from customers relates to private individuals and SMEs.
- Debt issues placed with institutional investors (16 billion euros, 8% of the total figure), mainly comprising IFIMA debt issues (5 billion euros), covered bonds (7 billion euros) and the contingent capital notes issued in January 2013 (0.75 billion euros).
- Net unsecured interbank funding (9 billion euros, 5% of the total figure).
- Net secured funding (2 billion euros in repo funding, 1% of the total figure) and certificates of deposit (5 billion euros, 3% of the total figure).
- Total equity (14 billion euros, 7% of the total figure), of which 1.4 billion euros of the additional Tier-1 issue.



Please note that:

- In November 2012, we announced our 10-billion-euro Belgian residential mortgage covered bonds programme. This programme gives KBC access to the covered bond market, allowing it to diversify its funding structure and reduce the cost of long-term funding. At the start of December 2012, we launched a first covered bond issue in the amount of 1.25 billion euros. More issues followed in 2013 for a total of 2.7 billion euros, in 2014 for a total of 0.9 billion euros and in 2015 for a total of 2 billion euros.
- In 2014, we borrowed 2.8 billion euros from the ECB under the targeted long-term refinancing operations (TLTROs).

LCR and NSFR

Both the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are defined in the 'Glossary of ratios and terms'. At year-end 2015, our NSFR stood at 121% and our LCR at 127%. The 2015 LCR was calculated based on the Delegated Act definition of LCR, which is the binding European definition as of October 2015 onwards. Our NSFR and LCR are both well above the minimum regulatory requirements and KBC's internal floors of 105%.

Market risk in trading activities

Market risk is defined as the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) due to changes in the level or in the volatility of market prices, e.g., interest rates, exchange rates and equity or commodity prices. The interest rate, foreign exchange and equity risks of the non-trading positions in the banking book and of the insurer's positions are all included in ALM exposure.

The objective of market risk management is to measure, report and advise on the market risk of the aggregate trading position at group level, taking into account the main risk factors and specific risk.

We are exposed to market risk via the trading books of our dealing rooms in Belgium, the Czech Republic, Slovakia and Hungary, as well as via a minor presence in the UK and Asia. The traditional dealing rooms, with the dealing room in Belgium accounting for the lion's share of the limits and risks, focus on trading in interest rate instruments, while activity on the FX markets has traditionally been limited. All dealing rooms focus on providing customer service in money and capital market products and on funding the bank activities.

The market risk and regulatory capital in the four legacy business lines of KBC Investments Limited (formerly KBC Financial Products), namely the CDO, fund derivatives, reverse mortgages and insurance derivatives businesses have been reduced in recent years and are now almost equal to zero. This is especially the case for the fund derivatives, reverse mortgages and insurance derivatives businesses (please note that the reverse mortgages and insurance derivatives businesses were transferred to KBC Bank NV in December 2015 due to the closing of some subsidiaries) where the market risk regulatory capital charges represent only 1% of the total. These legacy business lines continue to be monitored and wound down by dedicated teams.

Regarding the CDO business – and as mentioned in other parts of this report – KBC has now fully scaled down its CDO portfolio. However, the position pertaining to the 0.2 billion euros of CDO notes held by investors is located in the trading books of KBC Investments Limited. Consequently, the market risk regulatory capital for this position is recorded under the re-securitisation column (15 million euros) in the 'Trading regulatory capital requirements' table.

Managing market risk

The principal tool we use for measuring and monitoring market risk exposures in the trading book is the Historical Value-at-Risk (HVaR) method. VaR is defined as an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level. The measurement takes account of the market risk of the current portfolio. We use the historical simulation method, observing the relevant CRD IV standards (99% one-sided confidence interval, ten-day holding period, historical data going back at least 250 working days, for which – after analysis – we choose to use 500 working days of historical data). This means that the HVaR used for managing market exposure uses the same holding period and confidence level as the HVaR used for the three approved internal models referred to in the 'Regulatory capital' sub-section below. The HVaR method does not rely on assumptions regarding the distribution of price fluctuations or correlations, but is based on patterns of experience over the previous two years. The HVaR is calculated and monitored at desk and entity level, as well as at KBC Bank level.

As with any model, there are a certain number of uncertainties/deficiencies. However, the model is subject to regular review and improvements. During 2015, the most important development involved adjusting the model to appropriately capture the risk attached to interest rate derivatives in negative rate environments.

Complex and/or illiquid instruments that cannot be modelled in an HVaR context are subject to nominal and/or scenario limits.

We monitor risk concentrations via a series of secondary limits, including equity concentration limits, FX concentration limits and basis-point-value limits for interest rate risk and basis risk. The specific risk associated with a particular issuer or country is also subject to concentration limits. There are also scenario analysis limits, and – where deemed appropriate – stress scenario limits involving multiple shifts of underlying risk factors. In addition, secondary limits are in place to monitor the risks inherent in options (the so-called 'greeks').

In addition to the daily HVaR calculations, we conduct extensive stress tests. Whereas the HVaR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stress-test scenarios incorporate both market risk and the liquidity aspects of disruptions in the market. During 2015, a complete and thorough review of all the scenarios and calculation methodologies for historical and hypothetical stress tests was initiated. As a direct result of this exercise, newly calibrated hypothetical interest rate stress tests were approved by the Group Markets Committee and will be implemented in the first quarter of 2016, with newly calibrated stress tests for the other risk drivers to follow later in the year. For more details about stress testing, please refer to the relevant sub-section of the 'Market risk' section in KBC's Risk Report, which is available at www.kbc.com.

One of the building blocks of sound risk management is prudent valuation. We perform a daily independent middle-office valuation of front-office positions. Whenever the independent nature or the reliability of the valuation process is not guaranteed, we perform a monthly parameter review. Where applicable, we make adjustments to the fair value to reflect close-out costs, mark-to-model-related valuation adjustments, counterparty risk, liquidity risk and operations-related costs.

In addition to the parameter review, we perform periodic risk controls, including all checks that do not entail parameter or P&L testing as carried out in the parameter review, but that are necessary for sound risk management. Moreover, we set up a business case for every new product or activity in order to analyse the risks and the way in which they will be managed.

Risk analysis and quantification

The table below shows the KBC Bank's Historical Value-at-Risk model (HVaR; 99% confidence interval, ten-day holding period, historical simulation) used for the linear and non-linear exposure of all the dealing rooms of KBC Bank (including KBC Securities).

Market risk (VaR) (in millions of EUR)		
Holding period: 10 days	2014	2015
Average for 1Q	24	14
Average for 2Q	19	15
Average for 3Q	15	15
Average for 4Q	15	16
As at 31 December	15	18
Maximum in year	29	21
Minimum in year	11	12

A breakdown of the risk factors (averaged) in KBC Bank's HVaR model is shown in the table below. Please note that the equity risk stems from the European equity business, and also from KBC Securities.

Breakdown by risk factor of trading HVaR for KBC Bank (in millions of EUR)		
	Average for 2014	Average for 2015
Interest rate risk	18.7	14.7
FX risk	2.3	2.6
FX option risk	1.8	2.2
Equity risk	1.4	1.8
Diversification effect	-6.2	-6.1
Total HVaR	18.1	15.1

We test the reliability of the VaR model daily via a back-test, which compares the one-day VaR figure with the 'no-action P&L' (i.e. positions remain unchanged, but market data changes to the next day's data). This is done both at the top level and at the level of the different entities and desks.

We have provided an overview of the derivative products under Note 25 in the 'Consolidated financial statements' section.

Regulatory capital

Both KBC Bank NV and KBC Investments Limited have been authorised by the Belgian regulator to use their respective VaR models to calculate regulatory capital requirements for part of their trading activities. ČSOB (Czech Republic) has also received approval from the local regulator to use its VaR model for capital requirement purposes. These models are also used for the calculation of Stressed VaR (SVaR), which is one of the CRD III Regulatory Capital charges that entered into effect at year-end 2011. The calculation of an SVaR measure is based on the normal VaR calculations and follows the same methodological assumptions, but is constructed as if the relevant market factors were experiencing a period of stress. The period of stress is based on recent history and is calibrated regularly.

The resulting capital requirements for trading risk are shown in the table below. The regulatory capital requirements for the trading risk of local KBC entities that did not receive approval from their respective regulator to use an internal model for capital calculations, as well as the business lines not included in the HVaR calculations, are measured according to the Standardised approach. This approach sets out general and specific risk weightings per type of market risk (interest risk, equity risk, foreign exchange risk and commodity risk). Note that, as mentioned earlier in this section, the re-securitisation regulatory capital for 2015 (15 million euros) emanates from the counterposition for the 0.2 billion euros of CDO notes held by investors (the counterposition is located in the trading books of KBC Investments Limited).

Trading regulatory capital requirements, by risk type (in millions of EUR)		Interest rate risk	Equity risk	FX risk	Commodity risk	Re-securitisation	Total
31-12-2014							
Market risks assessed by internal model	HVaR SVaR	38 56	2 3	11 17	– –	–	126
Market risks assessed by the Standardised approach		27	4	14	3	19	68
Total		120	9	43	3	19	194
31-12-2015							
Market risks assessed by internal model	HVaR SVaR	68 84	3 2	9 26	– –	–	192
Market risks assessed by the Standardised approach		18	5	16	2	15	56
Total		171	10	50	2	15	248

Operational and other non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error or sudden external events, whether man-made or natural. Operational risks exclude business, strategic and reputational risks.

We have provided information on legal disputes in Note 31 of the 'Consolidated financial statements' section.

Managing operational risk

We have a single, global framework for managing operational risk across the entire group.

The Group risk function is primarily responsible for defining the operational risk management framework for the entire group. The development and implementation of this framework is supported by an extensive operational risk governance model covering all entities of the group.

The Group risk function creates an environment where risk specialists (in various areas, including information risk management, business continuity and disaster recovery, compliance, anti-fraud, legal, tax and accounting matters) can work together (setting priorities, using the same language and tools, uniform reporting, etc.). It is assisted by the local risk management units, which are likewise independent of the business.

The building blocks for managing operational risks

We use a number of building blocks for managing operational risks, which cover all aspects of operational risk management.

Between 2011 and 2015, specific attention was given to the structured set-up of process-based Group Key Controls, which gradually replaced the former Group Standards. These controls are policies containing top-down basic control objectives and are used to mitigate key and killer risks inherent in the processes of KBC entities. As such, they are an essential building block of both the operational risk management framework and the internal control system. Our Group Key Controls now cover the complete process universe of the KBC group, defined by 45 KBC Group Processes. Structural risk-based review cycles are installed to manage the process universe, close gaps, eliminate overlap and optimise group-wide risks and controls.

The business and (local) control functions assess the Group Key Controls. The risk self-assessments are consolidated at the Group risk function and ensure that there is a consistent relationship between (i) processes, (ii) risks, (iii) control activities and (iv) assessment scores. KBC created an objective management tool to evaluate its internal control environment and to benchmark the approach across its entities. Each year, we report the assessment results to the National Bank of Belgium and the European Central Bank in our Internal Control Statement.

Besides these Group Key Controls, there are a number of other building blocks:

- *The Loss Event Database*. All operational losses of 1 000 euros or more have been recorded in a central database since 2004. This database also includes all legal claims filed against group companies.

Consolidated loss reports are regularly submitted to the Group Internal Control Committee, the Group Executive Committee and the RCC.

- *Risk Scans (bottom-up and top-down)*. These *self-assessments* focus on the identification of key operational risks at critical points in the process/organization that are not properly mitigated, and on new or emerging operational risks that are relevant at (sub)group level.
- *Risk Signals and Case-Study Assessments*. These are used to test the effectiveness of the protection afforded by existing controls against major operational risks that have actually occurred elsewhere in the financial sector.
- *Key Risk Indicators*. A limited set of KRIs are used to monitor the exposure to certain operational risks and track the existence and effectiveness of the internal controls.
- *Maturity Model.* In 2014, the group operational risk function developed a maturity model to support KBC entities in building a mature control environment in which process improvements, control monitoring and remedial actions are embedded even more deeply into day-to-day business practices.

The quality of the internal control environment and related risk exposure as identified, assessed and managed by means of these building blocks is reported to KBC's senior management via a management dashboard and to the National Bank of Belgium and the FSMA via the annual Internal Control Statement.

Operational risk and regulatory capital requirements

KBC uses the Standard approach to calculate operational risk capital under Basel II. Operational risk capital for KBC Bank at the consolidated level totalled 822 million euros at the end of 2015, compared with 849 million euros at the end of 2014.

Other non-financial risks

Reputation risk

Reputation risk is the risk arising from the negative perception on the part of clients, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a financial institution's ability to maintain existing, or establish new business relationships and to have continued access to sources of funding (for instance, through the interbank or securitisation markets). Reputation risk is a mostly secondary or derivative risk since it is usually connected to and will materialise together with another risk.

We refined the Reputation Risk Management Framework in 2015, in line with the KBC Risk Management Framework. The pro-active and re-active management of reputation risk is the responsibility of the business, supported by many specialist units (e.g., Group Communication and Group Compliance).

Under the pillar 2 approach to capital adequacy, the impact of reputation risk on the current business is covered in the first place by the capital charge for primary risks (such as credit or operational risk, etc.). It is also covered by the capital reserved for business risk.

Business risk

KBC defines business risk as the risk arising from changes in external factors (the macroeconomic environment, regulations, client behaviour, competitive landscape, socio-demographic environment, etc.) that impact the demand for and/or profitability of our products and services.

Business risk is assessed using structured risk scans, but also on an ongoing basis by reporting 'risk signals' to top management.

Capital adequacy

Capital adequacy (or solvency) risk is the risk that the capital base of the bank might fall below an acceptable level. In practice, this entails checking solvency against the minimum regulatory requirements and against in-house solvency targets. Hence, capital adequacy is approached from both a regulatory and an internal perspective. Our statutory auditors have audited the information in this section that forms part of the IFRS financial statements, namely the table 'Solvency, KBC Bank' (the audited parts are indicated in a footnote to the table), 'ICAAP' and Stress Testing'.

Solvency of KBC Bank

We report the solvency of the bank based on IFRS data and according to the rules imposed by the regulator. For KBC Bank, this implies that we calculate our solvency ratios based on CRR/CRD IV. This regulation entered gradually into force on 1 January 2014, and will be fully implemented by 1 January 2022.

More detailed information can be found in the consolidated financial statements and in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

Solvency KBC bank (in millions of EUR) consolidated, CRD IV,/CRR (Basel III), fully loaded	2014	2015
Total regulatory capital, KBC Bank, (after profit appropriation)	14 154	16 045
Tier 1-capital (*)	11 132	12 346
Common equity	9 727	10 941
Parent shareholders' equity	11 676	11 888
Intangible fixed assets (including deferred tax impact) (-)	- 114	- 213
Goodwill on consolidation (-)	- 915	- 630
Hedging reserves, (cash flow hedges) (-)	1 391	1 163
Minority interests	15	15
Valuation diff.in.fin.liabilities at fair value – own credit risk (-)	- 21	- 20
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 94
Dividend payout (-)	- 1 574	- 165
Renumeration of AT-1 instrumenten (-)	- 2	- 2
Deduction re.financing provided to shareholders (-)	- 159	- 91
IRB provision shortfall (-)	- 225	- 171
Deferred tax assets on losses carried forward (-)	- 254	- 740
Additional going concern Capital	1 405	1 406
CRR compliant AT1 instruments	1 400	1 400
Minority interests to be included in additional *going concern* capital	5	6
Tier 2-capital	3 021	3 699
IRB provision excess (+)	375	369
Subordinated liabilities	2 640	3 323
Minority interests to be included in tier 2-kapitaal	7	7
Capital requirement		
Total weighted risk volume	80 232	79 758
Solvency ratios		
Common Equity ratio	12.12%	13.72%
Tier 1 ratio	13.87%	15.48%
CAD ratio	17.64%	20.12%

(*) Audited figures, except the 'value adjustment due to requirements for prudent valuation' and the 'IRB provision shortfall' (-171 millions of EUR) in the table above.

At year-end 2015, the fully loaded Basel III leverage ratio – based on current CRR legislation – stood at 5.4% for KBC Bank at the consolidated level (see table). The main changes compared to year-end 2014 were limited, with a higher Tier-1 capital being offset by higher total exposure.

Leverage ratio (consolidated; under CRD IV/CRR (Basel III), Fully loaded) (in millions of EUR)	31-12-2014 Fully loaded	31-12-2015 Fully loaded
Tier-1 capital	11 132	12 346
Total exposure	220 436	230 558
Total assets	211 116	217 626
Adjustment for derivatives	-3 246	-3 279
Adjustment for regulatory corrections in determining Basel III tier-1 capital	-1 442	-776
Adjustment for securities financing transaction exposures	266	1 057
Off-balance sheet exposures	13 742	15 929
Leverage ratio	5.1%	5.4%

More details, including a description of the processes used to manage the risk of excessive leverage, can be found in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

Besides the ECB and NBB, which supervise KBC on a going concern basis, KBC will also be subject to requirements to be set by the Single Resolution Board (SRB). The SRB is developing resolution plans for the major banks in the euro area. Such a plan describes how the resolution authorities will approach the resolution of a bank that is failing (or likely to fail) in a way that protects its critical functions, government funds and financial stability. It takes account of the specific features of the bank and is tailor-made. A major resolution tool is the 'bail-in', which implies a recapitalisation and stabilisation of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation. Depending on the size of the losses, the bail-in could be sufficient to bring the capital back to a level that is high enough to restore market confidence and to create a stable point from which additional actions could be implemented. The first focus is therefore on the availability of an adequate amount of liabilities that are eligible for bail in. This is measured by the minimum requirement for own funds and eligible liabilities (MREL), which will be set by the SRB. At year-end 2015, the MREL stood at 13.2% for KBC Bank.

ICAAP

KBC's ICAAP consists of numerous business and risk processes that together contribute to the objective of assessing and making sure at all times that KBC is adequately capitalised in view of its risk profile and the quality of its risk management and control environment. For this purpose, KBC has an internal capital model in place to complement the existing regulatory capital models. KBC has replaced its former economic capital model with a new internal capital measurement approach that is not only more aligned with evolving regulatory requirements, but which is also more fit for use in the context of e.g. risk adjusted performance measurement and underpinning of risk limits, next to capital adequacy assessment. The new internal capital model will be complemented with a framework for earnings assessment that aims to reveal vulnerabilities in terms of the longer term sustainability of KBC's business model.

Final responsibility for the ICAAP lies with the Board of Directors, advised by the RCC.

A backbone process in KBC's ICAAP is the Alignment of Planning Cycles (APC). This yearly process aims to create an integrated three-year plan in which the strategy, finance, treasury and risk perspectives are collectively taken into account. In the APC, the risk appetite of the Group is set and cascaded down by setting risk limits at entity level.
The APC is not only about planning, it is also about closely monitoring the execution of the plan in all its aspects (P&L, risk weighted assets, liquidity). Such monitoring is reflected in dedicated reports drawn up by the various Group functions.

To safeguard an integrated view, where account is taken of all the relevant perspectives, capital-related topics and decisions are prepared by a dedicated cross-functional working group that focuses on capital management. Chaired by a Finance officer and consisting of representatives from the Finance, Treasury, Risk and Legal functions, this working group pre-discusses and prepares advice for the Group Executive Committee on capital-related topics.

Stress testing

Stress testing is an important risk management tool that adds value both to strategic processes and to day-to-day risk management (risk identification, risk appetite and limit setting, etc.). As such, stress testing is an integral part of KBC's

Risk Management Framework and underlying risk-type specific frameworks, and is an important building block of KBC's ICAAP and ORSA (Own Risk and Solvency Assessment) process.

KBC defines stress testing as a management decision supporting process that encompasses various techniques which are used to evaluate the potential negative impact on KBC's (financial) condition, caused by specific event(s) and/or movement(s) in risk factors ranging from plausible to extreme, exceptional or implausible.
As such, it is an important tool in identifying sources of vulnerability and hence in assessing whether KBC's capital is adequate enough to cover the risks facing it. That is why the APC also includes views under stressed assumptions. These stress tests are designed to provide assurance that:

- the decisions regarding the financial plan and regarding risk appetite and limit setting are not only founded on a base case, but that they also take account of the impact of more severe macroeconomic and financial market assumptions;
- capital and liquidity at group level remain acceptable under severe conditions.

The resulting capital ratios are compared to internal and external capital targets. An assessment is made to see the extent to which potential shortfalls can be mitigated by taking risk management actions.

Even more severe scenarios and sensitivities are calculated in the context of the recovery plan. These scenarios focus on events that lead to a breach of the regulatory capital requirements and hence trigger the recovery plan. As such, the scenarios provide another insight into key vulnerabilities of the group. To prevent KBC from ending up in a recovery situation – should the defined stress scenario occur – mitigating actions should be considered by management.

Numerous other stress tests are run within KBC that provide valuable information for assessing the capital adequacy of the group. They include regulatory imposed stress tests, *ad hoc* integrated and risk-type or portfolio-specific stress tests at group and local level. Relevant stress test impacts are valuable inputs for defining sensitivities in APC planning.

Corporate governance statement

Composition of the Board and its committees at year-end 2015[1]

Name	Position	Period served on the Board in 2015	Expiry date of current term of office	Board meetings attended	Non-executive directors	Core shareholders' representatives	Independent directors[3]	Members of the EC	AC	RCC
Number of meetings in 2015				11					8	10
LEYSEN Thomas	President:	Full year	2019	11	●					
THIJS Johan	President of the Executive Committee	Full year	2017	11				●[2]		
FALQUE Daniel	Executive Director	Full year	2016	11				●		
GIJSENS Luc	Executive Director	Full year	2019	8				●		
HOLLOWS John	Executive Director	Full year	2017	9				●		
POPELIER Luc	Executive Director	Full year	2017	11				●		
VAN RIJSSEGHEM Christine	Executive Director	Full year	2018	11				●		
ARISS Nabil	Independent Director	Full year	2018	10	●		●		7	9
DEPICKERE Franky	Non-Executive Director	Full year	2019	11	●	●				10[2]
DISCRY Luc	Non-Executive Director	Full year	2018	11	●	●				
MORLION Lode	Non-Executive Director	Full year	2016	11	●	●				
ROUSSIS Theodoros	Non-Executive Director	Full year	2016	11	●	●				
VANTHEMSCHE Piet	Non-Executive Director	Full year	2019	8	●	●				
VAN KERCKHOVE Ghislaine	Non-Executive Director	Full year	2016	10	●	●				
WITTEMANS Marc	Non-Executive Director	Full year	2018	11	●	●			8[2]	6[3]

Statutory auditor: Ernst & Young Bedrijfsrevisoren BCVBA, represented by Pierre Vanderbeek and Christel Weymeersch. Secretary to the Board of Directors: Johan Tyteca

1 Abbreviations: Board of Directors: Board; Executive Committee: EC; Audit Committee: AC; Risk & Compliance Committee: RCC.

2 Chairman of this committee.

3 Marc Wittemans became a member of the RCC on 11 May 2015· Frank Donck, Alain Bostoen and Philippe Vlerick attended four Board meetings.

Changes in the composition of the Board in 2015

Thomas Leysen, Franky Depickere, Piet Vanthemsche and Luc Gijsens were re-appointed as directors for a period of four years, i.e. until after the General Meeting of 2019.

Changes in the composition of the committees of the Board in 2015

Marc Wittemans (non-executive director) was appointed to the RCC on 11 May 2015. That committee comprises Franky Depickere (chairman), Nabil Ariss (independent director) and Marc Wittemans.

Proposed changes in the composition of the Board in 2016

- On the advice of the Nomination Committee of KBC Group NV, the Board will propose that Lode Morlion and Ghislaine Van Kerckhove be re-appointed as non-executive directors for a period of four years, i.e. until after the General Meeting of 2020.
- On the advice of the Nomination Committee, the Board will propose that Sonja De Becker be appointed as non-executive director for a period of four years, i.e. until after the General Meeting of 2020. She will replace Piet Vanthemsche who will resign when her appointment as director is finalised. The Board deeply appreciates all the work that Piet Vanthemsche has done over the years in his capacity as a director.

  Sonja De Becker was born in Erps-Kwerps (Belgium) in 1967. After graduating from the Katholieke Universiteit Leuven (KU Leuven, 1990), she started her career as a legal adviser at the Boerenbond (farmers' union) (1990-1997). She then became head of environmental consulting at SBB Bedrijfsdiensten in Leuven (1997-1999), before returning to the Boerenbond to take up the post of Deputy General Secretary (1999-2001), General Secretary (2001-2013) and Deputy Chairperson (2013-2015). Since 1 December 2015, she has been Chairperson of the Boerenbond.
- On the advice of the Nomination Committee of KBC Group NV, the Board will propose that Daniel Falque be re-appointed as director for a period of four years, i.e. until after the General Meeting of 2020. He sits on the EC and as such has the capacity of executive director.
- On 17 february 2016, the Board appointed Mr Bo Magnusson as independent director within the meaning of and in line with the criteria set out in Article 526ter of the Companies Code, subject to the condition precedent that the relevant supervisory authority provides its approval. After receiving the approval of the ECB, his term of office started on 16 March 2016. It will be proposed to the General Meeting that his appointment to this office be confirmed and that he is appointed for a term of four years that will end after the General Meeting of 2020.

Proposal to appoint the statutory auditor

On the recommendation of the AC, the Board will propose that PricewaterhouseCoopers ('PwC') be appointed as statutory auditor for a period of three years, subject to the approval of the regulator. The statutory auditor will be represented by Messrs Roland Jeanquart and Gregory Joos. The fees paid to the statutory auditor amount to 1 874 000 euros per year and may be duly indexed or modified (not automatically) should there be any significant change in the company's activities due to acquisitions being made or new product lines being launched.

Composition of the EC

The EC has six members, viz. Johan Thijs (President), Luc Popelier, Christine Van Rijsseghem, John Hollows, Luc Gijsens and Daniel Falque.

Main features of the internal control and risk management systems

In application of the provisions of the Companies Code, the main features of the internal control and risk management systems at the KBC Group are set out below (Part 1 contains general information, while Part 2 deals specifically with the financial reporting process). These features also apply to KBC Bank as it is a member of the KBC group.

Part 1: Description of the main features of the internal control and risk management systems at KBC

1 A clear strategy, organisational structure and division of responsibilities set the framework for the proper performance of business activities

We examine the strategy and organisational structure of the KBC group in the ‘Group profile’ section of this annual report.

The KBC group has a dual governance structure based on the Belgian model:
- The Board is responsible for defining general strategy and policy. It exercises all the responsibilities and activities reserved to it under the Companies Code and – based on a proposal by the EC – decides on the overall risk appetite.

- The EC is responsible for the operational management of the company within the confines of the general strategy and policy approved by the Board. To assume its specific responsibility towards financial policy and risk management, the EC appoints a chief financial officer (CFO) and a chief risk officer (CRO) from among its ranks.

The *Corporate Governance Charter* of KBC Bank describes the mutual responsibilities of both management bodies, their composition and activities, as well as the qualification requirements for their members. Their composition and activities are dealt with in more detail elsewhere in this Statement.

2 Corporate culture and integrity policy

Ethical behaviour and integrity are considered as essential components of sound business practice. Honesty and integrity are part of the high ethical standards that KBC stands for – both in the spirit and the letter of the applicable regulations. Therefore, KBC treats its clients in a fair, reasonable, honest and professional manner.

These principles are set out in the integrity policy, as well as in specific codes, instructions and codes of conduct. The main guidelines and policy memos on socially responsible business practices can be found under 'Sustainability & Responsibility' at www.kbc.com.

One of the topics covered by the integrity policy is 'conduct risk', a relatively recent concept that identifies the risk arising from the inappropriate provision of financial services. To address this matter, KBC has drawn up a comprehensive policy that includes prevention, monitoring and reporting. An extensive, group-wide communication campaign ensures that the necessary awareness of this risk is in place.

KBC's Integrity Policy focuses primarily on the following areas, for which – where appropriate – specific group-wide compliance rules have been issued, i.e. for:

- combating money laundering and the funding of terrorism, and observing embargoes;
- preventing fiscal irregularities including special mechanisms for tax evasion;
- protecting the investor, including preventing conflicts of interest (MiFID);
- respecting codes of conduct for investment services and the distribution of financial instruments;
- preventing market abuse, including insider trading;
- protecting privacy, confidentiality of information and the professional duty of discretion;
- respecting rules on market practices and consumer protection.

The integrity policy also maintains a strong and comprehensive focus on ethics and combating fraud:

- The ethical behaviour of employees is inextricably linked to the code of conduct and various other policy guidelines referred to in this section.
- Various departments such as Compliance, Inspection, Internal Audit – as well as KBC's business side – engage in the prevention and detection of fraud. For complex fraud cases and/or incidents with an impact at group level, investigations are conducted and/or co-ordinated by Group Compliance in its capacity as the group competence centre for fraud.
- The Policy for the Protection of Whistleblowers at KBC Group ensures that employees who act in good faith to report fraud and gross malpractice are protected.
- The Anti-Corruption Policy affirms KBC's position in the fight against and its resolve to prevent corruption in its activities and operations, while setting out the measures that have been or will be taken to achieve this. One element of this is the 'policy on gifts, donations and sponsorship' through which KBC endeavours to protect its employees and the other parties involved by means of criteria that have been drawn up to foster transparent and reasonable behaviour.

The *Code of Conduct for KBC Group Employees* is a generalised document based on a set of group values that outlines how all members of staff should conduct themselves. It forms the basis for developing specialised codes of conduct for specific target groups and for drawing up policy guidelines at group level.

KBC's vision on corporate social responsibility is set out in its *Principles for Socially Responsible Business*, which is available at www.kbc.com.

3 The 'Three Lines of Defence' model arms KBC against risks that could prevent targets from being achieved

To support its strategic mission and to arm itself against the risks that could prevent it from achieving its mission, the EC – under its responsibility and the supervision of the Board – has implemented a multi-layered internal control system. This system is commonly known as the 'Three Lines of Defence' model.

3.1 The business side assumes responsibility for managing its own risks

As the first line of defence, the business operations side has to be aware of the risks in its area of activity and have adapted and effective controls in place. This responsibility extends to all types of risk, including fraud and compliance with regulatory or legal requirements. In this regard, the business side can call upon the services of its own support departments, such as Inspection, Human Resources and Accounting. Besides turning to this first-line expertise, it can also seek advice from independent second-line functions.

3.2 As independent control functions, the Group risk function, Compliance and – for certain matters – Accounting, Legal, Tax and Information Risk Security constitute the second line of defence

Independent of the business side and following specific regulations and advanced industry standards, second-line control functions are tasked with drawing up a group-wide framework for all relevant types of risk. The functions support implementation of this framework in their own particular area of work and monitor how it is used. Besides their support and supervisory tasks, the second-line functions also have an advisory role in assisting business-side management in the use of value, risk and capital management instruments and techniques. More information on value and risk management is provided in the relevant section of this report.

Compliance is an independent function within the KBC group, protected by its modified status (as described in the *Compliance Charter*), its place in the organisation chart (hierarchically under the CRO with a functional reporting line to the President of the EC) and its reporting lines (reporting to the RCC as the highest body and even to the Board in certain cases). Its prime objective is to prevent KBC from running a compliance risk or from incurring loss/damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the compliance function or within the areas assigned to it by the EC. Hence, the compliance function devotes particular attention to adherence to the integrity policy.

3.3 As independent third line of defence, Internal Audit provides support to the EC, AC and RCC in monitoring the effectiveness and efficiency of the internal control and risk management system

Internal Audit provides reasonable assurance to KBC's management bodies about the quality of the risk management systems, internal control and management processes. Its scope covers all legal entities, activities and departments, including the various control functions, within the KBC group.

Responsibilities, features, organisational structure and reporting lines, scope, audit methodology, co-operation between internal audit departments of the KBC group, and outsourcing of internal audit activities are set out in the *Audit Charter* of KBC Group NV. This charter complies with the National Bank of Belgium regulation of 19 May 2015 – approved by the Royal Decree of 5 July 2015 – on the internal control system and the internal audit function, with the Implementation Circular 2015_21 of 13 July 2015 and with the Act of 25 April 2014 on the status and supervision of credit institutions.

In accordance with international professional audit standards, an external entity screens the audit function on a regular basis (the last time this happened was in 2014). The results of that exercise were reported to the EC and the AC.

4 The AC and RCC play a central role in monitoring the internal control and risk management systems

Each year, the EC evaluates the adaptability of the internal control and risk management system and reports its findings to the AC and RCC.

These committees supervise, on behalf of the Board, the integrity and effectiveness of the internal control measures and the risk management system set up under the EC, paying special attention to correct financial reporting. They also examine the procedures set up by the company to see whether they comply with the law and other regulations.

The role, composition and activities, along with the qualifications of their members, are laid down in their respective charters, which are included under the Corporate Governance Charter. More information on these committees is provided elsewhere in this section.

Part 2: Description of the main features of the internal control and risk management systems in relation to the financial reporting process

It is vitally important that timely, accurate and understandable financial reports are provided to both internal and external stakeholders. To ensure this is the case, the underlying process needs to be sufficiently robust.

Periodic reporting at company level is based on a documented accounting process. A manual on the accounting procedures and financial reporting process is available. Periodic financial statements are prepared directly from the general ledger. Bookkeeping accounts are linked to underlying inventories. The result of these controls can be demonstrated.

Periodic financial statements are prepared in accordance with local accounting policies and periodic reports on own funds in accordance with the most recent National Bank of Belgium (NBB) resolutions of 15 November 2011.

The main affiliated companies have their own accounting and administrative organisation, as well as a set of procedures for internal financial controls. A descriptive document on the consolidation process is available. The consolidation system and the consolidation process have been operational for some time and have numerous built-in consistency controls.

The consolidated financial statements are prepared in accordance with IFRS accounting policies that apply to all the companies included in the scope of consolidation. The relevant senior financial managers (CFOs) of the subsidiaries certify to the accuracy and completeness of the financial figures reported in accordance with group accounting policies. The Approval Committee – chaired by the general managers of Financial Insight & Communication and Group Finance – monitors compliance with IFRS accounting policies.

Pursuant to the Act of 25 April 2014 on the status and supervision of credit institutions, the EC of KBC Group NV evaluated the internal control system for the financial reporting process and prepared a report on its findings.

The group-wide roll-out of 'fast close' procedures, the monitoring of intercompany transactions within the group, and permanent follow-up of a number of indicators relating to risk, performance and quality (Key Risk Indicators and Key Performance Indicators) continually help raise the quality of both the accounting process and the financial reporting process.

The existence and monitoring of Group Key Control Accounting and External Financial Reporting standards (since 2006) is the mainstay in the internal control of the accounting process. These standards are the rules for managing the main risks attached to the accounting process and involve the establishment and maintenance of accounting process architecture, the establishment and maintenance of accounting policies and accounting presentations, compliance with authorisation rules and the separation of responsibilities when transactions are registered in the accounts, and the establishment of appropriate first- and second-line account management.

The Reporting Framework (2011) and Challenger Framework (2012) define a solid governance structure and clearly describe the roles and responsibilities of the various players in the financial reporting process. The aim here is to radically reduce reporting risks by challenging input data and improving the analysis of – and therefore insight into – the reported figures.

Each year (since 2012), when preparing the Internal Control Statement for the supervisory authorities, the legal entities have to assess themselves as to whether they comply with the Group Key Control Accounting and External Financial Reporting standards. The findings of this self-assessment are registered in the risk function's Group Risk Assessment Tool. Besides a questionnaire to be completed by the CFOs, it also includes drawing up a list of all the responsibilities (Entity Accountability Excel sheets) for accounting and external financial reporting, along with the underlying Departmental Reference Documents that substantiate how these responsibilities are being shouldered.
In this way, the CFOs formally confirm by substantiated means that all the defined roles and responsibilities relating to the end-to-end process for external financial reporting have been properly assumed within their entity. The veracity of this confirmation can be checked at any time by all the internal and external stakeholders involved.

KBC Group NV's Internal Audit function conducts an end-to-end audit of the accounting process and external financial reporting process at both company and consolidated level.

For details of the AC's supervisory work, see the second paragraph of point 4 in the first part of this text.

Shareholder structure on 31 December 2015

The Act of 2 May 2007 concerning the disclosure of significant participations in issuers whose shares are admitted to trading on a regulated market and containing miscellaneous provisions, does not apply to KBC Bank because the securities it issues that carry voting rights are not included on a regulated market.

At 31 December 2015, the shareholder structure of KBC Bank NV was as follows:

	Number of shares
KBC Group NV	915 228 481
KBC Insurance NV	1
Total	915 228 482

Disclosure under Article 34 of the Belgian Royal Decree of 14 November 2007

Article 34 of the Belgian Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments admitted to trading on a regulated market, does not apply to KBC Bank because it has not permitted any securities carrying voting rights to be included on a regulated market for trading.

Additional information

- Acquisition of treasury shares. KBC Bank NV and its subsidiaries do not hold any treasury shares.
- Conflicts of interest that fall within the scope of Articles 523, 524 and 524*ter* of the Belgian Companies Code. There were no such conflicts during financial year 2015.
- The Board worked out an arrangement regarding transactions and other contractual ties between the company (including its affiliated companies) and its directors, not covered by the conflict of interest rule set out in Articles 523 or 524ter of the Companies Code. It has been incorporated into the *Corporate Governance Charter* of KBC Bank NV.
- Discharge to directors and to the statutory auditor. It will be requested at the General Meeting to grant discharge to the directors and auditor for the performance of their mandate in financial year 2015.
- At year-end 2015, the AC comprised the following members:
    - Marc Wittemans (non-executive director), who holds a Master's Degree in Applied Economics, and degrees in Fiscal Sciences and Actuarial Sciences. He is Managing Director of MRBB CVBA, the holding company of the Boerenbond (farmers' union), and is the Chairman of the AC.

- Nabil Ariss (independent director), who is a graduate from HEC Paris (1983) and holds an MBA from the University of Chicago Booth School of Business (1987). Mr Ariss advised corporates and financial institutions for 26 years, first at McKinsey, then at J.P. Morgan (from 1992 on), where he developed the corporate finance business with financial institutions. He retired from J.P. Morgan as vice chairman in May 2013.
- Bo Magnusson became a member of the AC and RCC after taking up the office of director on 16 March 2016. He is a graduate of the High School-Social Science, and holds Certificates in Accounting, Macroeconomics, Treasury Management and Financial/Risk Management. He held different positions at SEB (1982-2011), including in the areas of accounting and finance. During his career there, he was Head of the Retail Division (2005-2008), Deputy President and CEO (2008-2011) and Head of Group Staff & Business Support (2009-2011). He was Chairman of 4T Sverige AB (2012-2015) and is Chairman of the Board of CarnegieHolding AB and of Carnegie Investment Bank AB, Chairman of SBAB Bank AB and Chairman of Norrporten AB.

These members possess the requisite individual and collective expertise in the activities conducted by KBC Bank NV and in the areas of accounting and auditing, based on their education and extensive business experience.

- At year-end 2015, the AC comprised the following members:
  - Franky Depickere (non-executive director), who holds Master's Degrees in Trade & Finance (UFSIA Antwerp) and in Financial Management (VLEKHO Business School). He was internal auditor at CERA Bank and has held positions and offices in various financial institutions. He is currently Managing Director at Cera and KBC Ancora. Mr Depickere is the Chairman of the RCC.
  - Nabil Ariss (independent director).
  - Marc Wittemans (non-executive director).
  - Bo Magnusson (independent director), who became a member of the RCC with effect from his appointment as director on 16 March 2016, replaces Marc Wittemans who resigned from this committee.

  It can be concluded on the basis of the profiles and competences of the members that each individual member and the RCC as a whole possess the requisite skills and experience.

- The Remuneration Committee of KBC Group NV is also authorised to act in relation to KBC Bank NV. It advises the Board of Directors of KBC Group NV regarding the remuneration policy pursued at both KBC Group NV and KBC Bank NV. At year-end 2015, the Remuneration Committee was made up of Thomas Leysen (Chairman), Júlia Király and Philippe Vlerick.
- On the proposal of the Nomination Committee of KBC Group NV, the Board – in implementation of Article 31, § 2 of the Act of 25 April 2014 on the status and supervision of credit institutions – aims to achieve at least a 15% representation of the under-represented sex within a period of three years. When a number of candidates are nominated to fill an office and they all meet the set requirements, preference will be given to appointing a female candidate.
- In compliance with the laws on the incompatibility of offices held by managers of credit institutions, the following is a list of the external offices held by the executive managers and directors of KBC Bank NV in other companies, with the exception of those offices performed in companies within the meaning of Article 27, §3, para. three of the Act of 22 March 1993.

Naamloze vennootschap (company with limited liability): KBC Bank nv

Brussels Trade Register 623 074

VAT number or national nummer: 462.920.226

Company name	Registrated office	Sector	Office held	Listed	Share of capital held
				(N= Not)	(N= None)
Nabil Ariss, Independent Director					
Franky Depickere, Director					
Almancora Beheersmaatschappij nv	Belgium	Management	Executive Director	N	N
Cera cvba	Belgium	Management	Executive Director	N	N
Cera Beheersmaatschappij nv	Belgium	Management	Executive Director	N	N
Euro Pool System International BV	Netherlands	Packaging	Director	N	N
FWR Consult cvba	Belgium	Services	Business Manager	N	N
BRS Fonds cvba	Belgium	Finance	Business Manager	N	N

Luc Discry, Director					
Almancora Beheersmaatschappij nv	Belgium	Management	Director + Executive Director	N	N
Cera cvba	Belgium	Management	Director	N	N
Cera Beheersmaatschappij nv	Belgium	Management	Executive Director	N	N
Precura Verzekeringen NV	Belgium	Insurance	Director	N	N
Thomas Leysen, Chairman of the Board of Directors					
Umicore nv	Belgium	Non-ferrous metals	Chairman of the Board of Directors	Euronext	N
Corelio nv	Belgium	Media	Chairman of the Board of Directors	N	N
Booischot nv	Belgium	Real estate	Director	N	N
Mediahuis NV	Belgium	Publishing	Director	N	N
Lode Morlion, Director					
Cera Beheersmaatschappij nv	Belgium	Management	Chairman	N	N
Woonmaatschappij Ijzer en Zee	Belgium	Housing	Director	N	N
Financieringsvereniging Gemeenten Gaselwest - FIGGA	Belgium	Services	Director	N	N
Theo Roussis, Director					
Asphalia NV	Belgium	Management	Executive Director	N	N
Pentahold	Belgium	Investment company	Director	N	N
Ghislaine Van Kerkchove, Director					
Cera Beheersmaatschappij nv	Belgium	Management	Deputy Chairman of the Board of Directors	N	N
Almancora Beheersmaatschappij nv	Belgium	Management	Director	N	N
Piet Vanthemsche, Director					
Lukoban bvba	Belgium	Services	Business Manager	N	N
Marc Wittemans, Director					
Aktiefinvest cvba	Belgium	Real estate	Director	N	N
Arda Immo nv	Belgium	Real estate	Chairman of the Board of Directors	N	19.06%
SBB Accountants en Belastingconsulenten bv cvba	Belgium	Accountancy & consulting	Director	N	N
SBB Bedrijfsdiensten bv cvba	Belgium	Accountancy & consulting	Director	N	N
M.R.B.B. cvba	Belgium	Holding company	Executive Director	N	N
Agri Investment Fund cvba	Belgium	Holding company	Director	N	N
Acerta cvba	Belgium	Holding company	Director	N	N
Acerta Consult cvba	Belgium	HR services	Director	N	N
Acerta Public nv	Belgium	IT services & software	Director	N	N
Shéhérazade développement cvba	Belgium	IT services & software	Director	N	N

Consolidated financial statements

Building a better working world

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Free translation from the Dutch original

Statutory auditor's report to the general meeting of the company KBC Bank nv for the year ended 31 December 2015

In accordance with the legal requirements, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the consolidated balance sheet as at 31 December 2015, the consolidated income statement, the statement of comprehensive income, the consolidated statement of changes in equity and consolidated cashflow statement for the year ended 31 December 2015 and the notes (all elements together "the Consolidated Financial Statements"), and includes as well our report on other legal and regulatory requirements.

Report on the Consolidated Financial Statements - Unqualified opinion

We have audited the Consolidated Financial Statements of KBC Bank nv ("the Company") and its subsidiaries (together "the Group") as of and for the year ended 31 December 2015, prepared in accordance with the *International Financial Reporting Standards* as adopted by the European Union, which show a consolidated balance sheet total of € 217.626 million and of which the consolidated income statement shows a profit, share of the Group, for the year of € 2.239 million.

Responsibility of the Board of Directors for the preparation of the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with the *International Financial Reporting Standards* as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Consolidated Financial Statements that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

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

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

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2015 give a true and fair view of the consolidated net equity and financial position, as well as its consolidated results and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Consolidated Financial Statements, in accordance with article 119 of the Belgian Company Code.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the Consolidated Financial Statements.

- The Board of Director's report to the Consolidated Financial Statements includes the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Brussels, 17 March 2016

Ernst & Young Bedrijfsrevisoren bcvba / Réviseurs d'Entreprises sccrl
Statutory auditor
Represented by

Weymeersch

Christel Weymeersch*
Partner
* Acting on behalf of a bvba/sprl

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Consolidated income statement

(in millions of EUR)	Note	2014	2015
Net interest income	3	3 648	3 675
Interest income		7 305	6 605
Interest expense		- 3 657	- 2 930
Dividend income	4	14	19
Net result from financial instruments at fair value through profit or loss	5	195	224
Net realised result from available-for-sale assets	6	49	82
Net fee and commission income	7	1 822	1 945
Fee and commission income		2 303	2 408
Fee and commission expense		- 482	- 462
Net other income	8	5	200
TOTAL INCOME		5 734	6 145
Operating expenses	9	- 3 311	- 3 388
Staff expenses		- 1 577	- 1 594
General administrative expenses		- 1 597	- 1 665
Depreciation and amortisation of fixed assets		- 136	- 128
Impairment	11	- 472	- 650
on loans and receivables		- 587	- 323
on available-for-sale assets		- 4	- 11
on goodwill		0	- 308
on other		119	- 9
Share in results of associated companies and joint ventures	12	22	21
RESULT BEFORE TAX		1 973	2 128
Income tax expense	13	- 504	291
RESULT AFTER TAX		1 469	2 419
Attributable to minority interest		157	180
Attributable to equity holders of the parent		**1 312**	**2 239**

- We have dealt with the main items in the income statement under ‘Review of the consolidated financial statements’ in the ‘Report of the Board of Directors’ and ‘Review of the business units’ sections. The statutory auditor has not audited these sections.
- Dividend proposal: In 2015, KBC Bank paid an interim dividend of 1 162 million euros to KBC Group, and will pay it a final dividend for 2015 of 165 million euros in 2016.

Consolidated statement of Comprehensive income

(in millions of EUR)	2014	2015
RESULT AFTER TAX	1 469	2 419
Attributable to minority interest	157	180
Attributable to equity holders of the parent	1 312	2 239
OTHER COMPREHENSIVE INCOME - TO BE RECYCLED TO P&L		
Net change in revaluation reserve (AFS assets) - Equity	36	117
Fair value adjustments before tax	35	129
Deferred tax on fair value changes	0	- 12
Transfer from reserve to net profit	1	0
Impairment losses	0	0
Net gains/losses on disposal	0	0
Deferred income tax	0	0
Net change in revaluation reserve (AFS assets) - Bonds	367	- 42
Fair value adjustments before tax	535	- 12
Deferred tax on fair value changes	- 180	8
Transfer from reserve to net profit	12	- 37
Impairment losses	0	0
Net gains/losses on disposal	- 22	- 51
Amortization & impairment re assets transferred to L&R	41	0
Deferred income tax	- 6	14
Net change in revaluation reserve (AFS assets) - Other	0	0
Fair value adjustments before tax	0	0
Deferred tax on fair value changes	0	0
Transfer from reserve to net profit	0	0
Impairment losses	0	0
Net gains/losses on disposal	0	0
Deferred income tax	0	0
Net change in hedging reserve (cash flow hedge)	- 869	229
Fair value adjustments before tax	- 1 288	312
Deferred tax on fair value changes	443	- 113
Transfer from reserve to net profit	- 25	29
Gross amount	- 28	39
Deferred income tax	3	- 9
Net change in translation differences	78	271
Gross amount	6	171
Deferred taxes on income	72	101
Other movements	1	2
OTHER COMPREHENSIVE INCOME - NOT TO BE RECYCLED TO P&L		
Net change in defined benefit plans	- 186	212
Remeasurements (IAS 19)	- 262	305
Deferred tax on remeasurement	76	- 93
TOTAL COMPREHENSIVE INCOME	896	3 208
Attributable to minority interest	157	179
Attributable to equity holders of the parent	738	3 029

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2014	31-12-2015
Cash and cash balances with central banks		5 771	7 038
Financial assets	14 - 25	198 865	204 051
Held for trading	14 - 25	12 277	10 497
Designated at fair value through profit or loss	14 - 25	6 526	5 092
Available for sale	14 - 25	18 048	20 274
Loans and receivables	14 - 25	134 955	140 294
Held to maturity	14 - 25	25 956	27 379
Hedging derivatives	14 - 25	1 104	514
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	-	168	105
Tax assets	27	1 702	2 285
Current tax assets	27	45	96
Deferred tax assets	27	1 657	2 189
Non-current assets held for sale and assets associated with disposal groups	41	18	15
Investments in associated companies and joint ventures	28	179	181
Investment property	29	397	275
Property and equipment	29	2 029	2 087
Goodwill and other intangible assets	30	1 027	831
Other assets	26	960	758
TOTAL ASSETS		211 116	217 626

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	31-12-2015
Financial liabilities	14 – 25	195 038	201 760
Held for trading	14 – 25	8 510	8 380
Designated at fair value through profit or loss	14 – 25	11 356	12 039
Measured at amortised cost	14 – 25	171 682	179 150
Hedging derivatives	14 – 25	3 491	2 191
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	-	189	171
Tax liabilities	27	165	197
Current tax liabilities	27	80	88
Deferred tax liabilies	27	85	109
Provisions for risks and charges	31	527	278
Other liabilities	32	1 861	1 730
TOTAL LIABILITIES		197 780	204 135
Total equity	34	13 336	13 490
Parent shareholders’ equity	34	11 676	11 888
Additional Tier-1 instruments included in equity	34	1 400	1 400
Minority interests	34	260	202
TOTAL LIABILITIES AND EQUITY		211 116	217 626

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Retained earnings	Translation differences	Parent share-holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-12-2014											
Balance at the beginning of the period (01-01-2014)	**8 948**	**895**	**264**	**- 522**	**70**	**2 337**	**- 331**	**11 662**	**0**	**651**	**12 313**
Net result for the period	0	0	0	0	0	1 312	0	1 312	0	157	1 469
Other comprehensive income for the period	0	0	402	- 869	- 186	1	78	- 574	0	0	- 574
Total comprehensive income	**0**	**0**	**402**	**- 869**	**- 186**	**1 314**	**78**	**738**	**0**	**157**	**896**
Dividends	0	0	0	0	0	- 678	0	- 678	0	0	- 678
Coupon additional Tier-1 instruments	0	0	0	0	0	-40	0	-40	0	0	-40
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	- 6	0	- 6	1 400	0	1 394
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 191	- 191
Change in scope	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	**0**	**0**	**402**	**- 869**	**- 186**	**590**	**78**	**15**	**1 400**	**- 391**	**1 023**
Balance at the end of the period	**8 948**	**895**	**666**	**- 1 391**	**- 116**	**2 927**	**- 253**	**11 676**	**1 400**	**260**	**13 336**
of which revaluation reserve for shares			105								
of which revaluation reserve for bonds			560								
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			0	0	0	0	0	0			0
of which relating to equity method			15	0	0	0	1	16			16

(n millions of EUR)	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Retained earnings	Translation differences	Parent share-holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-12-2015											
Balance at the beginning of the period (01-01-2015)	**8 948**	**895**	**666**	**- 1 391**	**- 116**	**2 927**	**- 253**	**11 676**	**1 400**	**260**	**13 336**
Net result for the period	0	0	0	0	0	2 239	0	2 239	0	180	2 419
Other comprehensive income for the period	0	0	75	229	212	2	272	790	0	0	789
Total comprehensive income	**0**	**0**	**75**	**229**	**212**	**2 241**	**272**	**3 029**	**0**	**179**	**3 208**
Dividends	0	0	0	0	0	- 2 737	0	- 2 737	0	0	- 2 737
Coupon additional Tier-1 instruments	0	0	0	0	0	- 54	0	- 54	0	0	- 54
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	0	0	0	0	0	0
Impact business combinations	0	0	0	0	0	- 28	0	- 28	0	0	- 28
Change in minorities	0	0	0	0	0	0	0	0	0	- 240	- 240
Change in scope	0	0	1	0	0	0	0	1	0	3	4
Total change	**0**	**0**	**76**	**229**	**212**	**- 577**	**272**	**212**	**0**	**- 58**	**154**
Balance at the end of the period	**8 948**	**895**	**742**	**- 1 163**	**97**	**2 349**	**19**	**11 888**	**1 400**	**202**	**13 490**
of which revaluation reserve for shares			223								
of which revaluation reserve for bonds			519								
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			0	0	0	0	- 2	- 2			- 2
of which relating to equity method			14	0	0	0	7	21			21

- For information on additional tier-1 instruments and number of shares, see Note 34.
- For information on the shareholder structure, see the ‘Corporate governance statement’ in the ‘Report of the Board of Directors’ section.
- In 2015, KBC Bank paid a dividend of 1 574 million euros for 2014 to KBC Group, as well as an interim dividend of 1 162 million euros, and will pay it a final dividend for 2015 of 165 million euros in 2016.
- In 2015, the revaluation reserve (for available-for-sale assets) expanded by 76 million euros, due primarily to shares (an increase of 117 million euros that was mainly attributable to Visa Europe following the public offering of Visa Inc. (transfer to profit or loss expected in the second quarter of 2016 at the then prevailing market value)). On the other hand, there was a decline in relation to bonds (by 42 million euros). The hedging reserve (cashflow hedges) went up by 229 million euros in 2015.
- There was a 272-million-euro change in translation differences in 2015 due in part to the liquidation of KBC Financial Holding Inc. (the foreign exchange loss on the capital of KBC Financial Holding Inc. was transferred from equity to profit or loss; net impact of 145 million euros (after tax), including hedging effects).

Consolidated cashflow statement

(in millions of EUR)	Note[1]	2014	2015
Operating activities			
Result before tax	Inc.statem.	1 973	2 128
Adjustments for:		1 282	327
Result before taks related to discontinued operations	Inc.statem.	0	0
Depreciation, impairment and amortisation of property and equipment, Intangible assets, investment property and securities	17, 29-30	38	467
Profit/Loss on the disposal of investments		- 32	- 12
Change in impairment on loans and advances	11	587	323
Change in other provisions	31	- 29	- 223
Other non relaised gains and losses		739	- 206
Income from associated companies and joint ventures	12	- 22	- 21
Cash flow from operating profit before tax and before changes in operating assets and liabilities		3 255	2 456
Changes in operating assets (excl. cash and cash equivalents)		- 9 777	- 1 462
Loans and receivables	14	- 4 730	- 3 677
Available for sale	14	- 3 332	- 2 121
Held for trading	14	- 262	1 639
Designated at fair value thorugh profit and loss	14	- 892	1 849
Hedging derivatives	14	- 332	590
Operating assets associated with disposal groups & other assets		-229	259
Changes in operating liabilities (excl. Cash and cash equivalents)		12 014	8 972
Deposits at amortised cost	14	12 453	9 301
Debt certificates at amortised cost	14	3 606	- 759
Financial liabilities held for trading	14	- 4 615	157
Financial liabilities designated at fair value thorugh profit and loss		347	1 392
Liabilities derivatives-Hedge accounting	14	521	- 988
Operating liabilities associated with disposal groups & other liabilities		-298	-131
Income taxes paid	13	- 274	- 311
Net cash from (used in) operating activities		5 218	9 654
Investing activities			
Purchaser of held-to-maturity securities	14	- 1 881	- 3 190
Proceeds from the repayment of held-to-maturity securities at maturity	14	541	1 758
Acquisition of a subsidiary or a business unit, net of cash required (increase in participation interest included)		0	- 4
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed (decreasxe in participation interest included)		559	0
Purchase of shares in associated companies and joint ventures	28	0	0
Proceeds from the disposal of shares in associated companies and joint ventures	28	0	0
Dividends received from associated companies and joint ventures	28	- 30	23
Purchase of investment property	29	- 10	- 5
Proceeds from the sale of investment property	29	41	11

(in millions of EUR)	Note[1]	2014	2015
Purchase of intangible fixed assets (excl. goodwill)	30	- 63	- 61
Proceeds of the sale of intangible fixed assets (excl. goodwill)	30	17	7
Purchase of property and equipment	29	- 397	- 499
Proceeds from the sale of property and equipment	29	304	220
Net cash from (used in) investing activities		- 920	- 1 739
Financing activities			
Purchase or sale of treasury sales	Changes equity	0	0
Issue or repayment of promissory notes and other debt securities	14	- 4 308	- 475
Proceeds from or repyment of subordianted liabilities	14	- 2 398	- 279
Principal payments under finance lease obligations		0	0
Proceeds from the issuance of share capital	Changes equity	0	0
Procees from the issuance or repayment of preference shares	Changes equity	1 042	0
Dividends paid	Changes equity	- 718	- 2 791
Net cash from (used in) financing activities		- 6 381	- 3 544
Change in cash and cash equivalents			
Net increase or decrease in cash and cash equivalents		- 2 084	4 371
Cash and cash equivalents at the beginning of the period		8 691	6 523
Effects of exchange rate changes on opening cash and cash equivalents		- 84	104
Cash and cash equivalents at the end of the period		6 523	10 998
Additional information			
Interest paid[2]	3	- 3 657	- 2 930
Interest received[2]	3	7 305	6 605
Dividends received (inclusing equity method)	4, 28	14	43
Components of cash and cashequivalents			
Cash and cash balances with central banks	Bal.sheet	5 771	7 038
Loans and advances to banks repayable on demand and term loans to banks < 3 months	14	4 292	6 551
Deposits from banks repayable on demand and reddemable at notice	14	- 3 539	- 2 591
Cash and cash equivalents included in disposal groups		0	0
Total		6 523	10 998
Of which not available		0	0

1 The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as – among other things – adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.
2 'Interest paid' and 'Interest received' in this overview are the equivalent of the 'Interest expense' and 'Interest income' items in the consolidated income statement. Given the large number of underlying contracts that generate interest expense and interest income, it would take an exceptional administrative effort to establish actual cashflows. Moreover, it is reasonable to assume that actual cashflows for a bank-insurance company do not differ much from the accrued interest expense and accrued interest income, as most rate products pay interest regularly within the year.

- KBC uses the indirect method to report on cashflows from operating activities.
- More information on the main acquisitions and divestments of consolidated subsidiaries and activities already completed is provided below. All material acquisitions and divestments of group companies or activities were paid for in cash.
- In 2015, KBC made a number of limited acquisitions that had a net positive impact of 0.2 billion euros on cashflows from investing activities. The acquisitions in question included VB Leasing SK, spol.r.o. (together with VB Leasing Sprostredkovatel'skà s.r.o.). Given their limited size, they have not been included in the following table.

Main acquisitions, disposals or changes in the ownership percentage of consolidated subsidiaries or operations

	2014
(in millions of EUR)	**KBC Bank Deutschland**
Purchase or sale	Sale
Percentage of shares bought (+) or sold (-) in the relevant year	100.00%
Total share percentage at the end of the relevant year	0.00%
For business unit/segment	Group Centre
Deal date (month and year)	September 2014
Incorporation of the result of the company in the result of the group until:	30-09-2014
Purchase price or sale price	90
Cashflow for acquiring or selling companies less cash and cash equivalents acquired or sold	559
Assets & liabilities bought or sold	
Cash and cash balances with central banks	12
Financial assets	2 230
Held for trading	19
Designated at fair value through profit or loss	0
Available for sale	163
Loans and receivables	1 985
Held-to-maturity investments	64
Hedging derivatives	0
of which: cash and cash equivalents	*14*
Financial liabilities	1 781
Held for trading	9
Designated at fair value through profit or loss	0
Measured at amortised cost	1 772
Hedging derivatives	0
of which: cash and cash equivalents	*483*

Notes on the accounting policies

Note 1 a: Statement of compliance

The consolidated financial statements, including all the notes, were authorised for issue on 17 March 2016 by the Board of Directors. These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million.

The following IFRS became effective on 1 January 2015 and have been applied by KBC in this report.

- IFRIC 21 (Levies) was approved by the European Union in June 2014. It became effective on 1 January 2015 and needs to be applied retroactively. The main consequence of IFRIC 21 in 2015 was that certain levies had to be recognised in advance, which impacted the interim results. However, there was no impact on the annual result.

The following (amendments to) IFRS were issued but not yet mandatory at year-end 2015. KBC has decided to apply these standards with effect from 2016.

- The amendment to IAS 1 (Presentation of Financial Statement) requires the aggregate share in 'other comprehensive income' of associated companies and joint ventures to be recognised separately. It also has to be grouped according to whether or not it is recycled to profit or loss. As a consequence, the amounts presented in the other items of 'other comprehensive income' exclude the share in results of associated companies and joint ventures.

The following IFRS were issued but not yet effective at year-end 2015. KBC will apply these standards when they become mandatory. The following IFRS were issued but not yet effective at year-end 2015. KBC will apply these standards when they become mandatory.

- In July 2014, the IASB issued IFRS 9 (Financial Instruments) on the classification and measurement of financial instruments, as a replacement for the relevant requirements of the present IAS 39 (Financial Instruments: Recognition and Measurement). The mandatory effective date for the entire IFRS 9 is 1 January 2018. A project relating to IFRS 9 has been running for some time at KBC and it gained momentum in 2015. The project is being managed by the Finance function (along with the Credit Risk function for Phase 2) and involves all the departments and entities that are affected. It comprises a group component as well as a local component relating to implementation at the various group entities. IFRS 9 comprises three phases:

- Phase 1: Introduction of a new method to classify and measure financial assets and liabilities on the balance sheet.
- Phase 2: Deals with the impairment of financial assets and the move from an incurred loss model to an expected credit loss model.
- Phase 3: Introduction of a new model for micro hedging.

The three phases of IFRS 9 determine the structure of the project. One common aspect relates to the impact on reporting and disclosures.

The most complex aspect of implementation and the main workload is situated in Phase 2. In this phase, financial assets that are subject to impairment are classified into three stages:

- Stage 1: Performing
- Stage 2: Underperforming (where lifetime expected credit losses are required to be measured)
- Stage 3: Non-performing or impaired

The following aspects are covered specifically in Phase 2:

- Designing IFRS 9-compliant credit models that measure losses over the lifetime of the credit and incorporate forecasts of macroeconomic conditions
- Defining IFRS 9-compliant impairment policies, including the criteria for moving between the three stages
- Rolling out software to calculate credit losses and generate corresponding disclosures
- Modifying governance to accommodate IFRS 9 and to be in line with the Basel Committee 'Guidance on credit risk and accounting for expected credit losses'

The IFRS 9 project is being implemented according to plan. During 2015, KBC performed a high-level impact study for IFRS 9 and developed a number of pilot models to measure impairment. The study was based on information currently available and may change if other detailed analyses or additional information becomes available to KBC in the future. At present, KBC does not anticipate the changes in classification and measurement of financial assets and liabilities to have any significant impact on the balance sheet or equity. As regards the effect of implementing new impairment rules under IFRS 9, KBC currently expects provisioning for impairment losses to increase, which would have a negative impact on equity. Draft IFRS 9-compliant impairment policies were also drawn up in 2015, as were draft guidelines for developing IFRS 9-compliant models. In addition, preparations were started to implement the necessary ICT solutions. KBC will take part in the first EBA impact study in 2016 and currently expects to announce stable impact assessments in the second half of 2017.

- In May 2014, the IASB issued IFRS 15 (Revenue from Contracts with Customers) concerning the recognition of revenue. In 2015, the IASB proposed putting back the effective date to 1 January 2018 and also added a number of clarifications. and its potential impact is currently being analysed.

- The IASB published several limited amendments to existing IFRSs in the course of 2015. They will be applied when they become mandatory, but their impact is currently estimated to be negligible.

Note 1 b: Summary of significant accounting policies

a Criteria for consolidation and for inclusion in the consolidated accounts according to the equity method

All (material) entities (including structured entities) over which the consolidating entity exercises, directly or indirectly, exclusive control – as defined in IFRS 10 – are consolidated according to the method of full consolidation.

(Material) companies over which joint control is exercised, directly or indirectly, are consolidated according to the equity method (IFRS 11).
(Material) investments in associates, i.e. companies over which KBC has significant influence, are also accounted for using the equity method.
As allowed under IAS 28, investments held by venture capital organisations are classified as 'held for trading' (measured at fair value through profit or loss).
Changes in ownership interests (that do not result in a loss of control) are accounted for as equity transactions. They do not affect goodwill or profit or loss.

b Effects of changes in foreign exchange rates

Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the spot rate at balance sheet date.
Negative and positive valuation differences, except for those relating to the funding of shares and investments of consolidated companies in a foreign currency, are recognised in profit or loss.
Non-monetary items measured at historical cost are translated into the functional currency at the historical exchange rate that existed on the transaction date.
Non-monetary items carried at fair value are translated at the spot rate of the date the fair value was determined.
Translation differences are reported together with changes in fair value.
Income and expense items in foreign currency are taken to profit or loss at the exchange rate prevailing when they were recognised.
The balance sheets of foreign subsidiaries are translated into the reporting currency (euros) at the spot rate at balance sheet date (with the exception of the capital and reserves, which are translated at the historical rate). The income statement is translated at the average rate for the financial year as best estimate of the exchange rate at transaction date.
Differences arising from the use of one exchange rate for assets and liabilities, and another for net assets (together with the exchange rate differences – net of deferred taxes – on loans concluded to finance participating interests in foreign currency) are recognised in equity, commensurate with KBC's share.

c Financial assets and liabilities (IAS 39)

Financial assets and liabilities are recognised in the balance sheet when KBC becomes a party to the contractual provisions of the instruments. Regular-way purchases or sales of financial assets are recognised using settlement date accounting.

All financial assets and liabilities – including derivatives – must be recognised in the balance sheet according to the IAS 39 classification system. Each classification is subject to specific measurement rules.

The IAS 39 classifications are as follows:

- *Loans and receivables (L&R)*. These include all non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

- *Held-to-maturity assets (HTM)*. These are all non-derivative financial assets with a fixed maturity and fixed or determinable payments that KBC intends and is able to hold to maturity.

- *Financial assets at fair value through profit or loss (abbreviated in various notes to 'Designated at fair value').* This category includes held-for-trading (HFT) assets and other financial assets designated at fair value through profit or loss (FIFV). Held-for-trading assets are assets held for the purpose of selling them in the short term or assets that are part of a portfolio of assets held for trading purposes. All derivatives with a positive replacement value are considered to be held for trading unless they are designated and effective hedging instruments. Other financial assets designated at fair value through profit or loss are measured in the same way as held-for-trading assets. KBC may use the fair value option when doing so results in more relevant information, because it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The fair value option may also be used for financial assets with embedded derivatives.

- *Available-for-sale assets (AFS)*. These are all non-derivative financial assets that do not come under one of the above classifications. These assets are measured at fair value, with all fair value changes being recognised in equity until the assets are sold or until there is an impairment in value. In this case, the cumulative revaluation gain or loss will be recognised in income for the financial year.

- *Held-for-trading liabilities*. These are liabilities held with the intention of repurchasing them in the short term. All derivatives with a negative replacement value are also considered to be held for trading unless they are designated and effective hedging instruments. These liabilities are measured at fair value, with any fair value changes reported in profit or loss.

- *Financial liabilities designated at fair value through profit or loss (FIFV)*. These are measured in the same way as held-for-trading liabilities. This fair value option may be used under the same conditions as FIFV assets.
- *Other financial liabilities*. These are all other non-derivative financial liabilities that are not classified under one of the two liability classifications above. They are measured at amortised cost.

- *Hedging derivatives*. These are derivatives used for hedging purposes.

Financial instruments are reported according to the dirty price convention, i.e. accrued interest is presented under the same heading as the financial instruments for which the interest has accrued.

KBC applies the following general rules:

- *Amounts receivable*. These are classified under 'Loans and receivables' and are measured on acquisition at fair value, including transaction costs. Loans with a fixed maturity are subsequently measured at amortised cost using the effective interest method, i.e. an interest rate is applied that exactly discounts all estimated future cashflows from the loans to the net carrying value. This interest rate takes account of all related fees and transaction costs. Loans with no fixed maturity date are measured at amortised cost.
  Impairment losses are recognised for loans and advances for which there is evidence – either on an individual or portfolio basis – of impairment at balance sheet date. Whether or not evidence exists is determined on the basis of the probability of default (PD). The PD depends on a number of loan-specific characteristics, such as the type of loan, the borrower's line of business, the geographical location of the borrower and other elements key to a borrower's risk profile. Loans with the same PD therefore have a similar credit risk profile.
  - Loans and advances with a PD of 12 (individual problem loans with the highest probability of default) are individually tested for impairment (and written down on an individual basis if necessary). The impairment amount is calculated as the difference between the loans' carrying value and their present value.
  - Loans and advances with a PD of 10 or 11 are also considered to be individual problem loans. Material loans are tested individually. The impairment amount is calculated as the difference between the loans' carrying value and their present value. Non-material loans are tested on a statistical basis. The impairment amount calculated according to the statistical method is based on IRB Advanced models (PD x LGD x EAD).
  - Loans and advances with a PD lower than 10 are considered normal loans. Incurred-but-not-reported (IBNR) losses are recognised for loans with a PD of 1 through 9. IBNR losses are based primarily on IRB Advanced models (PD x LGD x EAD), with all parameters being adjusted to reflect the point-in-time nature of these losses. The main adjustment relates to the PD, i.e. the time horizon of the PD is shortened on the basis of the emergence period. This is the period between the time an event occurs that will lead to an impairment and the time KBC identifies this event, and is dependent on the review frequency, the location and degree of involvement with the counterparties. The emergence period is between 1 and 12 months for retail portfolios and between 1 and 11 months for corporate portfolios. On average, emergence periods for corporate portfolios are shorter than for their retail counterparts.
- When impairment is identified, the carrying value of the loan is reduced via an impairment account and the loss recognised in the income statement. If, in a subsequent period, the estimated impairment amount increases or decreases due to an event that occurs after the impairment loss was recognised, the previously recognised impairment will be increased or reduced accordingly through adjustment of the impairment account. Loans and the related amounts included in the impairment accounts are written off when there is no realistic prospect of recovery in future or if the loan is forgiven. A renegotiated loan will continue to be tested for impairment, calculated on the basis of the original effective interest rate applying to the loan.
  For off-balance-sheet commitments (commitment credit) classified as uncertain or irrecoverable and doubtful, provisions are recognised if the general IAS 37 criteria are satisfied and the more-likely-than-not criterion met. These provisions are recognised at their present value.
  Interest on loans written down as a result of impairment is recognised using the contractual rate of interest used to measure the impairment loss.

- *Securities*. Depending on whether or not securities are traded on an active market and depending on what the intention is when they are acquired, securities are classified as loans and receivables, held-to-maturity assets, held-for-trading assets, financial assets at fair value through profit or loss, or available-for-sale assets.

Securities classified as loans and receivables or held-to-maturity assets are initially measured at fair value, including transaction costs. They are subsequently measured at amortised cost. The difference between the acquisition cost and the redemption value is recognised as interest and recorded in the income statement on an accruals basis over the remaining term to maturity. It is taken to the income statement on an actuarial basis, based on the effective rate of return on acquisition. Individual impairment losses for securities classified as loans and receivables or held-to-maturity are recognised – according to the same method as is used for amounts receivable as described above – if there is evidence of impairment at balance sheet date.
Held-for-trading securities are initially measured at fair value (excluding transaction costs) and subsequently at fair value, with all fair value changes being recognised in profit or loss for the financial year.
Securities classified initially as 'Financial assets at fair value through profit or loss' that are not held for trading are measured in the same way as held-for-trading assets.
Available-for-sale securities are initially measured at fair value (including transaction costs) and subsequently at fair value, with changes in fair value being recorded separately in equity until the sale or impairment of the securities. In this case, the cumulative fair value changes are transferred from equity to profit or loss for the financial year. Impairment losses are recognised if evidence of impairment exists on the balance sheet date. For listed equity and other variable-yield securities, a significant (more than 30%) or prolonged (more than one year) decline in their fair value below cost is evidence of impairment. For fixed-income securities, impairment is measured on the basis of the recoverable amount of the acquisition cost. Impairment losses are taken to the income statement for the financial year. For equity and other variable-yield securities, impairment is reversed through a separate equity heading. Reversals of impairment on fixed-income securities occur through profit or loss for the financial year. However, if it cannot be demonstrated objectively that the reason for prolonged impairment no longer exists (i.e. the loss event triggering impairment has not completely disappeared), any increases in fair value will be recorded in equity. This continues until there is no longer any evidence of impairment. At that moment, impairment is completely reversed through profit or loss and any difference in fair value recorded in equity.

- *Derivatives*. All derivatives are classified as held-for-trading assets or held-for-trading liabilities unless they are designated and effective hedging instruments. Held-for-trading derivatives are measured at fair value, with fair value changes being recognised in profit or loss for the financial year. Held-for-trading derivatives with a positive replacement value are recorded on the asset side of the balance sheet; those with a negative replacement value on the liabilities side.

- *Amounts owed*: Liabilities arising from advances or cash deposits received are recorded in the balance sheet at amortised cost. The difference between the amount made available and the nominal value is reflected on an accruals basis in the income statement. It is recorded on a discounted basis, based on the effective rate of interest.

- *Embedded derivatives*. Derivatives embedded in contracts that are measured on an accruals basis (held-to-maturity assets, loans and receivables, other financial liabilities) or at fair value, with fair value changes being recorded in equity (available-for-sale assets), are separated from the contract and measured at fair value (with fair value adjustments being taken to the income statement for the financial year), if the risk relating to the embedded derivative is considered not to be closely related to the risk on the host contract. The risk may not be reassessed subsequently, unless the terms of the contract are changed and this has a substantial impact on the contract's cashflows. Contracts with embedded derivatives are however primarily classified as financial instruments at fair value through profit or loss, making it unnecessary to separate the embedded derivative, since the entire financial instrument is measured at fair value, with fair value changes being taken to the income statement.

- *Hedge accounting*. KBC applies hedge accounting when all the requisite conditions (according to the hedge accounting requirements that have not been carved out in the IAS 39 version as approved by the EU) are fulfilled. These conditions are that the hedge relationship must be formally designated and documented on the inception of the hedge, the hedge must be expected to be highly effective and this effectiveness must be able to be measured reliably, and the measurement of hedge effectiveness must take place on a continuous basis during the reporting period in which the hedge can be considered to be effective.
  For fair value hedges, both the derivatives hedging the risks and the hedged positions are measured at fair value, with all fair value changes being taken to the income statement. Accrued interest income from rate swaps is included in net interest income. Hedge accounting is discontinued once the hedge accounting requirements are no longer met or if the hedging instrument expires or is sold. In this case, the gain or loss recorded in equity on the hedged position (for fixed-income financial instruments) will be taken to profit or loss on an accruals basis until maturity.
  KBC uses fair value hedges for a portfolio of interest rate risk to hedge the interest rate risk for a portfolio of loans and savings deposits using interest rate swaps. The interest rate swaps are measured at fair value, with fair value changes reported in profit or loss. Accrued interest income from these swaps is included in net interest income. The hedged amount of loans is measured at fair value as well, with fair value changes reported in profit or loss. The fair value of the hedged amount is presented as a separate line item of the assets on the balance sheet. KBC makes use of the 'carved-out' version of IAS 39, so that no ineffectiveness results from anticipated repayments, as long as underhedging exists. In case of hedge ineffectiveness, the cumulative change in the fair value of the hedged amount will be amortised through profit or loss over the remaining lifetime of the hedged assets or immediately removed from the balance sheet if the ineffectiveness is due to the fact that the corresponding loans have been derecognised.
  For cashflow hedges, derivatives hedging the risks are measured at fair value, with those fair value gains or losses determined to be an effective hedge being recognised separately in equity. Accrued interest income from rate swaps is included in net interest income. The ineffective portion of the hedge is recognised in income for the financial year. Hedge accounting will be discontinued if the hedge accounting criteria are no longer met. In this case, the derivatives will be treated as held-for-trading derivatives and measured accordingly.

Foreign currency funding of a net investment in a foreign entity is accounted for as a hedge of that net investment. This form of hedge accounting is used for investments not denominated in euros. Translation differences (account taken of deferred taxes) on the funding are recorded in equity, along with translation differences on the net investment.

- *Financial guarantee contracts*. These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the initial or revised terms of a debt instrument. A financial guarantee contract is initially recognised at fair value and subsequently measured at the greater of the following:
  1 the amount determined in accordance with IAS 37: Provisions, Contingent Liabilities and Contingent Assets; and
  2 the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with IAS 18: Revenue.

- *Fair value adjustments (market value adjustments)*. Fair value adjustments are recognised on all financial instruments measured at fair value, with fair value changes being taken to profit or loss or recognised in equity. These fair value adjustments include all close-out costs, adjustments for less liquid instruments or markets, adjustments relating to 'mark-to-model' measurements, adjustments for counterparty exposures and adjustments for funding costs.

d Goodwill and other intangible assets

Goodwill is defined as any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. It is recognised as an intangible asset and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or if there is either internal or external evidence for doing so. An impairment loss is recognised if the carrying value of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed. For each new business combination, KBC has to choose whether to measure minority interests at fair value or as their proportionate share of the acquiree's net identifiable assets. This choice determines the amount of goodwill recognised.
Software is recognised as an intangible asset if the capitalisation criteria are met. System software is capitalised and amortised at the same rate as hardware, i.e. over three years, from the moment the software is available for use. Standard software and customised software developed by a third party is capitalised and amortised over five years according to the straight-line method from the moment the software is available for use. Internal and external development expenses for internally-generated software for investment projects are capitalised and written off according to the straight-line method over five years, while for core systems with a longer useful life, the period is eight years. Investment projects are large-scale projects that introduce or replace an important business objective or model. Internal and external research expenses for these projects and all expenses for other ICT projects concerning internally-generated software (other than investment projects) are taken to the income statement directly.

e Property and equipment and investment property

All property and equipment is recognised at cost (including directly allocable acquisition costs), less accumulated depreciation and impairment. The rates of depreciation are determined on the basis of the anticipated useful life of the assets and are applied according to the straight-line method from the moment the assets are available for use. Impairment is recognised if the carrying value of the asset exceeds its recoverable value (i.e. the higher of the asset's value in use and net selling price). Amounts written down can be reversed through the income statement. When property or equipment is sold, the realised gains or losses are taken directly to the income statement. If property or equipment is destroyed, the remaining amount to be written off is taken directly to the income statement.
The accounting policy outlined for property and equipment also applies to investment property.
External borrowing costs that are directly attributable to the acquisition of an asset are capitalised as part of the cost of that asset. All other borrowing costs are recognised as an expense in the period in which they are incurred. Capitalisation commences when expenses are incurred for the asset, when the borrowing costs are incurred and when activities that are necessary to prepare the asset for its intended use or sale are in progress. When development is interrupted, the *capitalisation* of borrowing costs is suspended. The *capitalisation* of borrowing costs ceases when all the activities necessary to prepare the asset for its intended use or sale are complete.

f Retirement benefit obligations

Retirement benefit obligations are included under the 'Other liabilities' item and relate to obligations for retirement and survivor's pensions, early retirement benefits and similar pensions or annuities.
Defined benefit plans are those under which KBC has a legal or constructive obligation to pay extra contributions to the pension fund if this last has insufficient assets to settle all the obligations to employees resulting from employee service in current and prior periods.
The retirement benefit obligations under these plans for employees are calculated according to IAS 19, based on the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.
Changes in the defined benefit liability/asset are recognised in operating expenses (service costs), in interest expense (net interest costs) and in other comprehensive income (remeasurements).

g Tax liabilities

This heading includes current and deferred tax liabilities.

Current tax for the period is measured at the amount expected to be paid, using the rates of tax in effect for the balance sheet date. Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates in effect on realisation of the assets or settlement of the liabilities to which they relate. Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

h Provisions

Provisions are recognised in the balance sheet:

- if an obligation (legal or constructive) exists on the balance sheet date that stems from a past event, and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

i Equity

Equity is the residual interest in the net assets after all liabilities have been deducted.
Equity instruments have been differentiated from financial instruments in accordance with the IAS 32 rules.
The revaluation reserve for available-for-sale assets is included in equity until disposal or impairment of the assets. At that time, the cumulative gain or loss is transferred to profit or loss for the period.

Put options on minority interests (and, where applicable, combinations of put and call options resulting in forward contracts) are recognised as financial liabilities at the present value of the exercise prices. The corresponding minority interests are deducted from equity. The difference is recognised either as an asset (goodwill) or in the income statement (negative goodwill).

j Exchange rates used*

	Exchange rate at 31-12-2015		Exchange rate average in 2015	
	1 EUR = … … currency	Change from 31-12-2014 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … … currency	Change relative to average in 2015 Positive: appreciation relative to EUR) Negative: depreciation relative to EUR)
CZK	27.023	3%	27.299	1%
GBP	0.7340	6%	0.7261	11%
HUF	315.98	0%	309.57	0%
USD	1.0887	12%	1.1098	20%

* Rounded figures.

k Changes made to accounting policies in 2015

No material changes were made to the accounting policies in 2015.

Notes on segment reporting

Note 2: Segment reporting based on the management structure

The group’s segments or business units

Information on the group’s management structure can be found in the ‘Review of the business units’ section (which has not been audited by the statutory auditor). This structure forms the basis for our financial segment reporting presentation.

The segments 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 other 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 ‘Review of the business units’ section.

Segment reporting

Prior to year-end 2014, we provided ‘adjusted figures’ alongside the figures according to IFRS, to give more insight into the ongoing business performance. As a consequence, a number of non-operating items (legacy CDO activities, legacy business of divestment companies and the impact of changes in the fair value of own debt instruments due to own credit risk) were not recognised in the income statement, but were summarised instead in three lines at the bottom of the presentation, and the Belgium Business Unit’s trading results were recognised under ‘Net result from financial instruments at fair value’. Segment reporting was based entirely on these ‘adjusted results’. A detailed definition of ‘adjusted results’ can be found in our 2014 Annual Report.

We scrapped the adjusted results with effect from 2015 – with retroactive application to the 2014 figures for purposes of comparison – because the non-operating items had become immaterial (divestments completed, CDO exposure fully scaled back) and because it substantially simplified our financial reporting. As of this report, therefore, the segment data is based entirely on IFRS data. Moreover, we no longer split up the Group Centre into ‘Group Centre (excl. intersegment eliminations)’ and ‘Intersegment eliminations’, in accordance with internal reporting to management (also with retroactive application for 2014).

It should be noted that:

- In principle, we assign a group company in its entirety to one specific segment (see Note 39). Major exceptions are only made for those items that cannot clearly be allocated to a specific segment, such as charges attached to the subordination of loans (such items are recognised under Group Centre).
- We allocate the funding cost of participating interests to the Group Centre. Any funding cost in respect of leveraging at KBC Group NV level is also recognised under Group Centre.
- Transactions among the different segments are reported at arm’s length.
- We recognise 'Net interest income' in the segment information without dividing it up into 'Interest income' and 'Interest expense'. This is permitted under IFRS because the bulk of the business units’ income is in the form of interest, and management assesses and co-ordinates those business units primarily on the basis of net interest income.
- We do not provide any information on income from sales to external clients per group of products or services, since the information is prepared at consolidated level chiefly for each business unit, and not per client group or product group.

A review of the results by business unit is provided below in this note

Underlying results by segment (business unit)

(in millions of EUR)	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Bank
2014									
Net interest income	2 285	831	653	265	202	36	149	- 121	3 648
Non-life insurance before reinsurance	0	0	0	0	0	0	0	0	0
Dividend income	9	0	0	0	0	0	0	5	14
Net result from financial instruments at fair value through profit or loss	54	63	67	56	15	1	- 7	12	195
Net realised result from available-for-sale assets	23	8	14	13	1	0	0	5	49
Net fee and commission income	1 326	237	238	167	53	16	- 3	21	1 822
Net other income	180	18	- 226	- 224	0	0	- 2	32	5
TOTAL INCOME	3 877	1 157	746	278	271	55	138	- 46	5 734
Operating expenses [a]	- 1 942	- 550	- 685	- 348	- 167	- 34	- 132	- 134	- 3 311
Impairment	- 218	- 35	- 284	- 49	- 18	- 10	- 207	65	- 472
on loans and receivables	- 205	- 34	- 273	- 47	- 17	- 10	- 198	- 75	- 587
on available-for-sale assets	- 3	0	0	0	0	0	0	- 1	- 4
on goodwill	0	0	0	0	0	0	0	0	0
on other	- 10	- 2	- 11	- 1	0	0	- 9	142	119
Share in results of associated companies and joint ventures	- 1	23	0	0	0	0	0	0	22
RESULT BEFORE TAX	1 716	595	- 223	- 119	86	10	- 202	- 115	1 973
RESULT AFTER TAX	1 207	501	- 204	- 102	65	11	- 179	- 34	1 469
Attributable to minority interests	156	1	0	0	0	0	0	0	157
NET RESULT	1 051	500	- 205	- 102	65	11	- 179	- 34	1 312
[a] Of which non-cash expenses:	- 45	- 23	- 64	- 34	- 11	- 2	- 18	- 4	- 136
Depreciation and amortisation of fixed assets	- 46	- 25	- 59	- 34	- 11	- 2	- 13	- 3	- 134
Other	2	2	- 5	0	0	0	- 5	1	0
Acquisitions of non current assets*	332	30	35	9	19	3	5	0	397

* Non current assets held for sale and disposal groups, investment property,property and equipment, investments associated companies and goodwill and other intangible assets

(in millions of EUR)	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Bank
2015									
Net interest income	2 225	817	689	239	207	41	202	- 56	3 675
Dividend income	13	0	0	0	0	0	0	6	19
Net result from financial instruments at fair value through profit or loss	174	97	73	58	16	1	- 2	- 120	224
Net realised result from available-for-sale assets	49	12	5	2	2	0	1	16	82
Net fee and commission income	1 459	248	242	171	55	16	- 3	- 4	1 945
Net other income	121	23	52	43	9	0	0	5	200
TOTAL INCOME	4 041	1 197	1 060	512	288	58	198	- 153	6 145
Operating expenses [a]	- 2 034	- 572	- 696	- 333	- 172	- 38	- 149	- 86	- 3 388
Impairment	- 192	- 40	- 85	- 9	- 18	- 10	- 48	- 334	- 650
on loans and receivables	- 177	- 36	- 82	- 6	- 18	- 10	- 48	- 28	- 323
on available-for-sale assets	- 10	- 1	0	0	0	0	0	0	- 11
on goodwill	0	- 2	0	0	0	0	0	- 305	- 308
on other	- 5	0	- 3	- 3	0	0	0	0	- 9
Share in results of associated companies and joint ventures	- 1	23	0	0	0	0	0	0	21
RESULT BEFORE TAX	1 813	608	280	170	98	10	1	- 573	2 128
Income tax expense	- 569	- 92	- 54	- 45	- 24	2	12	1 007	291
RESULT AFTER TAX	1 244	516	225	125	74	12	13	433	2 419
Attributable to minority interests	180	- 1	0	0	0	0	0	0	180
NET RESULT	1 064	517	225	125	74	12	13	433	2 239
[a] Of which non-cash expenses:	- 45	- 16	- 53	- 22	- 12	- 2	- 16	5	- 108
Depreciation and amortisation of fixed assets	- 47	- 23	- 57	- 23	- 12	- 2	- 21	- 2	- 128
Other	2	7	4	0	- 1	0	5	7	20
Acquisitions of non current assets*	396	81	87	26	28	6	28	0	565

* Non current assets held for sale and disposal groups, investment property,property and equipment, investments associated companies and goodwill and other intangible assets

How do the business units contribute to the group result?

Belgium

In 2015, the Belgium Business Unit recorded a net result of 1 064 million euros, compared with 1 051 million euros a year earlier.

The most important income item, net interest income, came to 2 225 million euros in 2015. Although down 3%, it remains a decent achievement given the low level of interest rates (and therefore low level of income generated by reinvestments) and came about thanks to lower funding costs, lower rates of interest being paid on savings accounts, and higher lending-related interest income (due in part to home loans). What's more, the high level of home loan refinancing in the first half of 2015 led – as it did in the second half of 2014 – to a large amount of early-repayment penalties, but also to a related negative hedging effect (pro rata funding losses). As far as volumes are concerned, loans and advances to customers, excluding reverse repos (87 billion euros at year-end) went up by 3%, while deposits from customers and debt securities, excluding repos (115 billion euros at year-end) grew by 5%. When calculating growth rates, we eliminate intragroup transactions between KBC Group companies. The average net interest margin narrowed from 2% in 2014 to 1.91% in 2015.

Net fee and commission income (1 459 million euros) rose by a substantial 10% due primarily to the strong performance of our asset management activities, which resulted in robust growth in income from investment funds (chiefly management fees). Total assets under management in Belgium were up by no less than 13% to 194 billion euros, due to a combination of increased net volume (+8%) and the rise in value of the assets themselves (+4%).

The other income items chiefly comprised gains realised on the sale of shares and bonds (49 million euros, up on the 2014 figure, and primarily related to sales of shares), dividends received on securities held in our portfolios (13 million euros, also slightly better than in 2014), trading and fair-value income (174 million euros, a significantly better performance than in 2014 due primarily to the positive impact of the increase in the value of derivatives used for asset/liability management purposes, which more than made up for the lower result in the dealing room and various negative fair value adjustments) and other income (121 million euros, down on its 2014 level). Besides the usual items (results from KBC Autolease, etc.), 'other income' also included a number of one-off items.

Our costs rose by 5% to 2 034 million euros in 2015, with various factors, including higher special bank taxes (due, for instance, to the contribution to the European Resolution Fund), higher pension costs and lower marketing and communication costs, all playing their part. The cost/income ratio for the banking activities remained at an excellent 50%, roughly the same as in 2014. Adjusted for one-off items, it was 53%, as opposed to 49% in 2014.

Loan loss provisioning was relatively limited in 2015, coming to 177 million euros, a decline of 14% on the year-earlier figure. In terms of our overall loan portfolio, therefore, loan loss provisions amounted to just 19 basis points in 2015, compared to 23 basis points in 2014. Approximately 3.8% of the business unit's loan portfolio was impaired (see 'Glossary of ratios and terms' for definition) at year-end 2015, compared with 4.3% a year earlier. Impaired loans that were more than 90 days past due accounted for 2.2% of the portfolio (the same as in 2014).

Czech Republic

In 2015, the Czech Republic Business Unit recorded a net profit of 517 million euros, compared with 500 million euros a year earlier.

At 817 million euros, net interest income – the most important income item – was adversely affected by the climate of low interest rates and associated lower level of income generated by reinvestments, but the decline was limited to 2% (and to as little as 1% with an unchanged scope of consolidation and eliminating the effect of exchange rates). The main positive factors in this regard were lower interest rates on savings accounts and strong volume growth of both loans and deposits. As regards the latter, loans and advances to customers, excluding reverse repos (18 billion euros at year-end) rose by 8% in 2015, while deposits from customers and debt securities, excluding repos (24 billion euros at year-end) grew by 6% year-on-year. When calculating growth rates, we eliminate intragroup transactions between KBC Group companies. The average net interest margin narrowed from 3.18% in 2014 to 3.03% in 2015.

Net fee and commission income (248 million euros) held up extremely well in 2015, with further growth of 5%, due primarily to the strong performance of the asset management activities, which resulted in a firm increase in management fees for investment funds (due in part to growth in assets under management). Total assets under management in the Czech Republic rose by 19% to almost 9 billion euros, owing to a combination of increased net volume (+12%) and the rise in value of the assets themselves (+7%).
The other income items chiefly comprised gains realised on the sale of shares and bonds (12 million euros), trading and fair-value income (97 million euros, as opposed to 63 million euros in 2014, due in part to the positive impact of the increase in the value of derivatives used for asset/liability management purposes, and higher dealing room income) and other income (23 million euros).

Costs rose by 4% to 572 million euros in 2015 (by 3% with an unchanged scope of consolidation and eliminating the effect of exchange rates), with various factors, including higher ICT costs, facility services costs and other administrative costs, which more than offset the slightly lower staff expenses and depreciation, all playing their part. Consequently, the cost/income ratio for the banking activities remained at a solid 48%, roughly the same as in 2014.

Loan loss provisioning remained limited in 2015, coming to 36 million euros, which is just 2 million euros more than the low level of 2014, despite the negative impact of several model adjustments. In terms of our overall loan portfolio, therefore, loan loss provisions amounted to just 18 basis points in 2015, roughly the same level as in 2014. Approximately 3.4% of the business unit's loan portfolio was impaired at year-end 2015, compared with 3.8% a year earlier. Impaired loans that were more than 90 days past due accounted for 2.5% of the portfolio (2.9% in 2014).

International Markets

In 2015, the net result at the International Markets Business Unit amounted to 225 million euros, as opposed to -205 million euros a year earlier. The improvement was largely accounted for by Hungary (we had to set aside significant provisions in 2014 in response to new legislation on retail loans) and by Ireland (a sharp reduction in loan loss provisioning).
The net result per country was 125 million euros for Hungary, 74 million euros for Slovakia, 12 million euros for Bulgaria and 13 million euros for Ireland.

The business unit's net interest income came to 689 million euros in 2015, up 5% year-on-year, due primarily to lower funding and liquidity costs in Ireland and to a lesser extent to volume growth in Slovakia, among other things. As regards the latter, loans and advances to customers for the business unit as a whole, excluding reverse repos (21 billion euros), remained roughly the same in 2015. Increases in Slovakia (+16%, due primarily to home loans), and Bulgaria (+9%) were cancelled out by a decline in Ireland (-4%, due to the scaling back of corporate lending) and in Hungary (-7%). At 17 billion euros, deposits from customers and debt securities (excluding repos) went up by 15% in 2015, attributable largely to the deposit campaign in Ireland (+26%). Deposits also grew in Slovakia (+8%), Bulgaria (+15%) and Hungary (+12%). When calculating growth rates, we eliminate intragroup transactions between KBC Group companies. The average net interest margin rose from 2.41% in 2014 to 2.55% in 2015.

Net fee and commission income (242 million euros) edged up by 1%, due primarily to Hungary and Slovakia.

The other income items chiefly comprised gains realised on the sale of shares and bonds (5 million euros), trading and fair-value income (73 million euros), and other income (52 million euros). The latter item was much better than in 2014 (a negative 226 million euros), when it was affected by a 231-million-euro provision that had been set aside to deal with the effects of the new Hungarian law on consumer loans (for more information on the 'Curia' provision, see Note 8 of the 'Consolidated financial statements'). What's more, it was possible to reverse approximately 34 million euros of this provision in 2015.

Costs rose by a modest 2% to 696 million euros in 2015. The lion's share of the increase occurred in Ireland and related primarily to the roll-out of the retail strategy. Consequently, the cost/income ratio for the banking activities came to 66%, compared to 92% in 2014 when it had of course been affected by 'Curia' provisioning in Hungary.

Loan loss provisions came to 82 million euros in 2015, down 191 million euros on their 2014 level, due primarily to the improvement in Ireland (from 198 to 48 million euros). In terms of our overall loan portfolio, loan loss provisions for the business unit as a whole amounted to 32 basis points in 2015, compared to 106 basis points in 2015. The figures per country were 34 basis points for Ireland (compared to 133 basis points in 2014), 12 basis points for Hungary, 32 basis points for Slovakia and 121 basis points for Bulgaria. Approximately 30% of the business unit's loan portfolio was impaired at year-end 2015, compared with 34% a year earlier. This high figure related chiefly to Ireland (where impaired loans stood at 47% at year-end 2015). Impaired loans that were more than 90 days past due accounted for 16% of the portfolio (19% in 2014).

Group Centre

Besides financial reporting for three business units, we also report on a separate Group Centre. This centre includes the portion of the results not allocated to the other business units, such as certain costs related to capital and liquidity management, costs related to the holding of participating interests and the results of the remaining companies and activities in the process of being run down. The Group Centre also contains the results of legacy business (CDOs and divestments) to year-end 2014 (immaterial thereafter) and the valuation of own credit risk.

In 2015, the Group Centre generated a net result of 433 million euros, compared with -34 million euros a year earlier. This consisted of:

- 765 million euros in respect of the liquidation of KBC Financial Holding Inc.
- -305 million euros for impairment on goodwill relating to CIBANK (117 million euros) and to the acquisition of Istrobanka by ČSOB in Slovakia (188 million euros) in 2006.
- The remainder comprised certain costs related to capital and liquidity management (to achieve liquidity and solvency targets at bank group level, including the subordination charges attached to subordinated loans), costs related to the holding of participating interests (chiefly funding costs), the results of the remaining companies scheduled for divestment or run-down (Antwerp Diamond Bank, KBC Finance Ireland, etc.).

Balance-sheet information by segment (business unit)

The table below presents some of the main on-balance-sheet products by segment.

Balansinformatie per segment (divisie)

(in millions of EUR)	Business unit Belgium	Business unit Czech Republic	Business unit International Markets	*of which Hungary*	*of which Slovakia*	*of which Bulgaria*	*of which Ireland*	Group Centre	KBC Bank
31-12-2014									
Deposits from customers & debt certificates excl. repos	109 228	22 144	15 046	*5 238*	*4 992*	*631*	*4 185*	9 424	155 843
Loans & advances to customers excluding reverse repos	83 359	16 216	20 784	*3 770*	*4 578*	*660*	*11 776*	1 990	122 349
Term loans excl. Reverse repos	41 193	6 360	5 283	*1 915*	*1 527*	*278*	*1 562*	1 792	54 627
Mortgage loans	32 279	7 251	13 561	*1 320*	*1 807*	*239*	*10 195*	26	53 117
Current accounts advances	2 319	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	3 309	213	110	*72*	*38*	*0*	*0*	12	3 643
31-12-2015									
Deposits from customers & debt certificates excl. repos	114 689	24 174	17 241	*5 873*	*5 384*	*712*	*5 272*	6 202	162 307
Loans & advances to customers excluding reverse repos	87 083	18 005	21 029	*3 552*	*5 462*	*719*	*11 295*	664	126 781
Term loans excl. Reverse repos	43 051	7 137	5 100	*1 647*	*1 944*	*198*	*1 311*	649	55 937
Mortgage loans	33 309	8 079	13 657	*1 369*	*2 072*	*242*	*9 975*	0	55 045
Current accounts advances	2 273	954	800	*284*	*374*	*139*	*4*	0	4 027
Finance leases	3 303	527	683	*117*	*566*	*0*	*0*	0	4 512
Consumer credit	1 174	1 067	687	*67*	*474*	*140*	*5*	0	2 928
Other	3 974	241	101	*68*	*33*	*0*	*0*	15	4 331

Notes to the income statement

Note 3: Net interest income

(in millions of EUR)	2014	2015
Total	**3 648**	**3 675**
Interest income	**7 305**	**6 605**
Available-for-sale assets	404	381
Loans and receivables	4 489	4 053
Held-to-maturity investments	825	803
Other assets not at fair value	15	42
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*5 734*	*5 278*
of which : impaired financial assets	119	94
Financial assets held for trading	905	786
Hedging derivatives	457	358
Other financial assets at fair value through profit or loss	209	182
Interest expense	**-3 657**	**-2 930**
Financial liabilities measured at amortised cost	-1 736	-1 250
Other	- 1	- 6
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*-1 738*	*-1 256*
Financial liabilities held for trading	-1 084	- 918
Hedging derivatives	- 636	- 587
Other financial liabilities at fair value through profit or loss	- 193	- 161
Net interest expense on defined benefit plans	- 6	- 9

Note 4: Dividend income

(in millions of EUR)	2014	2015
Total	**14**	**19**
Held-for-trading shares	7	9
Shares initially recognised at fair value through profit or loss	2	1
Available-for-sale shares	5	9

Note 5: Net result from financial instruments at fair value through profit or loss

(in millions of EUR)	2014	2015
Total	**195**	**224**
Trading instruments (including interest* and fair value changes in trading derivatives)	120	224
Other financial instruments initially recognised at fair value through profit or loss	- 43	68
Of which: gains/losses own credit risk	- 2	17
Foreign exchange trading	107	- 31
Fair value adjustments in hedge accounting	12	- 37
Microhedge	12	3
Fair value hedges	6	- 1
Changes in the fair value of the hedged item	- 504	- 32
Changes in the fair value of the hedging derivatives, including discontinuation	510	31
Cashflow hedges	6	3
Changes in the fair value of the hedging derivatives, ineffective portion	6	3
Hedges of net investments in foreign operation, ineffective portion	0	0
Portfolio hedge of interest rate risk	0	- 1
Fair value hedges of interest rate risk	0	1
Changes in the fair value of the hedged item	18	- 54
Changes in the fair value of the hedging derivatives, including discontinuation	- 19	55
Cashflow hedges of interest rate risk	0	- 1
Changes in the fair value of the hedging instrument, ineffective portion	0	- 1
Discontinuation of hedge accounting in the case of a cash flow hedge	0	- 39

- Foreign exchange trading results comprise total exchange differences, excluding those recognised on financial instruments at fair value through profit or loss. In 2015, this item also included the foreign exchange loss on the capital of KBC Financial Holding Inc., following that business's liquidation. The loss was transferred from equity to profit or loss (-156 million euros (before tax), including hedging effects).
- For more information on the impact of changes in own credit risk, see Note 23.
- The interest component of ALM derivatives is recognised under 'Net interest income'. Fair value changes in ALM derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under 'Net result from financial instruments at fair value through profit or loss'. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective.
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, we use the dollar offset method on a quarterly basis, which requires changes in the fair value of the hedged item to offset changes in the fair value of the hedging instrument within a range of 80%–125%, which is currently the case.
  - For cashflow micro hedges, we compare the designated hedging instrument with a *perfect hedge* of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%, which is currently the case.
  - We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. The impact of this is negligible for KBC.

- Fair value changes (due to marking-to-market) of a large proportion of ALM hedging instruments (that are treated as trading instruments) also appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value (i.e. not marked-to-market). The net result from these financial instruments came to a negative 184 million euros (before tax) in 2014 and to a positive 107 million euros in 2015.

Note 6: Net realised result from available-for-sale assets

(in millions of EUR)	2014	2015
Total	49	82
Breakdown by portfolio		
Fixed-income securities	47	52
Shares	2	31

Note 7: Net fee and commission income

(in millions of EUR)	2014	2015
Total	1 822	1 945
Fee and commission income	2 303	2 408
Securities and asset management	1 189	1 300
Commitment credit	245	266
Payments	524	537
Other	344	305
Fee and commission expense	- 482	- 462
Commission paid to intermediaries	- 88	- 125
Other	- 393	- 337

- The lion's share of the fees and commissions related to lending is recognised under 'Net interest income' (effective interest rate calculations).

Note 8: Other net income

(in millions of EUR)	2014	2015
Total	5	200
Of which net realised result following		
The sale of loans and receivables	3	3
The sale of held-to-maturity investments	1	3
The repurchase of financial liabilities measured at amortised cost	0	- 9
Other: of which:	1	203
Income concerning leasing at the KBC Lease-group	74	68
Realised gains or losses on divestments	13	0
Legal interests	15	0
Legal settlement in 2Q14 of an old credit file	31	0
New law on retail loans (Hungary)	- 231	34
Deconsolidation real estate companies	0	18

- ‘Provisions for the new Hungarian act on consumer loans’ concerns new legislation approved by the Hungarian parliament on 4 July 2014 that applies to the entire banking sector in Hungary (the act on the resolution of certain issues related to the Supreme Court’s (Curia) uniformity decision on consumer loan agreements concluded by financial institutions). The scope of the act covers consumer loans denominated in foreign currency and in Hungarian forint. As regards consumer loans denominated in foreign currency, the act prohibits the use of exchange rate margins and the bid-ask spreads that applied to such loans have to be corrected with retroactive effect. As far as all consumer loans are concerned, the act repeals all unilateral changes that banks made to interest rates and fees. As a result of this act, KBC set aside additional, one-off net provisions of 231 million euros (before tax) in the second quarter of 2014 for correcting the bid-ask spreads and the unilateral changes to interest rates. 34 million euros of this amount was reversed in 2015, due to a re-assessment of these provisions.

Note 9: Operating expenses

(in millions of EUR)	2014	2015
Total	- 3 311	- 3 388
Breakdown by type		
Staff expenses	- 1 577	- 1 594
General administrative expenses	- 1 597	- 1 665
Of which bank tax	- 319	- 398
Depreciation and amortisation of fixed assets	- 136	- 128

- General administrative expenses include repair and maintenance expenses, advertising costs, rent, professional fees, various (non-income) taxes, utilities and other such expenses. They also include expenses related to the special tax imposed on financial institutions in various countries (totalling 319 million euros in 2014 and 398 million euros in 2015). The latter figure comprises 205 million euros in the Belgium Business Unit, 35 million euros in the Czech Republic Business Unit, 17 million euros in Slovakia, 4 million euros in Bulgaria, 129 million euros in Hungary, 2 million euros in Ireland and 6 million euros in the Group Centre.
- Share-based payments are included under staff expenses.
- Information on the main equity-settled share-based payments: since 2000, KBC Group has launched a number of stock option plans for all or certain members of staff of the company and various subsidiaries. The stock options were granted free to the members of staff, who only had to pay the relevant tax on the benefit when the options were allocated. The stock options have a life of seven to ten years from the date of issue (partially extended to 12 years) and can be exercised in specific years in the months of June, September or December. Not all the options need to be exercised at once. When exercising options, members of staff can either deposit the resulting shares on their custody accounts or sell them immediately on NYSE Euronext Brussels. We have provided an overview of the number of stock options for staff in the table (at KBC Group consolidated level).

	2014		2015	
Options	Number of options[1]	Average exercise price	Number of options[1]	Average exercise price
Outstanding at beginning of period	183 526	72,69	174 660	71,95
Granted during period	0	0,00	0	0,00
Exercised during period	- 1 566	37,50	- 14 200	46,45
Expired during period	- 7 300	97,94	- 8 380	69,95
Outstanding at end of period [2]	174 660	71,95	152 080	74,44
Exercisable at end of period	174 660	71,95	152 080	74,44

1 In KBC Group share equivalents.
2 2015: range of exercise prices: 46.45–89.21 euros; weighted average residual term to maturity: 24 months.
2014: range of exercise prices: 37.50–89.21 euros; weighted average residual term to maturity: 33 months.

- The main cash-settled share-based payment arrangements for 2014 included 4 million euros in costs related to a phantom stock plan (included under ‘Staff expenses’). This item came to 4 million euros for 2015.

Note 10: Personnel

(in numbers)	2014	2015
Total average number of persons employed (in full-time equivalents)	26 941	27 033
Breakdown by employee classification		
Blue-collar staff	74	77
White-collar staff	26 682	26 781
Senior management	185	175

Note 11: Impairment (income statement)

(in millions of EUR)	2014	2015
Total	- 472	- 650
Impairment on loans and receivables	- 587	- 323
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 676	- 322
Provisions for off-balance-sheet credit commitments	19	9
Portfolio-based impairments	70	- 10
Breakdown by business unit		
Business unit Belgium	- 205	- 177
Business unit Czech Republic	- 34	- 36
Business unit International Markets	- 273	- 82
of which: Hungary	*- 47*	*- 6*
of which: Slovakia	*- 17*	*- 18*
of which: Bulgaria	*- 10*	*- 10*
of which: Ireland	*- 198*	*- 48*
Group Centre	- 75	- 28
Impairment on available-for-sale assets	- 4	- 11
Breakdown by type		
Shares	- 4	- 11
Other	0	0
Impairment on goodwill	0	- 308
Impairment on other	119	- 9
Intangible assets, other than goodwill	- 13	0
Property and equipment and investment property	- 8	- 8
Held-to-maturity assets	1	0
Associated companies and joint ventures	0	0
Other	140	- 1

- Impairment on loans and receivables' was accounted for primarily by loans and advances to customers. Impairment charges in the International Markets Business Unit included loan loss provisioning in Ireland (198 million euros in 2014, 48 million euros in 2015 (see separate paragraph)), in Hungary (47 million euros in 2014, 6 million euros in 2015), in Slovakia (17 million euros in 2014, 18 million euros in 2015) and in Bulgaria (10 million euros in 2014, 10 million euros in 2015). Impairment in the Group Centre in 2014 included 30 million euros at Antwerp Diamond Bank, 20 million euros at KBC Finance Ireland and 14 million euros at KBC Bank Deutschland. In 2015, it included 21 million euros at Antwerp Diamond Bank (Diamant Corporate Centre following the merger with KBC Bank NV).
- At KBC Bank Ireland, the loan portfolio – which contains a relatively large proportion of home loans and mortgages – has suffered as a consequence of the property crisis. The Irish loan portfolio stood at about 13.9 billion euros at the end of the year, 84% of which relates to mortgage loans. The rest is more or less equally divided across SME and corporate loans, and

loans related to real estate investment and development. The group set aside 198 million euros in loan loss provisions for its Irish portfolio in 2014. In 2015, that figure was 48 million euros.

- Impairment on available-for-sale assets in 2015 was accounted for mainly by impairment on shares (11 million euros). In 2014, this item consisted almost entirely of impairment on shares.
- 'Impairment on goodwill' and 'Impairment on other' in 2014 included the reversal of the impairment charges previously recognised for Antwerp Diamond Bank, as its planned sale failed to go through and KBC decided to run down that entity's activities in an orderly manner. For 2015, this item comprised mainly impairment on goodwill (307 million euros, 188 million euros of which for ČSOB in Slovakia (relating to the previous acquisition of Istrobanka) and 117 million euros for CIBANK in Bulgaria). These impairment charges came about primarily as a result of a lower recoverable value (calculated based on discounted cashflow analysis) due chiefly to higher solvency targets (leading to a higher level of required capital, which reduces the free cashflows that can be paid as a dividend in the valuation model) and a higher discount rate (a higher beta and market-risk premium). The impairment reflects the difference between the carrying value before impairment and the value in use.
- For information on goodwill, see Note 30.
- For information on total impairment recognised in the balance sheet, see Note 17.

Note 12: Share in results of associated companies and joint ventures

(in millions of EUR)	2014	2015
Total	22	21
Of which Ceskomoravská stavebni sporitelna a.s.	23	23

- 'Investments in associated companies and joint ventures' is accounted for primarily by ČMSS, a joint venture of ČSOB in the Czech Republic (see Note 28 for more information).
- Impairment on (goodwill on) associated companies and joint ventures is included in 'Impairment' (see Note 11). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 13: Taxes and activities by country ('country-by-country reporting')

(in millions of EUR)	2014	2015
Total	- 504	291
Breakdown by type	- 504	291
Current taxes on income	- 274	- 311
Deferred taxes on income	- 229	602
Tax components		
Profit before tax	1 973	2 128
Income tax at the Belgian statutory rate	33.99%	33.99%
Income tax calculated	- 671	- 723
Plus/minus tax effects attributable to	167	1 014
Differences in tax rates, Belgium - abroad	121	206
Tax-free income	98	89
Adjustments related to prior years	15	- 9
Unused tax losses and unused tax credits to reduce current tax expense	3	10
Unused tax losses and unused tax credits to reduce deferred tax expense	1	1
Reversal of previously recognised deferred tax due to tax losses	- 14	0
Other (mainly non-deductible expenses)	- 57	- 194
Liquidation KBC Financial Holding Inc.	0	910
Aggregate amount of temporary differences associated with investments in subsidiaries, branches and associated companies and interests in joint ventures, for which deferred tax liabilities have not been recognized*	**153**	**167**

* Reserves of joint or other subsidiaries, associated companies and branches that, at certain entities, will be taxed in full on distribution (recorded in full). For a significant number of entities, the foreign tax credit applies (5% is recorded, since 95% is definitively taxed).

- For information on tax assets and tax liabilities, see Note 27.

- Breakdown of activities by country in 2015.

The table below provides a better insight into the activities of KBC Bank at the consolidated level, broken down by country, and complies with the Royal Decree of 27 November 2014 (amending the royal decrees concerning the financial statements and consolidated financial statements of credit institutions, investment firms and management companies of undertakings for collective investment).

The names of the different entities and the nature of their activities in each of the countries in this table can be found in the information included in the scope of consolidation (see Note 39).

(in millions of EUR)	Turnover (*)	Av. number of emplo-yees in FTE	Result before tax	Income tax expense	Current tax on income	Deferred tax	Received govern-ment funding	Turnover (*)	Av. number of emplo-yees in FTE	Result before tax	Income tax expense	Current tax on income	Deferred tax	Received govern-ment funding
	2014							2015						
KBC home Countries (incl. Ireland)														
Belgium	3 120	10 746	1 112	- 365	- 76	- 289	0	3 286	10 646	795	523	- 114	638	0
Czech Republic	1 156	7 604	595	- 94	- 85	- 8	0	1 197	7 556	608	- 92	- 90	- 2	0
Hungary	277	3 332	- 119	16	- 48	65	0	511	3 536	170	- 45	- 15	- 29	0
Slovakia	268	2 287	87	- 21	- 19	- 2	0	286	2 399	99	- 24	- 25	0	0
Bulgaria	54	1 333	10	0	0	0	0	58	1 293	10	2	0	2	0
Ireland[1]	445	934	75	- 12	- 12	0	0	519	1 056	311	- 28	- 31	2	0
Other countries														
Great Britain[1]	106	85	56	- 7	- 4	- 3	0	26	71	1	0	0	0	0
USA[1]	33	62	10	7	0	7	0	44	62	11	- 7	- 8	1	0
France[1]	30	78	- 9	- 2	- 5	4	0	27	73	8	- 5	- 1	- 4	0
Netherlands[1]	24	26	18	- 4	- 4	0	0	22	26	17	- 4	- 4	0	0
Luxembourg	101	38	93	- 14	- 11	- 3	0	104	41	97	- 31	- 21	- 10	0
Romania	0	29	1	0	0	0	0	1	18	- 1	0	0	0	0
Germany[1]	53	138	14	- 6	- 5	- 1	0	8	16	- 3	1	0	1	0
Hong Kong[1]	17	48	15	0	0	0	0	18	49	8	- 1	- 1	0	0
Monaco	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Singapore[1]	27	80	12	- 2	- 2	0	0	20	74	6	- 1	- 1	0	0
Poland[1]	4	72	1	0	0	0	0	4	68	1	0	0	0	0
China[1]	18	50	4	- 1	- 2	1	0	16	49	- 7	2	- 1	2	0
India	0	0	- 1	0	0	0	0	0	0	- 1	0	0	0	0
Total	**5 734**	**26 941**	**1 973**	**- 504**	**- 274**	**- 229**	**0**	**6 145**	**27 033**	**2 128**	**291**	**- 311**	**602**	**0**

(*) Based on 'Total income' Incl. branch of KBC Bank

Notes on the financial assets and liabilities on the balance sheet

Note 14: Financial assets and liabilities, breakdown by portfolio and product

(in millions of EUR)	Held for trading	Designated at Fair value[1]	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2014								
Loans and advances to credit institutions and investment firms [a,c]	141	1 636	0	10 773	-	-	-	12 550
Loans and advances to customers [b]	27	3 127	0	122 396	-	-	-	125 550
Excluding reverse repos	*20*	*101*	*0*	*122 228*	-	-	-	*122 349*
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 085	-	-	-	53 117
Term loans	7	3 094	0	54 726	-	-	-	57 828
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	332	-	-	-	352
Equity instruments	301	0	450	-	-	-	-	751
Debt securities issued by	2 900	1 763	17 598	1 207	25 956	-	-	49 424
Public bodies	2 391	1 063	12 719	31	25 852	-	-	42 055
Credit institutions and investment firms	297	293	2 683	159	96	-	-	3 528
Corporates	212	407	2 196	1 018	9	-	-	3 842
Derivatives	8 905	-	-	-	-	1 104	-	10 008
Other [3]	3	0	0	579	-	-	-	582
Total carrying value	12 277	6 526	18 048	134 955	25 956	1 104	0	198 865
[a] Of which reverse repos[2]								*3 319*
[b] Of which reverse repos[2]								*3 200*
[C] Of which loans and advances to banks repayable on demand and term loans to banks at not more than three months								*4 292*
FINANCIAL ASSETS, 31-12-2015								
Loans and advances to credit institutions and investment firms [a,c]	0	2 106	0	11 490	-	-	-	13 596
Loans and advances to customers [b]	0	2 306	0	126 899	-	-	-	129 206
Excluding reverse repos	*0*	*71*	*0*	*126 710*	-	-	-	*126 781*
Trade receivables	0	0	0	3 729	-	-	-	3 729
Consumer credit	0	0	0	2 928	-	-	-	2 928
Mortgage loans	0	28	0	55 017	-	-	-	55 045
Term loans	0	2 278	0	56 083	-	-	-	58 362
Finance leasing	0	0	0	4 512	-	-	-	4 512
Current account advances	0	0	0	4 027	-	-	-	4 027
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	602	-	-	-	602
Equity instruments	410	0	492	-	-	-	-	902
Debt securities issued by	1 799	680	19 782	1 070	27 379	-	-	50 711
Public bodies	1 408	120	14 532	22	27 119	-	-	43 202
Credit institutions and investment firms	192	104	2 945	155	197	-	-	3 593
Corporates	199	456	2 305	893	63	-	-	3 916
Derivatives	8 287	-	-	-	-	514	-	8 801
Other[3]	1	0	0	834	-	-	-	835
Total carrying value	10 497	5 092	20 274	140 294	27 379	514	0	204 051
[a] Of which reverse repos[2]								*5 011*
[b] Of which reverse repos[2]								*2 425*
[C] Of which loans and advances to banks repayable on demand and term loans to banks at not more than three months								*6 551*

1. Loans and advances in the 'Designated at fair value' column relate primarily to reverse repo transactions and a small portfolio of home loans. In each case, the carrying value comes close to the maximum credit exposure.
2. A 'reverse repo' transaction is a transaction where one party (KBC) buys securities from another party and undertakes to resell these securities at a designated future date at a set price. In most cases, reverse repo transactions are governed by bilateral framework agreements (generally Global Master Repo Agreements) which include a description of the periodic exchanges of collateral. The reverse repo transactions shown in the table are related mainly to the temporary lending of bonds. In this type of lending, the risk and the income from the bonds are for the counterparty. The amount of the reverse repos is virtually identical to the amount of the underlying assets (that have been lent out).
3. Financial assets that are intentionally not included under 'Loans and advances to customers' to avoid inflating that item with items that are not directly related to commercial lending.

(in millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2014								
Deposits from credit institutions and investment firms [a,c]	60	1 004	-	-	-	-	16 651	17 715
Deposits from customers and debt certificates [b]	370	10 352	-	-	-	-	152 925	163 647
Excluding repos	*370*	*3 058*	-	-	-	-	*152 415*	*155 843*
Deposits from customers	72	8 077	-	-	-	-	129 962	138 111
Demand deposits	0	35	-	-	-	-	47 629	47 664
Time deposits	72	8 028	-	-	-	-	32 678	40 779
Saving accounts	0	0	-	-	-	-	47 455	47 455
Special deposits	0	0	-	-	-	-	1 715	1 715
Other deposits	0	14	-	-	-	-	485	499
Debt certificates	298	2 275	-	-	-	-	22 963	25 536
Certificates of deposit	9	3	-	-	-	-	6 000	6 013
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 403	14 423
Convertible subordinated Liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated Liabilities	0	540	-	-	-	-	3 798	4 338
Liabilities under investment contracts	-	0	-	-	-	-	0	0
Derivatives	7 754	-	-	-	-	3 491	-	11 245
Short positions	325	0	-	-	-	-	-	325
in equity instruments	71	0	-	-	-	-	-	71
in debt instruments	254	0	-	-	-	-	-	254
Other[2]	0	0	-	-	-	-	2 107	2 107
Total carrying value	8 510	11 356	-	-	-	3 491	171 682	195 038
[a] *Of which repos*[1]								*1 315*
[b] *Of which repos*[1]								*7 804*
[c] *Of which deposits from banks repayable on demand*								*3 539*
FINANCIAL LIABILITIES, 31-12-2015								
Deposits from credit institutions and investment firms [a,c]	1	1 123	-	-	-	-	17 827	18 952
Deposits from customers and debt certificates [b]	431	10 916	-	-	-	-	159 527	170 873
Excluding repos	*431*	*2 349*	-	-	-	-	*159 527*	*162 307*
Deposits from customers	57	9 360	-	-	-	-	137 143	146 560
Demand deposits	0	0	-	-	-	-	55 682	55 682
Time deposits	57	9 360	-	-	-	-	28 919	38 337
Saving accounts	0	0	-	-	-	-	50 075	50 075
Special deposits	0	0	-	-	-	-	1 983	1 983
Other deposits	0	0	-	-	-	-	484	484
Debt certificates	374	1 555	-	-	-	-	22 384	24 313
Certificates of deposit	0	10	-	-	-	-	5 222	5 231
Customer savings certificates	0	0	-	-	-	-	1 092	1 092
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	374	1 253	-	-	-	-	12 301	13 928
Non-convertible subordinated liabilities	0	293	-	-	-	-	3 769	4 062
Liabilities under investment contracts	-	0	-	-	-	-	0	0
Derivatives	7 533	0	-	-	-	2 191	-	9 723
Short positions	415	0	-	-	-	-	-	415
in equity instruments	58	0	-	-	-	-	-	58
in debt instruments	357	0	-	-	-	-	-	357
Other[2]	0	0	-	-	-	-	1 796	1 796
Total carrying value	8 380	12 039	-	-	-	2 191	179 150	201 760
[a] *Of which repos*[1]								*1 128*
[b] *Of which repos*[1]								*8 567*
[c] *Of which deposits from banks repayable on demand*								*2 591*

1. A ‘reverse repo’ transaction is a transaction where one party (KBC) buys securities from another party and undertakes to resell these securities at a designated future date at a set price. In most cases, reverse repo transactions are governed by bilateral framework agreements (generally Global Master Repo Agreements) which include a description of the periodic exchanges of collateral. The reverse repo transactions shown in the table are related mainly to the temporary lending of bonds. In this type of lending, the risk and the income from the bonds are for the counterparty. The amount of the reverse repos is virtually identical to the amount of the underlying assets (that have been lent out).
2. Financial assets that are intentionally not included under 'Loans and advances to customers' to avoid inflating that item with items that are not directly related to commercial lending.

- For reclassifications, see Note 24.
- New definition: to provide a more transparent breakdown of products, 'savings deposits' have been renamed 'savings accounts' and the definition has been expanded (to cover not just Belgian regulated savings deposits, but also similar foreign products). The reference figures have also been restated.
- Non-convertible bonds: comprise mainly KBC Bank and KBC IFIMA issues. They are usually recognised under 'Measured at amortised cost'. However, if they contain closely related embedded derivatives, they are recorded under 'Designated at fair value' (see accounting policies).
- Non-convertible subordinated liabilities: include the contingent capital note issued in January 2013 for an amount of 1 billion US dollars. Pursuant to IAS 32, this note was classified as a liability because it has a fixed term and obligatory interest payments.
- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash collateral received.
- At year-end 2015, KBC had transferred the following types of financial asset, which continued to be recognised in their entirety: repo transactions with a carrying value of 6 400 million euros (debt instruments classified as 'held for trading' (175 million euros), 'designated at fair value' (17 million euros), 'available for sale' (901 million euros), and 'held to maturity' (5 306 million euros)); and an associated financial liability with a carrying value of 7 008 million euros (178 million euros classified as 'held for trading', 17 million euros as 'designated at fair value', 874 million euros as 'available for sale', and 5 939 million euros as 'held to maturity'). At year-end 2014, KBC had transferred the following types of financial asset, which continued to be recognised in their entirety: repo transactions and securities lent out with a carrying value of 5 876 million euros (debt instruments classified as 'held for trading' (280 million euros), 'designated at fair value' (764 million euros), 'available for sale' (454 million euros), and 'held to maturity' (4 378 million euros)); and an associated financial liability with a carrying value of 5 673 million euros (277 million euros classified as 'held for trading', 769 million euros as 'designated at fair value', 470 million euros as 'available for sale', and 4 157 million euros as 'held to maturity'). It should be noted that, at year-ends 2014 and 2015, KBC had fewer transferred securities on its balance sheet than outstanding repo transactions, since securities obtained in reverse repo transactions are often used for repo transactions. These securities are not presented on the balance sheet and, therefore, do not qualify for disclosure as stated in this paragraph.

Note 15: Financial assets and liabilities, breakdown by portfolio and geographic location

(in millions of EUR)	Held for trading	Designa-ted at fair value	Available for sale	Loans and receiva-bles	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2014								
Belgium	2 628	2 542	4 201	77 578	15 021	87		102 056
Central and Eastern Europe	2 231	140	4 138	28 256	7 516	112	-	42 393
Rest of the world	7 418	3 843	9 709	29 121	3 420	905	-	54 416
Total	12 277	6 526	18 048	134 955	25 956	1 104	-	198 865
FINANCIAL ASSETS, 31-12-2015								
Belgium	2 218	2 400	2 760	79 845	14 427	14	-	101 664
Central and Eastern Europe	1 358	12	5 114	33 191	7 688	86	-	47 450
Rest of the world	6 922	2 680	12 400	27 258	5 263	413	-	54 937
Total	10 497	5 092	20 274	140 294	27 379	514		204 051
FINANCIAL LIABILITIES, 31-12-2014								
Belgium	1 494	84	-	-	-	231	93 565	95 374
Central and Eastern Europe	1 037	837	-	-	-	81	35 796	37 751
Rest of the world	5 979	10 434	-	-	-	3 179	42 321	61 913
Total	8 510	11 356	-	-	-	3 491	171 682	195 038
FINANCIAL LIABILITIES, 31-12-2015								
Belgium	1 339	117	-	-	-	95	98 941	100 492
Central and Eastern Europe	1 050	779	-	-	-	135	37 951	39 915
Rest of the world	5 991	11 143	-	-	-	1 960	42 258	61 353
Total	8 380	12 039	-	-	-	2 191	179 150	201 760

Note 16: Financial assets and liabilities, breakdown by portfolio and remaining term to maturity

(in millions of EUR)	Held for Trading	Desig-nated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging deriva-tives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2014								
Not more than 1 year	1 372	4 867	1 917	47 253	1 995	-	-	57 404
More than 1 year	1 597	1 658	15 681	80 789	23 961	-	-	123 685
Not specified*	9 309	1	450	6 913	0	1 104	-	17 776
Total	12 277	6 526	18 048	134 955	25 956	1 104	-	198 865
FINANCIAL ASSETS, 31-12-2015								
Not more than 1 year	483	4 723	1 295	48 206	1 784	-	-	56 491
More than 1 year	1 317	369	18 487	88 867	25 595	-	-	134 636
Not specified*	8 697	0	492	3 221	0	514	-	12 924
Total	10 497	5 092	20 274	140 294	27 379	514	-	204 051
FINANCIAL LIABILITIES, 31-12-2014								
Not more than 1 year	534	9 434	-	-	-	-	99 076	109 044
More than 1 year	158	1 922	-	-	-	-	33 729	35 809
Not specified*	7 818	0	-	-	-	3 491	38 877	50 186
Total	8 510	11 356	-	-	-	3 491	171 682	195 038
FINANCIAL LIABILITIES, 31-12-2015								
Not more than 1 year	571	10 625	-	-	-	-	99 402	110 598
More than 1 year	225	1 414	-	-	-	-	28 947	30 585
Not specified*	7 584	0	-	-	-	2 191	50 802	60 577
Total	8 380	12 039	-	-	-	2 191	179 150	201 760

* Maturity date *has not been specified* or there is no point in classifying the financial asset or liability in terms of when it matures. Financial assets that do not have a specified maturity date concern primarily hedging derivatives ('Hedging derivatives' column), derivatives and shares held for trading ('Held-for-trading' column), shares available for sale ('Available-for-sale' column) and current account advances and irrecoverable or doubtful receivables ('Loans and receivables' column). Financial liabilities that do not have a specified maturity date relate mainly to savings deposits ('Measured at amortised cost' column), hedging derivatives ('Hedging derivatives' column) and derivatives held for trading ('Held-for-trading' column).

- The difference between short-term financial assets and short-term financial liabilities reflects, among other things, the fundamental operation of a bank, i.e. converting short-term deposits into long-term loans. Consequently, the volume of deposits at not more than one year (recognised under financial liabilities) is greater than loans at not more than one year (recorded under financial assets), a ratio that indicates liquidity risk. More information on liquidity risk is provided in the 'Risk management' section.

Note 17: Financial assets, breakdown by portfolio and quality

Impaired financial assets

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	TOTAL
FINANCIAL ASSETS, 31-12-2014							
Unimpaired assets	12 277	6 526	17 989	127 501	25 955	1 104	191 352
Impaired assets			117	13 255	6		13 378
Impairment			- 58	- 5 801	- 5		- 5 864
Total carrying amount	12 277	6 526	18 048	134 955	25 956	1 104	198 865
FINANCIAL ASSETS, 31-12-2015							
Unimpaired assets	10 497	5 092	20 203	133 895	27 377	514	197 579
Impaired assets			142	12 022	6		12 171
Impairment			- 71	- 5 623	- 5		- 5 700
Total carrying amount	10 497	5 092	20 274	140 294	27 379	514	204 051

- Impairment: the concept of 'impairment' is relevant for all financial assets that are not designated at fair value through profit or loss. Fixed-income financial assets are impaired when impairment is identified on an individual basis. In the case of loans, they are impaired when they have a probability of default (or PD, see explanation below) rating of 10, 11 or 12. Impairment is recognised based on an estimate of the net present value of the recoverable amount. In addition, for credit in PD classes 1 to 9, impairment losses are recorded on a portfolio basis (IBNR), using a formula that takes account of the expected loss (EL) calculated using the internal rating based (IRB) advanced models and emergence period (or an alternative method if an IRB advanced model is not yet available).
- KBC has developed various rating models to determine the PD class. The output generated by these models is used to split the normal loan portfolio into internal rating classes ranging from PD 1 (lowest risk) to PD 9 (highest risk). More information on PD is provided under ‘Credit risk’ in the ‘Risk management’ section.

Impairment details

(in millions of EUR)	Available for sale		Held to maturity	Loans and receivables		Provision, Off-balance-sheet credit commit-ments*
	Fixed-income securi-ties	Shares	Fixed-income securities	Specific impairments	Portfolio-based impair-ments	
IMPAIRMENTS 31-12-2014						
Opening balance	0	60	8	5 319	261	114
Movements with an impact on results						
Impairment recognised	0	6	0	1 295	64	32
Impairment reversed	0	- 2	- 1	- 620	- 130	- 55
Movements without an impact on results						
Write-offs	0	0	0	- 439	0	- 3
Change in the scope of consolidation	0	- 5	0	- 34	1	9
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	174	5	0
Other	0	- 1	- 3	- 96	0	61
Closing balance	0	58	5	5 600	201	158

(in millions of EUR)	Available for sale		Held to maturity	Loans and receivables		Provision, Off-balance-sheet credit commit-ments*
	Fixed-income securi-ties	Shares	Fixed-income securities	Specific impairments	Portfolio-based impair-ments	
IMPAIRMENTS 31-12-2015						
Opening balance	0	58	5	5 600	201	158
Movements with an impact on results						
Impairment recognised	0	11	0	826	86	44
Impairment reversed	0	0	- 1	- 504	- 78	- 52
Movements without an impact on results						
Write-offs	0	- 10	0	- 494	0	0
Change in the scope of consolidation	0	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	0	0	0
Other	0	12	1	- 18	3	- 25
Closing balance	0	71	5	5 410	213	125

* These impairment losses are recognised on the liabilities side of the balance sheet. Changes in impairment losses of this kind are recorded under 'Impairment on loans and receivables' in the income statement.

- For information regarding the impact of changes in impairment on the income statement, see Note 11.
- Additional information on impairment relating to the loan portfolio is provided under 'Credit risk' in the 'Risk management' section.

Past due, but not impaired assets

(in millions of EUR)	less than 30 days past due	30 days or more, but less than 90 days past due
FINANCIAL ASSETS, 31-12-2014		
Loans & advances	2 172	591
Debt instruments	0	0
Derivatives	0	0
Total	2 172	591
FINANCIAL ASSETS, 31-12-2015		
Loans & advances	2 076	417
Debt instruments	0	0
Derivatives	0	0
Total	2 076	417

- Financial assets are past due if a counterparty fails to make a payment at the time agreed in the contract. The concept of 'past due' applies to a contract, not to a counterparty. For example, if a counterparty fails to make a monthly repayment, the entire loan is considered past due, but that does not mean that other loans to this counterparty are considered past due. Financial assets that are 90 days or more past due are always considered impaired.

Guarantees received

- See Notes 18 and 35.

Note 18: Maximum credit exposure and offsetting

(in millions of EUR)			2014			2015
	Gross amount	Collateral received to mitigate the maximum exposure to credit risk	Net amount	Gross amount	Collateral received to mitigate the maximum exposure to credit risk	Net amount
Maximum credit exposure						
Equity	751	0	751	902	0	902
Debt instruments	49 424	59	49 365	50 711	61	50 650
Loans & advances	138 100	71 634	66 466	142 802	72 197	70 604
Of which designated at fair value through profit or loss	4 763	4 380	383	4 412	2 940	1 471
Derivatives	10 008	3 253	6 755	8 801	3 605	5 196
Other	28 278	4 246	24 032	30 003	4 205	25 798
Total	**226 561**	**79 193**	**147 368**	**233 219**	**80 068**	**153 150**

- Maximum credit exposure relating to a financial asset: generally the gross carrying value, net of impairment. Besides the amounts on the balance sheet, maximum credit exposure also includes the undrawn portion of irrevocable loan commitments, financial guarantees granted and other irrevocable commitments. These amounts are included in the table under ‘Other’.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio are set out in detail under ‘Credit risk’ in the ‘Risk management’ section. All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.
- Collateral received: recognised at market value and limited to the outstanding amount of the relevant loans.

Financial instruments subject to offsetting, enforceable master netting agreements and similar agreements (in millions of EUR)	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off	Net amounts of financial instruments presented in the balance sheet	Amounts not set off in the balance sheet: Financial instruments	Cash collateral	Securities collateral	Net amount
FINANCIAL ASSETS, 31-12-2014							
Derivatives	12 481	2 473	10 008	5 249	2 505	0	2 254
Derivatives (excluding central clearing houses)	10 000	0	10 000	5 249	2 505	0	2 245
Derivatives with central clearing houses (1)	2 481	2 473	8	0	0	0	8
Reverse repurchase, securities borrowing and lending and similar agreements	8 226	1 707	6 519	645	0	5 850	24
Reverse repurchase	8 226	1 707	6 519	645	0	5 850	24
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	20 707	4 180	16 527	5 895	2 505	5 850	2 278
FINANCIAL ASSETS, 31-12-2015							
Derivatives	11 337	2 536	8 801	4 704	2 213	0	1 885
Derivatives (excluding central clearing houses)	8 795	0	8 795	4 704	2 213	0	1 878
Derivatives with central clearing houses (1)	2 543	2 536	7	0	0	0	7
Reverse repurchase, securities borrowing and lending and similar agreements	9 957	2 521	7 436	340	0	7 059	37
Reverse repurchase	9 957	2 521	7 436	340	0	7 059	37
Securities borrowing	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	21 294	5 057	16 237	5 044	2 213	7 059	1 921
FINANCIAL LIABILITIES, 31-12-2014							
Derivatives	13 718	2 473	11 245	5 249	3 871	0	2 125
Derivatives (excluding central clearing houses)	11 242	0	11 242	5 249	3 871	0	2 122
Derivatives with central clearing houses (1)	2 476	2 473	3	0	0	0	3
Repurchase, securities lending and borrowing and similar agreements	10 827	1 707	9 120	645	0	8 470	4
Repurchase	10 827	1 707	9 120	645	0	8 470	4
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	24 544	4 180	20 365	5 895	3 871	8 471	2 128
FINANCIAL LIABILITIES, 31-12-2015							
Derivatives	12 277	2 536	9 741	4 704	3 630	0	1 408
Derivatives (excluding central clearing houses)	9 730	0	9 730	4 704	3 630	0	1 397
Derivatives with central clearing houses (1)	2 547	2 536	11	0	0	0	11
Repurchase, securities lending and borrowing and similar agreements	12 216	2 521	9 694	340	0	9 332	22
Repurchase	12 216	2 521	9 694	340	0	9 332	22
Securities lending	0	0	0	0	0	0	0
Other financial instruments	0	0	0	0	0	0	0
Total	24 493	5 057	19 436	5 044	3 630	9 332	1 430

(1) Cash collateral account at central clearing houses included in the gross amount.

- The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously. Financial assets and financial liabilities that are set off relate to financial instruments that were traded on (central) clearing houses.

- The amounts presented in the 'Financial instruments' column under the 'Amounts not set off in the balance sheet' heading are for financial instruments entered into under an enforceable master netting agreement or similar arrangement that does not meet the criteria defined in IAS 32. The amounts stated refer to situations in which offsetting can only be applied if one of the counterparties defaults, becomes insolvent or goes bankrupt. The same principle applies for financial instruments given or received as collateral. The value given in the table for non-cash collateral received (the ‘Securities collateral’ column under the ‘Amounts not set off in the balance sheet’ heading) corresponds with the market value. This is the value that is used if one of the counterparties defaults, becomes insolvent or goes bankrupt.

Note 19: Fair value of financial assets and liabilities – general

- In line with the IFRS definition, KBC defines 'fair value' as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date'. Fair value is not the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale. An imbalance between supply and demand (e.g., fewer buyers than sellers, thereby forcing prices down) is not the same as a forced transaction or distress sale. Distress sales or forced transactions are transactions that are either carried out on an occasional basis, due to – for example – regulatory changes or transactions that are not market-driven but rather entity or client-driven.
- All internal valuation models used at KBC are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee (GVC) to ensure that KBC and its entities meet all the legal requirements for measuring financial assets and liabilities at fair value. The GVC monitors consistent implementation of the *KBC Valuation Framework*, which consists of various guidelines, including the *CDO Valuation Policy*, the *Group Market Value Adjustments Policy* and the *Group Parameter Review Policy.* The GVC meets at least twice a quarter to approve significant changes in valuation methods (including, but not limited to, models, market data and inputs) or deviations from group policies for financial assets and liabilities measured at fair value. The committee is made up of members from Finance, Risk Management and the Middle Office. Valuation uncertainty measurements are made and reported to the GVC every quarter. Lastly, certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- Market value adjustments are recognised on all positions that are measured at fair value, with fair value changes being reported in profit or loss or in equity. They relate to close-out costs, adjustments for less liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk and funding costs. Credit value adjustments (CVAs) are used when measuring derivatives to ensure that the market value of the derivatives is adjusted to reflect the credit risk of the counterparty. In making this adjustment, both the mark-to-market value of the contract and its expected future fair value are taken into account. These valuations are weighted based on the counterparty credit risk that is determined using a quoted credit default swap (CDS) spread, or, if there is no such spread, on the counterparty credit risk that is derived from bonds whose issuers are similar to the derivative counterparty in terms of rating, sector and geographical location. A debt value adjustment (DVA) is made for contracts where the counterparty is exposed to KBC (as opposed to the other way around). It is similar to a CVA, but the expected future negative fair value of the contracts is taken into consideration. A funding value adjustment (FVA) is a correction made to the market value of uncollateralised derivatives in order to ensure that the (future) funding costs or income attached to entering into and hedging such instruments are factored in when measuring the value of the instruments.
- Account is taken of the effect of changes in own funding spreads when calculating the fair value of financial liabilities measured at fair value.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans. The fair value of the main portfolios takes account of prepayment risks and cap options.
- The fair value of demand and savings deposits (both of which are repayable on demand) is presumed to be equal to their carrying value.
- Most of the changes in the market value of loans and advances initially designated at fair value are accounted for by changes in interest rates. The effect of changes in credit risk is negligible.
- Financial assets and liabilities that are measured at fair value are those classified as ‘available-for-sale’, ‘held for trading’, ‘designated at fair value’ and ‘hedging derivatives’. The other financial assets and liabilities (loans and receivables, financial assets held to maturity, financial liabilities measured at amortised cost) are not measured in the balance sheet at fair value, but their fair value is stated in the table for information purposes.

Fair value of financial instruments which are not recognised at fair value in the balance sheet, (in millions of EUR)	Loans and advances		Financial assets held to maturity		Financial liabilities at amortised cost	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS, 31-12-2014						
Loans and advances to credit institutions and investment firms	10 773	10 910	-	-	-	-
Loans and advances to customers	122 396	124 827	-	-	-	-
Debt securities	1 207	1 400	25 956	29 019	-	-
Other	579	579				
Total	134 955	137 717	25 956	29 019	-	-
Of which level 1		926		28 347		
Of which level 2		19 896		503		
Of which level 3		116 895		169		
FINANCIAL ASSETS, 31-12-2015						
Loans and advances to credit institutions and investment firms	11 490	11 413	-	-	-	-
Loans and advances to customers	126 899	127 538	-	-	-	-
Debt securities	1 070	1 092	27 379	30 086	-	-
Other	834	835				
Total	140 294	140 878	27 379	30 086	-	-
Of which level 1		229		29 105		
Of which level 2		21 225		633		
Of which level 3		119 424		348		

FINANCIAL LIABILITIES, 31-12-2014						
Deposits from credit institutions and investment firms	-	-	-	-	16 651	17 929
Deposits from customers and debt certificates	-	-	-	-	152 925	152 579
Other	-	-	-	-	2 107	1 985
Total	-	-	-	-	171 682	172 493
Of which level 1						1 052
Of which level 2						79 738
Of which level 3						91 703
FINANCIAL LIABILITIES, 31-12-2015						
Deposits from credit institutions and investment firms	-	-	-	-	17 827	17 842
Deposits from customers and debt certificates	-	-	-	-	159 527	160 643
Other	-	-	-	-	1 796	1 747
Total	-	-	-	-	179 150	180 233
Of which level 1						75
Of which level 2						89 062
Of which level 3						91 096

Note 20: Financial assets and liabilities measured at fair value – fair value hierarchy

(in millions of EUR)				31-12-2014				31-12-2015
Fair value hierarchy	**Level1**	**Level 2**	**Level3**	**Total**	**Level1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Held for trading	2 297	7 399	2 581	12 277	1 524	6 634	2 339	10 497
Loans and advances to credit institutions	0	141	0	141	0	0	0	0
Loans and advances to customers	0	27	0	27	0	0	0	0
Equity instruments	292	8	0	301	255	155	0	410
Debt instruments	2 004	634	262	2 900	1 269	244	287	1 799
Of which government securities	1 872	487	32	2 391	1 157	209	42	1 408
Derivatives	1	6 586	2 318	8 905	0	6 235	2 052	8 287
Other	0	3	0	3	0	1	0	1
Designated at fair value	1 277	4 885	363	6 526	257	4 424	411	5 092
Loans and advances to credit institutions	0	1 636	0	1 636	0	2 106	0	2 106
Loans and advances to customers	0	3 101	26	3 127	0	2 278	28	2 306
Equity instruments	0	0	0	0	0	0	0	0
Debt instruments	1 277	149	337	1 763	257	40	383	680
Of which government securities	1 034	29	0	1 063	80	40	0	120
Available for sale	15 651	1 457	940	18 048	17 810	1 724	739	20 274
Equity instruments	200	0	250	450	162	8	322	492
Debt instruments	15 451	1 457	690	17 598	17 648	1 716	418	19 782
Of which government securities	12 108	548	63	12 719	14 128	256	147	14 532
Hedging derivatives	0	1 104	0	1 104	0	514	0	514
Derivatives	0	1 104	0	1 104	0	514	0	514
Total	19 225	14 846	3 884	37 955	19 591	13 296	3 490	36 377
Financial liabilities measured at fair value								
Held for trading	327	5 809	2 374	8 510	415	5 901	2 064	8 380
Deposits from credit institutions	0	60	0	60	0	1	0	1
Deposits from customers and debt certificates	0	330	41	370	0	429	2	431
Derivatives	2	5 419	2 333	7 754	0	5 470	2 063	7 533
Short positions	325	0	0	325	415	0	0	415
Other	0	0	0	0	0	0	0	0
Designated at fair value	0	10 932	424	11 356	0	11 445	594	12 039
Deposits from credit institutions	0	1 004	0	1 004	0	1 123	0	1 123
Deposits from customers and debt certificates	0	9 928	424	10 352	0	10 321	594	10 916
Liabilities under Investment contract	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Hedging derivatives	0	3 491	0	3 491	0	2 191	0	2 191
Derivatives	0	3 491	0	3 491	0	2 191	0	2 191
Total	327	20 232	2 798	23 356	415	19 536	2 659	22 610

- The IAS 39 fair value hierarchy prioritises the valuation techniques and the respective inputs into three levels.
  The fair value hierarchy gives the highest priority to 'level 1 inputs'.
  This means that, when there is an active market, quoted prices have to be used to measure the financial assets or liabilities at fair value. Level 1 inputs are prices that are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency (and that are quoted in active markets accessible to KBC). They represent actual and regularly occurring market transactions on an arm's length basis. The fair value is then based on a mark-to-market valuation derived from currently available transaction prices. No valuation technique (model) is involved.

If there are no price quotations available, the reporting entity establishes fair value using a model based on observable or unobservable inputs. The use of observable inputs needs to be maximised, whereas the use of unobservable inputs has to be minimised.

Observable inputs are also referred to as 'level 2 inputs' and reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cashflow analysis, or reference to the current or recent fair value of a similar instrument.

Unobservable inputs are also referred to as 'level 3 inputs' and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions regarding the risks involved). Unobservable inputs reflect a market that is not active. For example, proxies and correlation factors can be considered to be unobservable in the market.

- When the inputs used to measure the fair value of an asset or a liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is classified in its entirety into the same level as the lowest level input that is significant to the entire fair value measurement. For example, if a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.
- The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table. This table provides an overview of the level in which the instruments are generally classified, but exceptions are possible. In other words, whereas the majority of instruments of a certain type are within the level indicated in the table, a small portion may actually be classified in another level.
- KBC follows the principle that transfers into and out of levels of the fair value hierarchy are made at the end of the reporting period. Transfers between the various levels are dealt with in more detail in Note 21.

	Instrument type	Products	Valuation technique
Level 1	Liquid financial instruments for which quoted prices are regularly available	FX spots, exchange traded financial futures, exchange traded options, exchange traded stocks, exchange traded funds, liquid government bonds, other liquid bonds, liquid asset backed securities (ABS) in active markets	Mark-to-market (quoted prices in active markets)
Level 2	Plain vanilla/liquid derivatives	(Cross-currency) interest rate swaps (IRS), FX swaps, FX forwards, forward rate agreements (FRA), inflation swaps, dividend swaps, commodity swaps, reverse floaters, bond future options, interest rate future options, overnight index swaps (OIS), FX resets	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
		Caps & floors, interest rate options, European & American stock options, European & American FX options, forward starting options, digital FX options, FX strips of simple options, European swaptions, constant maturity swaps (CMS), European cancellable IRS, compound FX options	Option pricing model based on observable inputs (e.g., volatilities)
		Credit default swaps (CDS)	CDS model based on credit spreads
	Linear financial assets (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
	Asset backed securities	Medium liquid asset backed securities	Third-party pricing (e.g., lead manager); prices corroborated by alternative observable market data, or using comparable spread method
	Debt instruments	KBC IFIMA own issues (liabilities), mortgage bonds held by ČSOB	Discounted cashflow analysis and valuation of related derivatives based on observable inputs
	Linear financial liabilities (cash instruments)	Loans, commercial paper	Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)
Level 3	Exotic derivatives	Target profit forwards, target strike forwards, Bermudan swaptions, digital interest rate options, quanto interest rate options, digital stock options, Asian stock options, barrier stock options, quanto digital FX options, FX Asian options, FX European barrier options, FX simple digital barrier options, FX touch rebates, double average rate options, inflation options, cancellable reverse floaters, American and Bermudan cancellable IRS, CMS spread options, CMS interest rate caps/floors, (callable) range accruals, outperformance options, auto-callable options	Option pricing model based on unobservable inputs (e.g., correlation)
	Illiquid credit-linked instruments	Collateralised debt obligations (notes)	Valuation model based on correlation of probability of default of underlying assets
	Private equity investments	Private equity and non-quoted participations	Based on the valuation guidelines of the European Private Equity & Venture Capital Association (EVCA)
	Illiquid bonds/asset backed securities	Illiquid mortgage bonds/asset backed securities that are indicatively priced by a single pricing provider in an inactive market	Third-party pricing (e.g., lead manager), where prices cannot be corroborated due to a lack of available/reliable alternative market data
	Debt instruments	KBC own issues (KBC IFIMA)	Discounted cashflow analysis and valuation of related derivatives based on unobservable inputs (indicative pricing by third parties for derivatives)

Note 21: Financial assets and liabilities measured at fair value – transfers between levels 1 and 2

- In 2014, KBC reclassified around 0.9 billion euros’ worth of bonds from level 2 to level 1 – most (some 1 billion euros) of which concerned covered bonds – because the market for those instruments became more active in 2014.
- In 2015, KBC transferred 0.2 billion euros’ worth of instruments (mainly classified as ‘available for sale’) out of level 1 and into level 2 due to the decline in market activity. KBC also reclassified around 0.1 billion euros’ worth of debt instruments from level 2 to level 1 because the market for those instruments became more active in 2015.

Note 22: Financial assets and liabilities measured at fair value – focus on level 3

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

31-12-2014	Held for trading: Loans and advances	Held for trading: Equity instruments	Held for trading: Debt instruments	Held for trading: Derivatives	Designated at fair value: Loans and advances	Designated at fair value: Equity instruments	Designated at fair value: Debt instruments	Available for sale: Equity instruments	Available for sale: Debt instruments	Hedging derivatives: Derivatives
Opening balance	0	1	342	2 183	24	5	352	202	471	0
Total gains/losses	0	0	17	253	1	0	0	30	-24	0
in profit and loss*	0	0	17	253	1	0	0	5	-29	0
in other comprehensive income	0	0	0	0	0	0	0	26	5	0
Acquisitions	0	0	2	305	0	0	18	17	569	0
Sales	0	0	-20	-77	0	-5	-2	-6	-74	0
Settlements	0	0	-61	-359	-3	0	-16	-1	-23	0
Transfers into level 3	0	0	0	0	0	0	0	0	63	0
Transfers out of level 3	0	0	-31	0	0	0	-29	0	-274	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	14	13	3	0	36	0	1	0
Changes in scope	0	0	0	0	0	0	-22	-3	-20	0
Other	0	0	0	0	0	0	0	9	0	0
Closing balance	0	0	263	2 318	26	0	337	250	690	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	22	433	1	1	10	-1	0	0

LEVEL 3 FINANCIAL LIABILITIES

31-12-2014	Held for trading: Deposits from credit institutions	Held for trading: Deposits from customers and debt certificates	Held for trading: Derivatives	Held for trading: Short positions	Held for trading: Other	Designated at fair value: Deposits from credit institutions	Designated at fair value: Deposits from customers and debt certificates	Designated at fair value: Other	Hedging derivatives: Derivatives
Opening balance	0	102	2 524	13	0	0	543	0	0
Total gains/losses	0	1	-60	0	0	0	-25	0	0
in profit and loss*	0	1	-60	0	0	0	-25	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0
Issues	0	0	293	0	0	0	0	0	0
Repurchases/disposals	0	-5	0	0	0	0	-119	0	0
Settlements	0	-66	-433	-13	0	0	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0
Translation differences	0	7	10	0	0	0	23	0	0
Changes in scope	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Closing balance	0	41	2 333	0	0	0	424	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	0	329	0	0	0	-8	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'.

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 31-12- 2015, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

31-12-2015	Held for trading: Loans and advances	Held for trading: Equity instruments	Held for trading: Debt instruments	Held for trading: Derivatives	Designated at fair value: Loans and advances	Designated at fair value: Equity instruments	Designated at fair value: Debt instruments	Available for sale: Equity instruments	Available for sale: Debt instruments	Hedging derivatives: Derivatives
Opening balance	0	1	263	2 318	26	0	337	250	690	0
Total gains/losses	0	0	2	- 195	2	2	- 42	81	- 1	0
in profit and loss*	0	0	2	-195	2	2	-42	17	0	0
in other comprehensive income	0	0	0	0	0	0	0	64	-1	0
Acquisitions	0	0	78	372	0	0	70	3	68	0
Sales	0	0	- 57	-2	0	- 2	- 18	- 20	0	0
Settlements	0	0	- 13	- 446	0	0	0	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	16	114	0
Transfers out of level 3	0	0	0	0	0	0	0	0	-455	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	15	5	0	0	35	-8	1	0
Changes in scope	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Closing balance	0	0	287	2 052	28	0	383	322	418	0
Total gains/losses for the period included in profit and loss for assets held at the end of the period	0	0	2	-57	0	1	0	- 34	0	0

LEVEL 3 FINANCIAL LIABILITIES

31-12-2015	Held for trading: Deposits from credit institutions	Held for trading: Deposits from customers and debt certificates	Held for trading: Derivatives	Held for trading: Short positions	Held for trading: Other	Designated at fair value: Deposits from credit institutions	Designated at fair value: Deposits from customers and debt certificates	Designated at fair value: Other	Hedging derivatives: Derivatives
Opening balance	0	41	2 333	0	0	0	424	0	0
Total gains/losses	0	0	-148	0	0	0	- 79	0	0
in profit and loss*	0	1	- 148	0	0	0	- 79	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0
Issues	0	0	328	0	0	0	0	0	0
Repurchases/disposals	0	0	-4	0	0	0	- 165	0	0
Settlements	0	- 43	- 447	0	0	0	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0
Translation differences	0	4	0	0	0	0	21	0	0
Changes in scope	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Closing balance	0	2	2 063	0	0	0	594	0	0
Total gains/losses for the period included in profit and loss for liabilities held at the end of the period	0	0	-57	0	0	0	- 28	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'.

- Some level 3 assets are associated or economically hedged with identical level 3 liabilities, which means that KBC's exposure to unobservable inputs is lower than would appear from the gross figures given in the table.
- As a result of the further de-risking of the portfolio of legacy CDOs in 2014, that portfolio's sensitivity in profit or loss to credit spreads widening by 50% was reduced from -64 million euros at the close of 2013 to a negligible amount at year-ends 2014 and 2015. The remaining minor fluctuations in value are attributable to the fact that 0.2 billion euros' worth of CDO notes that

are held by investors will remain outstanding until 7 October 2017. KBC issued these notes and is counterparty for them. The notes could continue to fluctuate in value, mainly on account of movements in credit spreads on the underlying portfolio.

Note 23: Changes in own credit risk

(in millions of EUR) (+: gain, -: loss, amounts before tax)	
OWN EMISSIONS VALUED AT FAIR VALUE, 31-12-2014	
Impact of change in own creditspread on the income statement	- 2
Total cumulated impact on date of balance sheet	- 31
OWN EMISSIONS VALUED AT FAIR VALUE, 31-12-2015	
Impact of change in own creditspread on the income statement	17
Total cumulated impact on date of balance sheet	- 14

- The fair value of financial liabilities designated at fair value through profit or loss takes account of own credit risk. Most of the financial liabilities designated at fair value through profit or loss relate to KBC IFIMA issues. The own credit risk of KBC IFIMA issues designated at fair value through profit or loss is measured using KBC's own funding spread. Taking into account this credit risk, the total fair value of KBC IFIMA issues designated at fair value through profit or loss amounted to some 1.3 billion euros on 31 December 2015. The results of sensitivity tests – in which the funding spread is shifted – on the total fair value of KBC IFIMA issues are given in the table below.

Profit/loss sensitivity based on a relative shift in the funding spread (in millions of EUR)

	Spreads -50%	Spreads -20%	Spreads -10%	Spreads +10%	Spreads +20%	Spreads +50%
31-12-2014	-5,94	-2,38	-1,19	+1,19	+2,38	+5,94
31-12-2015	-10,44	-4,18	-2,09	+2,09	+4,18	+10,44

Note 24: Reclassification of financial assets and liabilities

Financial assets reclassified out of 'available for sale' to 'loans and receivables', situation at 31-12-2015 (in millions of EUR)			
Carrying value			711
Fair value			735
	If not reclassifed (available for sale)	After reclassifica-tion (loans and receivables)	Impact
Impact on revaluation reserve (available-for-sale assets), before taxes	- 65	- 90	- 25
Impact on income statement, before taxes	0	0	0

- Reclassifications: in October 2008, the International Accounting Standards Board (IASB) issued amendments to IAS 39 and IFRS 7 under ‘Reclassification of financial assets’. Following the implementation of these amendments, the KBC group reclassified a number of assets out of the ‘available for sale’ category to the ‘loans and receivables’ category because they had become less liquid. On the date of reclassification, the assets in question met the definition of loans and receivables, and the group has the intention and ability to hold these assets for the foreseeable future or until maturity. KBC reclassified these assets on 31 December 2008. On the reclassification date (31 December 2008), the estimated recoverable amount of these assets came to 5 billion euros and the effective interest rate varied between 5.88% and 16.77%. The above reclassifications had a negative impact of 25 million euros on equity and no impact on the income statement.
- Other reclassifications (not included in the table):
  - In 2014, no debt instruments were reclassified out of the ‘available for sale’ category and into the ‘held to maturity’ category.
  - In 2015, 0.5 billion euros’ worth of debt instruments were reclassified out of the ‘available for sale’ category and into the ‘held to maturity’ category.
  - As a result, the relevant available-for-sale reserve is no longer exposed to changes in market rates. It has been frozen and is being written down on a pro rata temporis basis. As the relevant held-to-maturity security is also being written down, there is no net impact on the results.

Note 25: Derivatives

	Held for trading				Microhedge: Fair value hedge				Microhedge: Cash flow hedge *				Portfolio hedge			
	Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount	
(In millions of EUR)	Assets	Liabilities	Bought	Sold	Assets	Lia-bili-ties	Bought	Sold	Assets	Liabilities	Bought	Sold	Assets	Liabilities	Bought	Sold
31-12-2014																
Total	8 905	7 754	382 505	379 553	426	736	25 223	25 223	650	2 610	25 711	25 647	28	144	2 749	2 749
Breakdown by type																
Interest rate contracts	5 392	4 652	219 148	216 302	426	736	25 223	25 223	642	2 600	25 525	25 525	28	144	2 749	2 749
Interest rate swaps	4 208	4 113	150 016	150 630	426	736	25 223	25 223	642	2 600	25 525	25 525	28	144	2 749	2 749
Forward rate agreements	0	3	1 880	2 385	0	0	0	0	0	0	0	0	0	0	0	0
Futures	3	3	12 879	13 727	0	0	0	0	0	0	0	0	0	0	0	0
Options	1 181	534	54 374	49 560	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange contracts	1 344	989	125 761	126 629	0	0	0	0	7	10	186	122	0	0	0	0
Forward foreign exchange operations/Currency forwards	189	180	17 419	17 394	0	0	0	0	0	1	31	31	0	0	0	0
Currency and interest rate swaps	1 033	628	96 114	95 694	0	0	0	0	7	9	155	91	0	0	0	0
Futures	0	0	284	284	0	0	0	0	0	0	0	0	0	0	0	0
Options	121	180	11 944	13 257	0	0	0	0	0	0	0	0	0	0	0	0
Equity contracts	2 016	2 020	32 162	31 911	0	0	0	0	0	0	0	0	0	0	0	0
Equity swaps	1 674	1 704	30 120	30 120	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Futures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	342	317	2 042	1 791	0	0	0	0	0	0	0	0	0	0	0	0
Warrants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit contracts	102	42	4 823	4 100	0	0	0	0	0	0	0	0	0	0	0	0
Credit default swaps	102	42	4 823	4 100	0	0	0	0	0	0	0	0	0	0	0	0
Credit spread options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total return swaps	0	0	0	0	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	0	0	0	0
Commodity and other contracts	51	51	611	611	0	0	0	0	0	0	0	0	0	0	0	0

*including hedges of a net investment in a foreign operation

(in millions of EUR)	Held for trading				Microhedge: Fair value hedge				Microhedge: Cash flow hedge *				Portfolio hedge			
	Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount		Carrying value		Notional amount	
	Assets	Liabilities	Bought	Sold	Assets	Lia-bili-ties	Bought	Sold	Assets	Liabilities	Bought	Sold	Assets	Liabilities	Bought	Sold
31-12-2015																
Total	8 287	7 533	376 599	378 620	127	469	31 073	31 065	356	1 708	26 724	26 718	31	13	7 809	7 569
Breakdown by type																
Interest rate contracts	4 545	4 323	208 830	208 081	127	469	31 065	31 065	346	1 703	26 607	26 607	31	13	7 809	7 569
Interest rate swaps	3 633	3 895	156 598	156 817	127	469	31 065	31 065	346	1 703	26 607	26 607	31	13	6 765	6 524
Forward rate agreements	0	3	1 525	2 062	0	0	0	0	0	0	0	0	0	0	0	0
Futures	0	0	6 066	8 135	0	0	0	0	0	0	0	0	0	0	0	0
Options	912	425	44 637	41 063	0	0	0	0	0	0	0	0	0	0	1 045	1 045
Forwards	0	0	3	3	0	0	0	0	0	0	0	0	0	0	0	0
Foreign exchange contracts	1 829	1 341	133 566	136 648	0	0	8	0	10	5	117	111	0	0	0	0
Forward foreign Exchange operations/Currency forwards	149	192	18 384	18 412	0	0	8	0	0	0	0	0	0	0	0	0
Currency and interest rate swaps	1 449	1 033	104 849	104 612	0	0	0	0	10	5	117	111	0	0	0	0
Futures	0	0	67	67	0	0	0	0	0	0	0	0	0	0	0	0
Options	231	117	10 266	13 557	0	0	0	0	0	0	0	0	0	0	0	0
Equity contracts	1 717	1 726	32 140	32 330	0	0	0	0	0	0	0	0	0	0	0	0
Equity swaps	1 409	1 422	28 961	28 962	0	0	0	0	0	0	0	0	0	0	0	0
Forwards	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Futures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	308	304	3 153	3 367	0	0	0	0	0	0	0	0	0	0	0	0
Warrants	0	0	26	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit contracts	63	8	916	413	0	0	0	0	0	0	0	0	0	0	0	0
Credit default swaps	63	8	916	413	0	0	0	0	0	0	0	0	0	0	0	0
Credit spread options	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total return swaps	0	0	0	0	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	0	0	0	0
Commodity and other contracts	133	134	1 147	1 148	0	0	0	0	0	0	0	0	0	0	0	0

* including hedges of a net investment in a foreign operation

- The Treasury departments of the various entities manage the interest rate risk. To prevent rate movements from having a negative impact, the maturities of assets and liabilities are adjusted on the balance sheet using interest rate swaps and other derivatives.
- The accounting mismatches due to the valuation of these derivatives and of the hedged assets and liabilities generate volatility in the income statement. This volatility is dealt with using various techniques provided for under IAS 39 rules for hedge accounting. KBC uses the following techniques:
  - Fair value hedges for a portfolio hedge of interest rate risk: used in interest rate risk management to hedge a portfolio of loans (term loans, home loans, instalment loans, straight loans) using interest rate swaps. The hedges are constructed in accordance with the requirements of the EU carve-out version of IAS 39 and allow changes in the fair value of the derivatives to be offset by changes in the fair value of the hedged assets and liabilities.
  - Various micro-hedging techniques in accordance with the principles of IAS 39 to limit volatility:
    - Cashflow hedges: used to swap floating-rate assets and liabilities for a fixed rate. This technique allows changes in the fair value of the derivative to be recognised in equity (in a cashflow hedge reserve).
    - *Fair value hedges*: used in certain asset-swap constructions. Using this technique, the interest rate risk attached to a bond is hedged for investments that were made purely on account of the credit spread. The technique is also applied when certain fixed-term debt instruments are issued by the bank (senior debt issues).
    - Hedges of net investments in foreign operations: the exchange risk attached to foreign-currency investments is hedged by attracting funding in the currency concerned at the level of the investing entity. This way, the translation differences on the hedge can be recognised in equity.
- As regards the relationship between risk management and hedge accounting policy, 'economic' management takes priority and risks are hedged in accordance with the general ALM framework. Only then is a decision made on which, if any, of these techniques will be used to limit any resulting accounting mismatch.
- For information on fair value adjustments in hedge accounting, see Note 5.
- The estimated cashflows from the cashflow hedging derivatives broken down per time bucket are given in the table.

Estimated cashflows from cashflow hedging derivatives (in millions of EUR)	**Inflow**	**Outflow**
Not more than three months	23	- 19
More than three but not more than six months	24	- 55
More than six months but not more than one year	65	- 121
More than one but not more than two years	123	- 348
More than two but not more than five years	385	- 941
More than five years	1 403	- 2 135

Notes on other balance sheet items

Note 26: Other assets

(in millions of EUR)	31-12-2014	31-12-2015
Total	960	758
Breakdown by type	960	758
Income receivable (other than interest income from financial assets)	82	32
Other Assets	878	726

Note 27: Tax assets and tax liabilities

(in millions of EUR)	31-12-2014	31-12-2015
CURRENT TAXES		
Current tax assets	45	96
Current tax liabilities	80	88
DEFERRED TAXES	1 572	2 080
Tax assets by type of temporary difference	2 039	2 645
Employee benefits	149	148
Losses carried forward	468	1 111
Tangible and intangible fixed assets	41	29
Provisions for risks and charges	52	37
Impairment for losses on loans and advances	228	216
Financial instruments at fair value through profit or loss and fair value hedges	208	188
Fair value adjustments, available-for-sale assets, cash flow hedges and hedges of net investments in foreign entities	828	805
Technical provisions		0
Other	65	111
Unused tax losses and unused tax credits	1 283	492
Deferred tax liabilities by type of temporary difference	467	564
Employee benefits	2	91
Losses carried forward		0
Tangible and intangible fixed assets	96	97
Provisions for risks and charges	0	0
Impairment for losses on loans and advances	7	8
Financial instruments at fair value through profit or loss and fair value hedges	15	11
Fair value adjustments, available-for-sale assets, cash flow hedges and hedges of net investments in foreign entities	296	272
Other	52	85
Recognised in the balance sheet as follows:		
Deferred tax assets	1 657	2 189
Deferred tax liabilities	85	109

- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit. Most unused tax losses and unused tax credits can be carried forward for 20 years or more. Unused tax losses and unused tax credits fell by 791 million euros due to the impact of the liquidation of KBC Financial Holding Inc. in 2015 (see Note 13 for more information).
- Deferred tax assets relating to tax losses carried forward are justified by the fact that – based on macroeconomic forecasts and the use of conservative scenarios – enough taxable profit will be available in the quite near future.
- The net change in deferred taxes (-508 million euros in 2015) breaks down as follows:
  - an increase in deferred tax assets: +606 million euros;
  - an increase in deferred tax liabilities: +97miljoen euro.

- The change in deferred tax assets was accounted for chiefly by:
  - the increase in deferred tax assets via the income statement:
  - +651 million euros (due primarily to losses carried forward (+641 million euros: +921 million euros of which following the liquidation of KBC Financial Holding Inc., partially offset by taxable profit generated in 2015), as well as deferred tax assets related to fixed assets (+10 million euros));
  - the increase in deferred tax assets owing to changes in the revaluation reserve for hedges of net investments in foreign operations: +100 million euros;
  - the decrease in deferred tax assets consequent on movements in the market value of cashflow hedges: -126 million euros;
  - other items (including exchange differences): -19 million euros.

- The change in deferred tax liabilities was accounted for chiefly by:
  - the increase in deferred tax liabilities via the income statement: +49 million euros (owing primarily to technical and other provisions (+35 million euros), the rise in financial instruments at fair value through profit or loss (+7 million euros), and deferred tax assets related to fixed assets (+5 million euros));
  - the increase in deferred tax assets relating to changes in defined benefit plans recognised in other comprehensive income: +88 million euros;
  - the decrease in deferred tax liabilities consequent on changes in the market value of available-for-sale securities: -12 million euros;
  - the decrease in deferred tax liabilities consequent on movements in the market value of cashflow hedges: -5 million euros;
  - other items (including exchange differences): -23 million euros.
- The deferred tax assets presented in the balance sheet are attributable primarily to KBC Bank.

Note 28: Investments in associated companies and joint ventures

(in millions of EUR)	31-12-2014	31-12-2015
Total	179	181
Overview of investments including goodwill		
Ceskomoravská stavebni sporitelna a.s. (CMSS)	175	179
Other	4	2
Goodwilll on associated companies and joint ventures	0	0
Gross amount	0	0
Accumulated impairment	0	0
Breakdown by type		
Unlisted	179	181
Listed	0	0
Fair value of investments in listed associated companies	0	0

MOVEMENTS TABLE	2014	2015
Opening balance (1 January)	182	179
Acquisitions	0	0
Carrying value, transfers	0	0
Share in the result for the period	22	21
Capital increase	0	0
Dividends paid	- 30	- 23
Share of gains and losses not recognized in the income statement	8	0
Translation differences	0	6
Changes in goodwill (NLB: impairment on goodwill & other)	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0
Other movements	- 3	- 2
Closing balance (31 December)	179	181

- Associated companies are companies on whose management KBC exerts significant influence, without having direct or indirect full or joint control. In general, KBC has a 20% to 50% shareholding in such companies. Joint ventures are companies over which KBC exercises joint control.
- Investments in associated companies' is accounted for primarily by ČMSS, a joint venture of ČSOB in the Czech Republic. The following is a summary of financial data for ČMSS (on 55% basis):

Ceskomoravská stavebni sporitelna a.s. (in millions of EUR)	2014	2015
Cash and cash balances with central banks	149	309
Financial assets	3 089	2 773
Non financial assets	28	30
TOTAL ASSETS	**3 266**	**3 112**
Financial liabilities	3 044	2 890
Non financial liabilities	47	44
TOTAL LIABILITIES	**3 090**	**2 934**
Total equity	**175**	**179**
TOTAL LIABILITIES AND EQUITY	**3 266**	**3 112**
Total income	59	64
Interest income	113	109
Interest expense	- 68	- 57
Opex	- 25	- 25
Impairments	- 6	- 12
Income tax	- 5	- 5
Total profit	23	23
Other comprehensive income	7	0
Total comprehensive income	31	23

- Goodwill paid on associated companies and joint ventures is included in the nominal value of 'Investments in associated companies and joint ventures' shown on the balance sheet. An impairment test was performed and the necessary impairment losses on goodwill recognised (see table).

Note 29: Property and equipment and investment property

(in millions of EUR)	31-12-2014	31-12-2015
Property and equipment	**2 029**	**2 087**
Investment property	**397**	**275**
Rental income	49	37
Direct operating expenses from investments generating rental income	32	26
Direct operating expenses from investments not generating rental income	1	1

MOVEMENTS TABLE	Land and buil-dings	IT equip-ment	Office equip-ment	Other equip-ment	Total Other equip-ment	Total property and equipment	Investment property
2014							
Opening balance	1 230	36	42	882	924	2 190	415
Acquisitions	77	10	6	304	310	397	10
Disposals	- 152	- 1	0	- 123	- 123	- 276	- 40
Depreciation	- 65	- 13	- 8	- 10	- 18	- 95	- 17
Impairment							
recognised	- 1	- 6	0	- 1	- 1	- 8	0
reversed	0	0	0	0	0	1	0
Transfer to or from non-current assets held for sale and disposal groups	- 20	0	0	0	0	- 20	0
Translation differences	- 4	- 1	0	- 1	- 2	- 6	0
Changes in the scope of consolidation	8	0	0	0	0	9	33
Other movements	2	1	0	- 165	- 165	- 161	- 5
Closing balance	1 076	27	40	887	927	2 029	397
of which accumulated depreciation and impairment	1 075	115	114	479	593	1 782	217
of which expenditure on items in the course of construction	9	7	3	0	4	20	
of which finance lease as a lessee	0	0	0	0	0	0	
Fair value 31-12-2014							501
2015							
Opening balance	1 076	27	40	887	927	2 029	397
Acquisitions	107	8	8	376	383	499	5
Disposals	- 68	0	0	- 147	- 147	- 216	- 5
Depreciation	- 63	- 15	- 8	- 10	- 18	- 96	- 12
Impairment							
recognised	- 7	0	0	0	0	- 8	0
reversed	0	0	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	- 4	0	0	- 1	- 1	- 4	- 10
Translation differences	12	0	- 1	2	2	14	0
Changes in scope of consolidation	- 1	15	0	29	29	42	- 89
Other movements	- 10	0	0	- 164	- 164	- 174	- 10
Closing balance	1 041	35	39	971	1 010	2 087	275
of which accumulated depreciation and impairment	1 085	157	117	492	608	1 851	114
of which expenditure on items in the course of construction	9	3	0	0	1	13	
of which finance lease as a lessee	0	0	0	0	0	0	
Fair value 31-12-2015							404

- Annual rates of depreciation: mainly 3% for buildings (including investment property), 33% for IT equipment, between 5% and 33% for other equipment. No depreciation is charged for land.
- There was a small amount (around 0.1 billion euros) for commitments for the acquisition of property and equipment. There are no material restrictions on title, or on property and equipment pledged as security for liabilities.
- Most investment property is valued by an independent expert on a regular basis and by in-house specialists on an annual basis, based primarily on the capitalisation of the estimated rental value and on unit prices of similar real property. Account is taken of all the market inputs available on the date of the assessment (including location and market situation, type of building and construction, state of repair, use, etc.).
- Certain other investment property is valued annually by in-house specialists based on the current annual rental per building and expected rental movements and on an individual capitalisation rate per building.

Note 30: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed inhouse	Software developed externally	Other	Total
2014					
Opening balance	944	15	69	7	1 035
Acquisitions	0	7	51	5	63
Disposals	0	- 1	0	- 7	- 9
Adjustment resulting from subsequent identification	0	0	0	0	0
Amortisation	0	- 10	- 28	0	- 38
Impairment		- 12	- 1	0	- 13
recognized	0	- 12	- 1	0	- 13
rerversed	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	0	0
Translation differences	- 16	0	- 2	0	- 18
Changes in the scope of consolidation	0	0	0	0	0
Other movements	- 1	17	- 8	0	7
Closing balance	927	16	80	4	1 027
of which accumulated amortisation and impairment	973	17	264	31	1 284
2015					
Opening balance	927	16	80	4	1 027
Acquisitions	0	11	42	8	61
Disposals	0	0	- 1	- 6	- 7
Adjustment resulting from subsequent identification	0	0	0	0	0
Amortisation	0	- 9	- 23	0	- 32
Impairment					
recognized	- 308	0	0	0	- 308
reversed	0	0	0	0	0
Transfer to or from non-current assets held for sale and disposal groups	0	0	0	0	0
Translation differences	7	0	1	0	9
Changes in the scope of consolidation	- 1	43	40	0	82
Other movements	0	0	0	0	- 1
Closing balance	626	60	139	6	831
of which accumulated amortisation and impairment	653	51	304	32	1 040

- Goodwill: includes the goodwill paid on companies included in the scope of consolidation and relating to the acquisition of activities. Goodwill paid on associated companies: included in the nominal value of 'Investments in associated companies' shown on the balance sheet.
- Impairment testing: a test was carried out to establish whether impairment on goodwill had to be recognised (see table and Note 14). This impairment test is performed at least once a year and on a quarterly basis for investments where there is an indication of impairment. In the test, each entity is regarded as a separate cash-generating unit. Each entity has a specific risk profile and it is rare to have different profiles within a single entity.
- Impairment on goodwill under IAS 36: recognised in profit or loss if the recoverable amount of an investment is lower than its carrying value. The recoverable amount is defined as the higher of the value in use (calculated based on discounted cashflow analysis) and the fair value (calculated based on multiple analysis, etc.) less costs to sell.
- The main group companies to which goodwill relates are listed in the table (the consolidated entity in each case, i.e. including subsidiaries). All of these companies have been valued using the discounted cashflow method. This method calculates the recoverable amount of an investment as the present value of all future free cashflows of the business. This method is based on long-term projections about the company's business and the resulting cashflows (i.e. projections for a number of years ahead (usually 17), and the residual value of the business at the end of the specific projection period). These long-term projections are the result of an assessment of past and present performances combined with external sources of information on future performances in the respective markets and the global macroeconomic environment. The terminal growth rate is determined using a long-term average market growth rate. The present value of these future cashflows is calculated using a

post-tax compound discount rate which is based on the capital asset pricing model (CAPM). A risk-free rate, a market-risk premium (multiplied by an activity beta), and a country risk premium (to reflect the impact of the economic situation of the country where KBC is active) are also used in the calculation. KBC has developed two distinct discounted cashflow models, viz. a bank model and an insurance model. Free cashflows in both cases are the dividends that can be paid out to the company's shareholders, account taken of the minimum capital requirements.

Outstanding goodwill (in millions of EUR)	31-12-2014	31-12-2015	31-12-2014	31-12-2015
K&H Bank	219	220	11.6% - 8.0%	13.6% - 10.07%
CSOB (Czech Republic)	264	267	8.4% - 7.8%	9.9% - 9.7%
CSOB (Slovakia)	188	0	8.9% - 8.1%	10.0% - 9.0%
CIBANK	117	0	9.3% - 7.7%	11.1% - 9.5%
Rest	140	138	-	-
Total	927	626	-	-

- The period to which the cashflow budgets and projections relate is 17 years in most cases. This longer period is used to take account of the expected convergence of the Central and Eastern European economies with their Western European counterparts. This significant assumption is used in the model to reflect the dynamism of the economies in Central and Eastern Europe.
- The growth rate used to extrapolate the cashflow projections after the 17-year period is 2%, which is equal to the rate of inflation forecast for that time. This rate of growth was the same as in 2014.
- No sensitivity analysis was carried out for entities where the recoverable amount exceeded the carrying value to such a large extent that no reasonably possible change in the key assumptions would result in the recoverable amount being less than or equal to the carrying value. The table gives an indication for K&H Bank of the change in key assumptions that would lead to their recoverable amount equalling their carrying value.

Change in key assumptions[1]	Increase in discount rate[2]	Decrease in terminal growth rate[3]	Increase in targeted solvency ratio[4]	Decrease in annual net profit
K&H Bank	10.2%	-	1.7%	9.8%

[1] Needless to say account should be taken of the fact that a change in these assumptions could affect other assumptions used to calculate the recoverable amount.
[2] The discount rate for the first year was increased by the percentage shown. Pursuant to the way in which discount rates (or changes in discount rates) are modelled, the increase in the discount rate for the first year is gradually and diminishingly carried forward as (higher) discount rates for the years ahead.
[3] Not relevant for K&H Bank as it would mean that the terminal growth rate will be negative.
[4] Absolute increase in the tier-1 capital ratio.

Note 31: Provisions for risks and charges

(in millions of EUR)	Provision for restruc-turing	Provision for taxes and pending legal disputes	Other	Subtotal	Provision, off-balance-sheet credit commit-ments	Total
2014						
Opening balance	19	291	68	377	114	491
Movements with an impact on result						
Amounts allocated	24	12	232	269	32	301
Amounts used	- 8	- 80	- 193	- 281	- 3	- 284
Unused amounts reversed	- 2	- 3	- 1	- 6	- 55	- 61
Transfer to or from non-current liabilities regarding disposal groups	2	0	0	2	0	2
Change in consolidation scope	- 1	0	0	0	9	9
Other movements	- 2	4	6	8	61	69
Closing balance	31	225	113	369	158	527
2015						
Opening balance	31	225	113	369	158	527
Movements with an impact on result						
Amounts allocated	7	15	10	31	44	75
Amounts used	- 31	- 82	- 79	- 193	0	- 193
Unused amounts reversed	0	- 40	- 17	- 57	- 52	- 109
Transfer to or from non-current liabilities regarding disposal groups	0	0	0	0	0	0
Change in consolidation scope	0	0	- 1	- 1	0	- 1
Other movements	2	- 2	4	4	- 25	- 21
Closing balance	9	115	29	153	125	278

- For most of the provisions recorded, no reasonable estimate can be made of when they will be used.
- Other provisions: included those set aside for miscellaneous risks and future expenditure.
- Information relating to the main legal disputes pending: claims filed against KBC group companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. 'probable outflow', 'possible outflow' or 'remotely probable outflow'). Provisions are set aside for 'probable outflow' cases (see 'Notes on the accounting policies'). No provisions are constituted for 'possible outflow' cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims ('remotely probable outflow'), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.
- Probable outflow:
  - When Lehman Brothers went bankrupt in September 2008, KBC Bank had derivative transactions outstanding with Lehman Brothers Finance AG (LBF) under an ISDA Master Agreement. The bankruptcy triggered an event of default and early termination of all outstanding transactions. LBF challenged various aspects, including the valuation method used by KBC Bank and – in a notice of default dated 21 December 2012 – asserted that the net amount payable to LBF under the ISDA agreement is 58.2 million US dollars plus 52.8 million US dollars in interest accruing since September 2008. KBC Bank believed it had various arguments to defend the valuation method used and also strongly disputed the interest rate applied by LBF. On 25 September 2013, KBC was summoned by LBF in London, where LBF filed the claim of 58.2 million US dollars plus interest of 57 million US dollars (calculated to the end of March 2013). On 8 October 2015, a settlement was reached with LBF's liquidators in Zurich. The case is now closed.
  - In 2003, a major case of fraud at K&H Equities Hungary was uncovered. Numerous clients suffered substantial losses on their securities portfolios as a result of unauthorised speculative transactions and possible

misappropriations of funds. Instructions and portfolio overviews were falsified. In August 2008, criminal sentences were handed down. Following an order by the court of appeal on 27 May 2010, the case was retried. All claims against K&H Equities have been settled either amicably or following an arbitration decision. The largest liability claim, which had been covered by adequate provisioning (with due account taken of the compensation expected from an external insurer), was settled out of court in September 2015.
On 29 December 2015, the court of first instance handed down a number of convictions, and some accused were acquitted. The prosecution has since appealed, and so the prosecution will continue at appeal level.

- From the end of 1995 until the beginning of 1997, KBC Bank and KB Consult were involved in the transfer of cash companies. Cash companies are characterised by the fact that the asset side of their balance sheets comprises primarily amounts receivable and cash, in addition to other liquid assets. On several occasions between 1995 and 1997, KB Consult acted as the intermediary between the sellers and buyers of such companies. There were various ways in which the bank could be involved, but in most cases they concerned payments or lending. KBC Bank and/or KB Consult were joined to proceedings in a number of cases. In addition, KB Consult was placed under suspicion by an investigating judge in 2004, and together with KBC Bank and KBC Group NV, was summoned to appear in the proceedings before the court sitting in chambers in Bruges. On 9 November 2011, the judge referred KB Consult and KBC Bank to Bruges Criminal Court on charges of uttering, but dismissed the charges against KBC Group NV. The Belgian state appealed the decision of no case to answer against KBC Group NV. On 27 October 2015, the indictments division ruled that proceedings were time-barred and upheld the original decision of no case to answer. The case as referred will now be heard before Bruges Criminal Court in the course of 2016. A suitable provision has been constituted to deal with the potential impact of claims for damages in this respect. The transfer of a cash company is in principle completely legitimate. Nevertheless, it later transpired that certain purchasers were acting in bad faith since they did not make any investments at all and did not file tax returns for the cash companies they had purchased. KBC Bank and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. Referral to the criminal court does not in any way imply that any KBC entity has been convicted of an offence. KBC is fully defending its position in these cases, based, among other things, on the fact that, during the period in which the events took place, the legal entity was not liable to prosecution and, in particular, KBC was utterly lacking in criminal intent.
- In March 2000, Rebeo and Trustimmo, two subsidiaries of Almafin (a subsidiary of KBC Bank), together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company) were summoned by the Belgian Ministry of Finance to appear before the civil court in Brussels regarding non-payment of 16.7 million euros in taxes owed by Broeckdal. However, Broeckdal contested this claim and in December 2002 initiated court proceedings against the Ministry of Finance before the civil court in Antwerp. The civil case pending before the Brussels court has been suspended until final judgment has been passed in the tax-related proceedings pending before the Antwerp court. Broeckdal was wound up by court order on 2 November 2010 and was declared properly wound up and dissolved on 13 September 2011. A suitable provision has been set aside to cover potential damages.

- Possible outflow:
  - On 6 October 2011, Irving H. Picard, trustee for the substantively consolidated SIPA (Securities Investor Protection Corporation Act) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff, sued KBC Investments before the bankruptcy court in New York to recover approximately 110 million US dollars' worth of transfers made to KBC entities. The basis for this claim was the subsequent transfers that KBC had received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors. In addition to the issues addressed by the district court, briefings were held on the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees (as is the case for KBC). KBC, together with numerous other defendants, filed motions for dismissal. District court Judge Jed Rakoff has made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defences. On 27 April 2014, Judge Rakoff issued an opinion and order regarding the 'good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such the burden of proof that KBC should have been aware of the fraud perpetrated by Madoff in this matter is for Picard/SIPA. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor (as is the case for KBC Investments Ltd). Therefore, the trustee's recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has now been increased to 196 million US dollars.
  - In the spring of 2008, KBC issued two bonds, KBC IFIMA 5-5-5 and KBC Group 5-5-5. These structured bonds had a term of five years, a gross coupon of 5%, and were linked until their maturity to the public debt of five countries (Belgium, France, Spain, Italy and Greece). They allowed for early redemption of the residual value as soon as a credit event occurred with respect to one of these countries. When the 5-5-5 bonds were launched, the sovereign risks were generally regarded as very low. However, the unexpected, far-reaching changes in market conditions early in 2010 (the Greek crisis) changed the original risk profile of these bonds. At the start of 2011, KBC pro-actively decided to offer additional security to holders of 5-5-5 bonds and informed them of this in writing: if a credit event occurred, investors would still get back the amount they had invested, less the coupons already received and less taxes and charges. On 9 March 2012, a credit event actually occurred in Greece, and KBC honoured the promise it made. On 8 October, a number of parties who had subscribed to the 5-5-5 bonds issued

by KBC Group NV and by KBC IFMA raised proceedings before Brussels Court of First Instance, as they were not satisfied with the proposed settlement. In the case involving the KBC Group NV issue, the court handed down a judgment on 20 January 2016, which found in favour of one of the plaintiffs. KBC Bank and KBC Group NV have examined the judgment in detail and are of the view that there is sufficient ground for appealing the case, and have therefore decided to file a petition to that effect.

Note 32: Other liabilities

(in millions of EUR)	31-12-2014	31-12-2015
Total	1 861	1 730
Breakdown by type		
Retirement benefit plans or other employee benefits	505	238
Accrued charges (other than from interest expenses on financial liabilities)	196	224
Other	1 159	1 268

- For more information on retirement benefit obligations, see Note 33 (note that the amount recognised under 'Retirement benefit obligations or other employee benefits' in Note 32 relates to a broader scope than the amounts presented in Note 33).

Note 33: Retirement benefit obligations

(in millions of EUR)	31-12-2014	31-12-2015
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	1 878	2 444
Current service cost	93	112
Interest cost	60	43
Plan amendments	0	0
Actuarial gain or loss arising from changes in demographic assumptions	28	- 8
Actuarial gain or loss arising from changes in financial assumptions	467	- 206
Past-service cost	- 1	0
Benefits paid	- 122	- 107
Exchange differences	7	8
Curtailments	- 2	- 9
Transfers under IFRS 5	16	0
Changes in the scope of consolidation	0	0
Other	22	- 46
Defined benefit obligation at end of the period	2 444	2 230
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	1 596	1 939
Actual return on plan assets	270	76
Expected return on plan assets	53	34
Employer contributions	76	56
Plan participant contributions	22	21
Benefits paid	- 118	- 103
Exchange differences	6	7
Settlements	0	0
Transfers under IFRS 5	14	0
Changes in the scope of consolidation	0	0
Other	73	0
Fair value of plan assets at the end of the period	1 939	1 995
of which financial instruments issued by the group	25	50
of which property occupied by KBC	0	8
Funded Status		
Plan assets in excess of defined benefit obligations	- 506	- 235
Reimbursement rights	54	54
Asset ceiling limit	0	- 4
Unfunded accrued/prepaid pension cost	- 451	- 185
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	- 228	- 451
Amounts recognised in the income statement	- 72	- 95
Amounts recognised in other comprehensive income	- 262	305
Employer contributions	78	58
Exchange differences	- 1	- 1
Transfers under IFRS 5	- 2	0
Changes in the scope of consolidation	0	0

(in millions of EUR)	31-12-2014	31-12-2015
DEFINED BENEFIT PLANS		
Other	36	- 2
Unfunded accrued/prepaid pension cost at the end of the period	- 451	- 185
Amounts recognised in the income statement	72	95
Current service cost	93	112
Past-service cost	- 1	0
Interest cost	6	9
Plan participant contributions	- 22	- 21
Curtailments	- 2	- 5
Settlements	0	0
Changes in the scope of consolidation	0	0
Changes to the amounts recognised in other comprehensive income	262	- 305
Actuarial gain or loss arising from changes in demographic assumptions	28	- 8
Actuarial gain or loss arising from changes in financial assumptions	467	- 206
Actuarial result on plan assets	- 218	- 43
Experience adjustments	- 5	- 46
Other	- 10	- 2
Principal actuarial assumptions used (based on weighted averages)		
Discount rate	1,6%	2,1%
Expected rate of salary increase	3,0%	3,0%
Expected rate of inflation	2,0%	2,0%
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	5	8

- The pension claims of the Belgian-based staff of the various KBC group companies are covered by pension funds and group insurance schemes. Retirement benefits that are actively accrued for the current workforce of KBC Bank and most of their Belgian subsidiaries are accrued exclusively through the KBC pension funds. Retirement benefits accrued through employer contributions are currently accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees. In this compulsory plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the OFP Pensioenfonds KBC and the OFP Pensioenfonds Senior Management KBC, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of closed group insurance schemes from the past that will continue to be funded,
- KBC Bank Ireland participated in a fully funded defined benefit plan until 31 August 2012. As of that date, no additional pension rights will be accumulated under that plan for future years of service. Benefits accrued in the plan continue to be linked to future salary increases of the participants (i.e. it will be managed dynamically). The assets of the pension plan have been separated from the assets of the bank. The employees of KBC Finance Ireland and KBC Bank Dublin are also signed up to this pension plan. The retirement benefits are calculated using a mathematical formula that takes account of age, salary and the length of time the participant was signed up.

Additional information regarding retirement benefit obligations (in millions of EUR)	2011	2012	2013	2014	2015
Changes in main headings in the main table					
Defined benefit obligations	1 823	2 046	1 878	2 444	2 230
Fair value of plan assets	1 557	1 552	1 596	1 939	1 995
Unfunded accrued/prepaid pension cost	- 372	- 440	- 228	- 451	- 185
Impact on plan assets	0	0	0	0	0
Impact on defined benefit obligations	- 76	213	- 85	- 135	24

Additional information on retirement benefit obligations

	KBC pension fund	KBC Bank Ireland pension plan
Composition 31-12-2014		
shares	39%	36%
bonds	51%	42%
real estate	9%	3%
cash	1%	1%
investment funds	0%	18%
of which illiquid assets	3%	0%
Composition 31-12-2015		
shares	38%	41%
bonds	49%	16%
real estate	10%	3%
cash	3%	2%
investment funds	0%	37%
of which illiquid assets	4%	0%
Contributions expected in 2016 (in millions of EUR)	48	3
Nature of pension plan benefits	Capital at retirement age. Death benefit in case of death during active career. Orphan benefit in case of death during active career. Monthly annuity in case of work disability starting the 13th month of disability.	Life-long annuity at retirement age. The pension fund was closed on 30 August 2012. Accrued benefits continue to be linked to future salary increases.
Regulatory framework	Pension plan are registered in collective labour agreements and incorporated into a set of regulations. Annual reporting of funding levels to supervisory authorities (FSMA/NBB). Any underfunding must be reported immediately to the supervisory authorities.	
Responsibilities of KBC	To pay adequate contributions in accordance with the plan's funding agreement. To fund the pension plan. To provide annual pension statements to plan participants. To provide information following exit of the plan.	To pay adequate contributions in accordance with the plan's funding agreement.
Risks for KBC	Investment risk and inflation risk.	Investment risk.
ALM policy	The hedging portfolio hedges against interest rate risk and inflation risk by using interest rate swaps. The return portfolio aims to generate an extra return.	
Plan amendments	An employer-funded defined contribution plan was introduced on 1 January 2014. All employees joining the company from that date are signed up to this new plan, while all those who were already employed on 31 December 2013 remain signed up to the defined benefit plan unless they chose to switch to the new one.	
Funding	Contributions to the plan are calculated using the projected unit credit method.	

Curtailments and settlements	Not applicable	The trustees agreed to reduce participants' benefits for 2015 to account for the payment of the pension levy enacted by the Irish government.

Discounting method	Based on iBoxx quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve. As of year 16, extrapolation is applied to flatten the curve for maturities of 20 years and longer.

Key actuarial assumptions		
Average discount rate	2.13%	2.80%
Expected salary increase	3.00%	2.50%
Expected inflation rate	2.00%	1.50%
Expected rate of increase in pension	-	1.50%
Average duration of the obligations	13.82 years	17 years
Weighted average duration of the obligations	12.20 years	25 years
Impact of changes in the assumptions used in the actuarial calculation of the defined benefit obligations		
Increase in the defined benefit obligations on 31-12-2013 consequent on:		
a decrease of 1% in the discount rate	13.82%	28.40%
an increase of 1% in the expected inflation rate	11.03%	28.10%
an increase that is 1% higher than the expected real increase in salary	14.17%	8.15%
the age of retirement being 65 rather than 63 for all active employees	1.76%	-
an increase of one year in life expectancy	-	2.71%
The sensitivity of the following assumptions has not been calculated:	The impact of decreasing mortality rates: pension benefits are paid out in capital so longevity risk is immaterial. The impact of staff turnover: expected turnover rate is very low.	

Additional information on RETIREMENT BENEFIT OBLIGATIONS	**KBC Pension fund**
Contributions expected in 2016 (in millions of EUR)	18
Nature of pension plan benefits	Capital at retirement age. Vested rights are paid out on death.
Regulatory framework	Pursuant to the Belgian Supplementary Pensions Act, the employer must guarantee a minimum return of 3.75% on employee contribution
Responsibilities of KBC	To provide information following exit from the plan. To deposit employee contributions at the pension institution.
Risks for KBC	Investing risk
Funding	Bijdragen aan het plan berekend volgens *Fixed Component Liability*-methodeContributions to the plan are calculated using the fixed component liability method.
Discounting method	Based on iBoxx quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve. As of year 16, extrapolation is applied to flatten the curve for maturities of 20 years and longer
Key actuarial assumptions	
Average discount rate	2,00%
Expected rate of salary increase	-
Expected inflation rate	-
Expected rate of increase in pensions	-
Weighted average duration of the obligations	11,00 jaar
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations Increase in the retirement benefit obligations on 31-12-2015 consequent on:	
a decrease of 1% in the discount rate	4,46%
an increase of 1% in expected inflation rate	-
an increase that is 1% higher than the expected real increase in salary	-
the age of retirement being 65 for all active employees	-0,04%
an increase of one year in life expectancy	-

Note 34: Parent shareholders’ equity

(in number of shares)	31-12-2014	31-12-2015
Ordinary shares	915 228 482	915 228 482
of which ordinary shares that entitle the holder to a dividend payment	*915 228 482*	*915 228 482*
of which treasury shares	*0*	*0*
Other information		
Par value per ordinary share (in EUR)	9.78	9.78
Number of shares issued but not fully paid up	0	0

MOVEMENT TABEL (In number of shares)	Ordinary shares
2014	
Opening balance	915 228 482
Issue of shares/core-capital securities	0
Conversion of mandatorily convertible bonds into shares	0
Other movements	0
Closing balance	915 228 482
2015	
Opening balance	915 228 482
Issue of shares/core-capital securities	0
Conversion of mandatorily convertible bonds into shares	0
Other movements	0
Closing balance	915 228 482

- Ordinary shares: ordinary shares of no nominal value. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued.
- On 31 December 2015, 915 228 482 ordinary shares were in circulation, of which 915 228 481 shares belonged to KBC Group NV and 1 share belonged to KBC Insurance NV.
- For information on stock option plans, see Note 9; for information on the authorisation to increase capital, see the ‘Company annual accounts’ section.
- Additional tier-1 instruments: in March 2014, KBC issued 1.4 billion euros in CRD IV-compliant additional tier-1 securities. These securities qualify as additional tier-1 capital under Basel III (as adopted in CRD IV) and, therefore, have had a positive impact on the tier-1 capital of KBC Group and KBC Bank. They are perpetual and may be called for redemption from year five onwards. Since they are classified as shares under IAS 32 (because interest payments are discretionary and the securities are perpetual), the annualised coupon of 5.825% – which is paid every quarter – is treated as a dividend. This transaction had no impact on the number of ordinary shares.

Other notes

Note 35: Commitments and guarantees granted and received

(in millions of EUR)	31-12-2014	31-12-2015
Credit commitments - undrawn amount		
Given	31 837	36 891
Irrevocable	17 521	19 580
Revocable	14 317	17 311
Received	33	134
Financial guarantees		
Given	9 989	9 368
Guarantees received / collateral	30 383	34 476
For impaired and past due assets	1 741	1 699
For assets that are not impaired or past due assets	28 642	32 777
Other commitments		
Given	186	220
Irrevocable	186	220
Revocable	0	0
Received	0	0
Carrying value of financial assets pledged as collateral for		
Liabilities*	29 167	29 826
Contingent liabilities	3 969	3 311

- Fair value of financial guarantees: based on the available market value.
- KBC Group NV irrevocably and unconditionally guarantees all amounts shown as liabilities in the statutory financial statements of the following Irish companies in respect of the financial year ending on 31 December 2015, allowing these companies to be eligible for exemption from certain disclosure requirements, pursuant to Section 357 of the Irish Companies Act 2014: - KBC Financial Services (Ireland) Limited; - KBC Fund Management Limited. Since these companies are included in the scope of consolidation, this is an intragroup transaction and the guarantee is not included in the above table.
- There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). For additional information, see Note 18.

Collateral held (which may be sold or repledged in the absence of default by the owner)	Fair value of collateral held		Fair value of collateral sold or repledged	
(in miljoenen euro)	31-12-2014	31-12-2015	31-12-2014	31-12-2015
Financial assets	15 450	12 666	5 208	6 881
Equity instruments	7	1	0	0
Debt instruments	15 297	12 499	5 208	6 881
Loans & advances	146	166	0	0
Cash	0	0	0	0
Non-financial assets	2	0	0	0
Property and equipment	2	0	0	0
Investment property	0	0	0	0
Other	0	0	0	0

Collateral obtained by taking possession during the period	31-12-2014	31-12-2015
Non-current assets held-for-sale	1	1
Property and equipment	0	0
Investment property	2	3
Equity and debt instruments	0	0
Cash	89	162
Other	26	12
Total	118	177

Note 36: Leasing

(in millions of EUR)	31-12-2014	31-12-2015
Finance lease receivables		
Gross investment in finance leases, receivable	4 774	5 114
At not more than one year	1 133	1 229
At more than one but not more than five years	2 376	2 615
At more than five years	1 265	1 270
Unearned future finance income on finance leases	636	593
Net investment in finance leases	4 138	4 515
At not more than one year	999	1 100
At more than one but not more than five years	2 105	2 361
At more than five years	1 034	1 054
Of which unguaranteed residual values accruing to the benefit of the lessor	23	38
Accumulated impairment for uncollectable lease payments receivable	120	83
Contingent rents recognised in income	102	95
Operating lease receivables		
Future aggregate minimum rentals receivable under non-cancellable leases	411	434
Not more than one year	149	173
More than one but not more than five years	253	255
More than five years	9	6
Contingent rents recognised in income	1	0

- There are no significant cases in which KBC is the lessee in operating or finance leases.
- Pursuant to IFRIC 4, no operating or finance leases contained in other contracts were identified.
- Finance leases: KBC provides most finance leases through separate companies operating mainly in Belgium and Central Europe. It offers finance lease products ranging from equipment and vehicle leasing to real estate leasing. In Belgium, finance leases are typically sold through KBC group's branch network, and that channel is becoming increasingly important in Central Europe, too.
- Operating leases: involves primarily full service car leases, which are sold through the KBC Bank and CBC Banque branch network and through an internal sales team. Full service car leasing activities are being further developed in Central Europe, too.

Note 37: Related-party transactions

Transactions with related parties, excluding key management personnel (in millions of EUR)

	31-12-2014							31-12-2015					
	Parent enitities with joint control	Subsi-diaries	Associated companies	Joint Ventures	Flemish region	Other*	Total	Parent enitities with joint control	Subsi-diaries	Associated companies	Joint Ventures	Other	Total
Assets	51	131	384	68	369	2 116	3 118	9	272	291	5	2 173	2 750
Loans and advances	0	63	158	64	0	1 993	2 278	1	133	55	1	1 955	2 146
Current accounts	0	0	0	0	0	145	145	1	1	0	0	4	6
Term loans	0	62	158	64	0	1 848	2 133	0	132	55	1	1 952	2 141
Finance leases	0	0	0	0	0	0	0	0	0	0	0	0	0
Consumer credit	0	0	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	7	67	42	4	13	0	133	0	122	47	3	0	173
Trading securities	7	0	0	0	0	0	7	0	0	0	0	0	0
Investment securities	0	67	42	4	13	0	126	0	122	47	3	0	173
Investments in associated companies and joint ventures	0	0	177	0	0	0	177	0	0	179	0	0	179
Other receivables	44	1	6	0	356	123	530	8	18	10	0	218	253
Liabilities	1 628	545	123	782	0	2 398	5 477	2 128	719	121	315	1 952	5 235
Deposits	399	543	15	782	0	1 679	3 418	159	581	17	259	1 741	2 757
Deposits	399	543	15	782	0	1 679	3 418	159	581	17	259	1 741	2 757
Other	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	1 150	0	0	0	0	693	1 843	1 944	101	0	0	70	2 115
Debt certificates	0	0	0	0	0	693	693	0	101	0	0	70	171
Subordinated liabilities	1 150	0	0	0	0	0	1 150	1 944	0	0	0	0	1 944
Other liabilities	79	2	108	0	0	27	216	25	37	104	56	141	363

	31-12-2014							31-12-2015					
	Parent enitities with joint control	Subsi-diaries	Associated companies	Joint Ventures	Flemish region	Other*	Total	Parent enitities with joint control	Subsi-diaries	Associated companies	Joint Ventures	Other	Total
Income statement	- 863	4	- 2	- 8	10	- 37	- 895	- 881	14	- 1	- 4	- 42	- 915
Net interest income	- 1	3	0	- 8	11	- 106	- 101	- 39	- 1	- 1	- 6	- 111	- 159
Interest income	6	4	3	2	11	2	28	0	2	1	2	1	6
Interest expense	- 7	- 1	- 3	- 10	0	- 108	- 129	- 39	- 4	- 2	- 8	- 112	- 165
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	0	0	0	0	0	0
Dividend income	0	0	1	0	0	2	3	0	0	0	1	6	8
Net fee and commission income	0	0	- 1	0	0	91	90	0	14	- 1	0	87	100
Fee and commission income	3	0	0	0	0	162	165	0	14	0	0	156	171
Fee and commission expense	- 3	0	- 1	0	0	- 71	- 76	0	0	- 1	0	- 69	- 71
Other income	0	1	0	0	0	1	2	0	2	3	0	1	6
Other expenses	- 862	0	- 3	0	0	- 24	- 890	- 842	- 1	- 2	0	- 24	- 870
Guarantees													
Loan commitments, financial guarantees and other commitments issued by the group	0	35	101	3	0	390	528	0	138	6	1	185	329
Loan commitments, financial guarantees and other commitments received by the group	0	0	0	0	0	0	0	0	0	0	0	0	0

Transactions with key management personnel (members of the Board of Directors and the Executive Committee of KBC Bank), in millions of EUR	**31-12-2014**	**31-12-2015**
Total[1]	1	1
Breakdown by type of remuneration		
Short-term employee benefits	1	1
Post-employment benefits	0	0
Defined benefit plans	0	0
Defined contribution plans	0	0
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Share options, in units		
At the beginning of the period	0	0
Granted	0	0
Exercised	0	0
Changes in composition of directors	0	0
At the end of the period	0	0
Advances and loans granted to the directors and partners	3	2

[1]Remuneration to directors or partners of the consolidating company on the basis of their activity in that company, its subsidiaries and associated companies, including the amount of retirement pensions granted to former directors or partners on that basis.

- The ‘Other’ heading in the first table includes KBC Ancora, Cera and MRBB.
- All related-party transactions occur at arm’s length.
- The Flemish Region ceased to be a related party when the state aid was repaid at the end of December 2015 and is therefore no longer included in the table.
- There were no significant transactions with associated companies other than those shown in the table.
- Key management comprises the members of the Board of Directors and Executive Committee of KBC Group NV. More detailed information on remuneration paid to key management staff is provided in the ‘Corporate governance statement’ section.
- Information on the capital transactions and guarantee agreements with the Belgian Federal and Flemish Regional governments is provided under xxx and ‘Additional information’.
- There were no significant impairment charges vis-à-vis related parties.
- We have extended the list of related-party transactions in 2015 to include investments in associated companies and joint ventures (as presented in the balance sheet) to provide a fuller picture of the situation (the figures for 2014 have also been restated retroactively).

Note 38: Statutory auditor's remuneration

In 2015, KBC Bank NV and its subsidiaries paid Ernst & Young Bedrijfsrevisoren BCVBA fees amounting to a total of 7 498 434 euros for standard audit services (8 476 982 euros in 2014). Remuneration paid for other services came to 978 407 euros in 2015 (1 499 643 euros in 2014) and comprised 667 427 euros for other certifications, 63 919 euros for tax advice and 247 061 euros for other non-audit assignments (882 878, 60 881 and 555 884 euros, respectively, in 2014).

Note 39: Subsidiaries and associated companies at year-end 2015

Name	Registered office	Entity code	Share of capital held at group (%)	Division	Activity
Subsidiaries that are fully consolidated					
KBC Bank NV	Brussels - BE	0462.920.226	100	BEL/GRP	credit institution
ADB Asia Pacific Limited	Singapore - SG	--	100	GRP	credit institution
Almafin Real Estate NV	Brussels - BE	0403.355.494	100	BEL	real estate
Almafin Real Estate Services NV	Brussels - BE	0416.030.525	100	BEL	real estate
Immo Arenberg NV	Brussels - BE	0471.901.337	100	BEL	real estate
Apitri NV	Brussels - BE	0469.889.873	100	BEL	real estate
CBC BANQUE SA	Brussels - BE	0403.211.380	100	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava - SK	--	100	IMA	credit institution
ČSOB Centrála, s.r.o.	Bratislava - SK	--	100	IMA	facilities support services
ČSOB Factoring a.s.	Bratislava - SK	--	100	IMA	factoring
ČSOB Leasing a.s.	Bratislava - SK	--	100	IMA	leasing
ČSOB Leasing Poist'ovaci Maklér s.r.o.	Bratislava - SK	--	100	IMA	supporting leasing services
VB Leasing SK, spol. r. o.	Bratislava - SK	--	100	IMA	financial leasing
VB LEASING Sprostredkovateľská s. r. o.	Bratislava - SK	--	100	IMA	insurance agents and brokers
ČSOB Stavebná Sporitel'na a.s.	Bratislava - SK	--	100	IMA	building savings and loans
Československá Obchodní Banka a.s.	Prague - CZ	--	100	CZR	credit institution
Bankovní Informační Technologie s.r.o.	Prague - CZ	--	100	CZR	automatic data processing
Centrum Radlická a.s.	Prague - CZ	--	100	CZR	real estate
ČSOB Advisory a.s.	Prague - CZ	--	100	CZR	investment administration
ČSOB Factoring a.s.	Prague - CZ	--	100	CZR	factoring
ČSOB Leasing a.s.	Prague - CZ	--	100	CZR	leasing
ČSOB Leasing Pojist'ovaci Maklér s.r.o.	Prague - CZ	--	100	CZR	supporting leasing services
ČSOB Penzijní společnost a.s.	Prague - CZ	--	100	CZR	pension insurance fund
ČSOB Property Fund a.s.	Prague - CZ	--	62,87	CZR	property fund
Merrion Properties a.s.	Prague - CZ	--	62,87	CZR	real estate
Hypoteční Banka a.s.	Prague - CZ	--	100	CZR	credit institution -mortgage loans
Patria Online a.s.	Prague - CZ	--	100	CZR	on-line investment information
Patria Finance a.s.	Prague - CZ	--	100	CZR	securities trading via internet
Patria Finance CF a.s.	Prague - CZ	--	100	CZR	agency and consulting services
Radlice Rozvojová a.s. (1)	Prague - CZ	--	100	CZR	real estate
CIBANK EAD	Sofia - BG	--	100	IMA	credit institution
Management of Assets for Sale - 2 EOOD	Sofia - BG	--	100	IMA	SPV - Real Estate
Katarino Spa Hotel EAD	Sofia - BG	--	100	IMA	real estate
IIB Finance Ireland	Dublin - IE	--	100	GRP	holding
KBC Finance Ireland	Dublin - IE	--	100	GRP	lending
KBC Financial Services (Ireland) Limited	Dublin - IE	--	100	GRP	holding
Immo-Quinto NV	Brussels - BE	0466.000.470	100	BEL	real estate
Immo Senningerberg	Luxembourg - LU		100	BEL	real estate
KBC Asset Management NV	Brussels - BE	0469.444.267	51,86	BEL	asset management
KBC Asset Management SA	Luxembourg - LU	--	46,30	BEL	asset management
KBC Fund Management Limited	Dublin - IE	--	51,86	BEL	asset management
KBC Participations Renta B	Luxembourg - LU	--	51,86	BEL	asset management
KBC Participations Renta C	Luxembourg - LU	--	51,86	BEL	asset management
ČSOB Asset Management, a.s., Investiční Společnost	Prague - CZ	--	71,15	CZR	asset management
KBC Participations Renta SA	Luxembourg - LU	--	51,86	BEL	asset management
KBC Towarzystwo Funduszy Inwestycyjnych a.s.	Warszawa - PL	--	51,86	IMA	asset management
KBC Autolease NV	Leuven - BE	0422.562.385	100	BEL	leasing
KBC Lease (Luxembourg) SA	Bertrange - LU	--	100	BEL	leasing

KBC Bail Immobilier France sas	Paris - FR	--	100	BEL	leasing
KBC Bank Ireland Plc.	Dublin - IE	--	100	IMA	credit institution
Boar Lane Nominee (Number 1) Limited	Dublin - IE	--	100	IMA	non-active
Boar Lane Nominee (Number 2) Limited	Dublin - IE	--	100	IMA	non-active
Boar Lane Nominee (Number 3) Limited	Dublin - IE	--	100	IMA	non-active
Danube Holdings Limited	Dublin - IE	--	100	IMA	real estate
Glare Nominee Limited	Dublin - IE	--	100	IMA	non-active
IIB Finance Limited	Dublin - IE	--	100	IMA	commercial and financial loans
IIB Asset Finance Limited	Dublin - IE	--	100	IMA	leasing
IIB Commercial Finance Limited	Dublin - IE	--	100	IMA	leasing
IIB Leasing Limited	Dublin - IE	--	100	IMA	leasing
Lease Services Limited	Dublin - IE	--	100	IMA	leasing
IIB Homeloans and Finance Limited	Dublin - IE	--	100	IMA	holding
KBC Homeloans and Finance Limited	Dublin - IE	--	100	IMA	holding
Premier Homeloans Limited	London - GB	--	100	IMA	home loans
Irish Homeloans and Finance Limited	Dublin - IE	--	100	IMA	real estate
KBC ACS Limited	Dublin - IE	--	100	IMA	non-active
KBC Mortgage Finance	Dublin - IE	--	100	IMA	mortgage finance
KBC Nominees Limited	Dublin - IE	--	100	IMA	non-active
Fermion Limited	Dublin - IE	--	100	IMA	administration of mortgages
Intercontinental Finance	Dublin - IE	--	100	IMA	leasing
Linkway Developments Limited	Dublin - IE	--	100	IMA	non-active
Merrion Commercial Leasing Limited	London - GB	--	100	IMA	leasing
Merrion Equipment Finance Limited	London - GB	--	100	IMA	non-active
Merrion Leasing Assets Limited	London - GB	--	100	IMA	non-active
Merrion Leasing Finance Limited	London - GB	--	100	IMA	non-active
Merrion Leasing Industrial Limited	London - GB	--	100	IMA	non-active
Merrion Leasing Limited	London - GB	--	100	IMA	non-active
Merrion Leasing Services Limited	London - GB	--	100	IMA	leasing
Monastersky Limited	Dublin - IE	--	100	IMA	holding
Needwood Properties Limited	Dublin - IE	--	100	IMA	real estate
Phoenix Funding 2 Limited	Dublin - IE	--	100	IMA	SPV - securitization vehicle
Phoenix Funding 3 Limited	Dublin - IE	--	100	IMA	SPV - securitisation vehicle
Phoenix Funding 4 Limited	Dublin - IE	--	100	IMA	SPV - securitization vehicle
Phoenix Funding 5 Limited	Dublin - IE	--	100	IMA	SPV - securitization vehicle
Rolata Limited	Douglas - IM	--	100	IMA	investments
KBC Commercial Finance NV	Brussels - BE	0403.278.488	100	BEL	factoring
KBC Credit Investments NV	Brussels - BE	0887.849.512	100	BEL/GRP	investmentportfolio bonds
KBC Financial Products UK Limited	London - GB	--	100	GRP	(derivative) financial products
KBC Financial Products International S.A.	Luxembourg - LU	--	100	GRP	SPV - stock exchange brokers
KBC Ifima SA	Luxembourg - LU	--	100	GRP	SPV - financing
KBC Immolease NV	Leuven - BE	0444.058.872	100	BEL	leasing
KBC Investments Hong Kong Limited	Hong Kong - HK	--	100	GRP	stock exchange brokers
KBC Investments Limited	London - GB	--	100	GRP	stock exchange brokers
KBC AIM Feeder Fund	George Town - KY	--	100	GRP	SPV - fund
KBC AIM Master Fund	George Town - KY	--	100	GRP	SPV - fund
KBC Financial Products (Cayman Islands) Limited "Cayman I"	George Town - KY	--	100	GRP	SPV - stock exchange brokers
KBC Investments Cayman Islands V Limited	George Town - KY	--	100	GRP	SPV - fund
Hanover Street Finance Limited	Jersey - GB	--	100	GRP	SPV - CDO activity
Baker Street Finance Limited	Jersey - GB	--	100	GRP	SPV - CDO activity
Dorset Street Finance Limited	Jersey - GB	--	100	GRP	SPV - CDO activity
Pembridge Square Finance Limited	Jersey - GB	--	100	GRP	SPV - CDO activity
Regent Street Finance Limited	Jersey - GB	--	100	GRP	SPV - CDO activity
KBC Lease Belgium NV	Leuven - BE	0426.403.684	100	BEL	leasing
KBC Lease France SA	Lyon - FR	--	100	GRP	leasing
KBC Lease (UK) Limited	Uxbridge - GB	--	100	GRP	leasing
KBC Real Estate Luxembourg SA	Luxembourg - LU	--	100	BEL	real estate
KBC Vastgoedinvesteringen NV	Brussels - BE	0455.916.925	100	BEL	real estate

KBC Vastgoedportefeuille België NV	Brussels - BE	0438.007.854	100	BEL	real estate
Apicinq NV	Brussels - BE	0469.891.457	100	BEL	real estate
KBC Securities NV	Brussels - BE	0437.060.521	100	BEL	stock exchange brokers
K&H Bank Zrt.	Budapest - HU	--	100	IMA	credit institution
K&H Befektetési Alapkezelő Zrt.	Budapest - HU	--	100	IMA	security broking and fund management
K&H Csoportszolgáltató Központ Kft.	Budapest - HU	--	100	IMA	accounting and tax collector activity
K&H Equities Tanácsadó Zrt.	Budapest - HU	--	100	IMA	business and management consultancy
K&H Faktor Pénzügyi Szolgáltató Zrt.	Budapest - HU	--	100	IMA	factoring
K&H Alkusz Biztosításközvetítő Kft.	Budapest - HU	--	100	IMA	insurance broker
K&H Autópark Bérleti és Szolgáltató Kft	Budapest - HU	--	100	IMA	fleet management
K&H Eszközlizing Gép-és Tehergépjármű Bérleti Kft.	Budapest - HU	--	100	IMA	leasing
K&H Ingatlanlizing Zrt	Budapest - HU	--	100	IMA	leasing
Loan Invest NV "Institutionele VBS naar Belgisch recht"	Brussels - BE	0889.054.884	100	BEL	SPV - securisation company
Old Broad Street Invest NV	Brussels - BE	0871.247.565	100	GRP	real estate
Poelaert Invest NV	Brussels - BE	0478.381.531	100	BEL	real estate
RSL Leasing IFN SA	Boekarest - RO	--	100	GRP	leasing
Subsidiaries that are not fully consolidated					
111 OBS (General Partner) Limited (1)	London - GB	--	100	GRP	real estate
111 OBS Limited Partnership (1)	London - GB	--	100	GRP	real estate
111 OBS (Nominee) Limited (1)	London - GB	--	100	BEL	real estate
2 B Delighted Italia Srl (1)	Torino - IT	--	99,58	GRP	lighting
2 B Delighted NV (1)	Roeselare - BE	0891.731.886	99,58	GRP	lighting
Wever & Ducré NV (1)	Roeselare - BE	0412.881.191	99,58	GRP	lighting
Asia Pacific Trading & Investment Company Limited (1)	Hong Kong - HK	--	99,58	GRP	lighting
Dark NV (1)	Roeselare - BE	0472.730.389	99,58	GRP	lighting
Limis Beyond Light NV (1)	Roeselare - BE	0806.059.310	99,58	GRP	lighting
Wever & Ducré BV (1)	The Hague - NL	--	99,58	GRP	lighting
Wever & Ducré GmbH (1)	Herzogenrath - DE	--	99,58	GRP	lighting
Wever & Ducré Iluminación SL (1)	Madrid - ES	--	99,58	GRP	lighting
Almaloisir & Immobilier sas (1)	Nice - FR	--	100	BEL	real estate
Banque Diamantaire (Suisse) SA (1)	Geneva - CH	--	100	GRP	credit institution
Bel Rom Cinci-S.R.L. (1)	Bucharest - RO	--	100	BEL	renting of own or leased retail property
Bel Rom Sapte-S.R.L. (1)	Bucharest - RO	--	100	BEL	renting of own or leased retail property
Brussels North Distribution NV (1)	Brussels - BE	0476.212.887	100	BEL	SPV - real estate
ČSOB Nadácia (1)	Bratislava - SK	--	100	IMA	real estate
Eurincasso s.r.o. (1)	Prague - CZ	--	100	CZR	debts recovery
Fitraco NV (1)	Leuven - BE	0425.012.626	100	BEL	leasing
Immo-Antares NV (2)	Brussels - BE	0456.398.361	100	BEL	SPV - issuance of real estate certificates
Immo-Basilix NV (2)	Brussels - BE	0453.348.801	100	BEL	SPV - issuance of real estate certificates
Immo-Beaulieu NV (2)	Brussels - BE	0450.193.133	50	BEL	SPV - issuance of real estate certificates
Immobilière Distri-Land NV (2)	Brussels - BE	0436.440.909	87,52	BEL	SPV - issuance of real estate certificates
Immo Genk-Zuid NV (2)	Brussels - BE	0464.358.497	100	BEL	SPV - issuance of real estate certificates
Immolease-Trust NV (1)	Brussels - BE	0406.403.076	100	BEL	real estate
Immo Lux-Airport SA (2)	Luxembourg - LU	--	100	BEL	SPV - issuance of real estate certificates
Immo NamOtt NV (2)	Brussels - BE	0840.412.849	100	BEL	SPV - issuance of real estate certificates
Immo NamOtt Tréfonds NV (2)	Brussels - BE	0840.620.014	100	BEL	SPV - issuance of real estate certificates
Immo-Zénobe Gramme NV (2)	Brussels - BE	0456.572.664	100	BEL	SPV - issuance of real estate certificates
IP Exit, a.s. (2)	Prague - CZ	--	71,30	CZR	non-active
Julienne Holdings S.à.r.l. (1)	Luxembourg - LU	--	93	BEL	holding

Julie LH BVBA	Brussels - BE	0890.935.201	93	BEL	real estate
Juliette FH BVBA	Zaventem - BE	0890.935.397	93	BEL	real estate
KB-Consult NV (1)	Brussels - BE	0437.623.220	99,95	BEL	non-active
KBC Bail France II sas (1)	Lyon - FR	--	100	GRP	leasing
KBC Clearing NV (1)	Amsterdam - NL	--	100	BEL	clearing
KBC Lease (Nederland) BV (1)	Almere - NL	--	100	GRP	leasing
KBC Private Equity NV (1)	Brussels - BE	0403.226.228	100	GRP	investment company
KBC Securities USA, Inc. (1)	New York - US	--	100	GRP	stock exchange brokers
Luxembourg North Distribution SA (2)	Luxembourg - LU	--	100	BEL	SPV - issuance of real estate certificate
Immo Mechelen City Center NV (2)	Brussels - BE	635.828.862	100	BEL	SPV - issuance of real estate certificate
Midas Life Settlements LLC (1)	Delaware - US	--	100	GRP	life settlement provider
Motokov a.s. (1)	Prague - CZ	--	70,09	CZR	vehicles
Newcourt Street Finance Limited (1)	Jersey - GB	--	100	GRP	SPV - CDO activity
NV ACTIEF NV (1)	Brussels - BE	0824.213.750	57,14	BEL	education
Oxford Street Finance Limited (1)	Jersey - GB	--	100	GRP	SPV - CDO activity
Posselton Limited (1)	Dublin - IE	--	100	GRP	energy
Property LM s.r.o. (1)	Bratislava - SK	--	62,87	CZR	real estate
Reverse Mortgage Loan Trust 2008-1	New York - US	--	100	GRP	reverse mortgages
RHVG DK NV (2)	Brussels - BE	0539.765.408	100	BEL	SPV - issuance of real estate certificates
RHVG QT NV (2)	Brussels - BE	0539.764.121	100	BEL	SPV - issuance of real estate certificate
RHVG RB NV (2)	Brussels - BE	0539.765.012	100	BEL	SPV - issuance of real estate certificate
RHVG SB NV (2)	Brussels - BE	0539.764.814	100	BEL	SPV - issuance of real estate certificate
RHVG TB NV (2)	Brussels - BE	0539.764.517	100	BEL	SPV - issuance of real estate certificate
Securitas sam (1)	Monaco - MC	--	100	GRP	leasing
Sisyphus Holding Corporation (1)	Delaware - US	--	100	GRP	holding
Setanta Energy LLC (1)	Delaware - US	--	100	GRP	energy
TEE Square Limited (1)	Road Town - VG	--	100	CZR	SPV - non-active
Transformation fund Stabilita (1)	Prague - CZ	--	100	CZR	pension insurance
Vastgoed Ruimte Noord NV (1)	Brussels - BE	0863.201.515	100	BEL	real estate
Weyveld Vastgoedmaatschappij NV (2)	Brussels - BE	0425.517.818	100	BEL	SPV - issuance of real estate certificates
World Alliance Financial Corporation (1)	New York - US	--	100	GRP	reverse mortgages
Joint ventures accounted for using the equity method					
Českomoravská Stavební Spořitelna (CMSS)	Prague - CZ	--	55	CZR	building society savings
Union KBC Asset Management Company Private Limited	Mumbai - IN	--	25,41	BEL	asset management
Joint ventures not accounted for using the equity method (1)					
Atrium Development SA	Luxembourg - LU	--	25	BEL	real estate
Covent Garden Development NV	Brussels - BE	0892.236.187	25	BEL	real estate
Covent Garden Real Estate NV	Zaventem - BE	0872.941.897	50	BEL	real estate
Jesmond Amsterdam B.V.	Amsterdam - NL	--	50	BEL	holding
Miedziana Sp z.o.o.	Warszawa - PL	--	47,75	BEL	real estate
Real Estate Participation NV	Zaventem - BE	0473.018.817	50	BEL	real estate
UNION KBC Trustee Company Private Limited	Mumbai - IN	--	25,41	BEL	trustee
Xiongwei Lighting (Guangzhou) Co., Ltd.	Guangzhou - CY	--	49,79	GRP	lighting
Associated companies accounted for using the equity method					
ČSOB Pojišťovna a.s.	Pardubice - CZ	--	0,24	CZR	insurance company
HAGE Hajdúsági Agráripari Zrt.	Nádudvar - HU	--	25	IMA	agriculture
Associated companies not accounted for using the equity method(1)					
Bancontact-MisterCash NV	Brussels - BE	0884.499.250	20	BEL	credit cards
Banking Funding Company NV	Brussels - BE	0884.525.182	20,25	BEL	payment services
Bedrijvencentrum Regio Roeselare NV	Roeselare - BE	0428.378.724	22,22	BEL	company center
Brussels I3 Fund NV	Brussels - BE	0477.925.433	36,37	BEL	venture funds
Citylife Belgium NV	Hasselt - BE	0578.946.577	33,33	BEL	ICT & Consultancy
Cofely Ren s.r.o.	Prague - CZ	--	42,82	CZR	rental services
Czech Banking Credit Bureau a.s.	Prague - CZ	--	20	CZR	ICT
Etoiles d'Europe sas	Paris - FR	--	45	BEL	hotels

Gemma Frisius-Fonds K.U. Leuven	Leuven - BE	0477.960.372	40	BEL	risk capital
Isabel NV	Brussels - BE	0455.530.509	25,33	BEL	ICT
Justinvest NV	Antwerp - BE	0476.658.097	33,33	BEL	real estate
První Certifikačni Autorita a.s.	Prague - CZ	--	23,25	CZR	certification services
Qbic Feeder Fund NV	Gent - BE	0846.493.561	21,02	BEL	risk capital
Rabot Invest NV	Antwerp - BE	0479.758.733	25	BEL	real estate
Thanksys NV	Hasselt - BE	0553.877.423	22,22	BEL	ICT & Consultancy
Xenarjo cvba	Mechelen - BE	0899.749.531	22,39	BEL	social sector

Reason for exclusion:
1 Immaterial.
2 Issuers of real estate certificates and companies whereby the group is not exposed to a variable return.
3 BEL = Belgium Business Unit, CSR = Czech Republic Business Unit, IMA = International Markets Business Unit, GRP = Group Centre.

Companies eligible for consolidation are effectively included in the consolidated accounts if two of the following criteria are met:
- the group share in equity exceeds 2.5 million euros;
- the group share in the results exceeds 1 million euros;
- the balance sheet total exceeds 100 million euros.

The combined balance sheet total of the companies excluded from consolidation may not amount to more than 1% of the consolidated balance sheet total.

- All (material) entities (including structured entities (SPVs)) over which the consolidating entity exercises, directly or indirectly, exclusive control are consolidated according the method of full consolidation. To assess whether or not structured entities have to be consolidated, KBC uses the principles set out in IFRS 10, as well as thresholds for inclusion in consolidation (see table below). A number of structured entities meet only one of these criteria, which means that (as long as the combined balance sheet total of the companies excluded from consolidation is not more than 1% of the consolidated balance sheet total) these entities are not consolidated. This relates chiefly to the structured entities set up for the remaining CDO activities. Please note that these entities only exceed one threshold (balance sheet total) since their equity and net results are always very limited. However, the remaining CDO-related results are recorded under the KBC Financial Products group, which is, of course, consolidated. Consequently, excluding these structured entities from the consolidated accounts only impacts presentation of the consolidated balance sheet, and not equity, the results or solvency.
- Disclosures of interests in other entities (IFRS 12)
  - Significant judgements and assumptions
    - In general, funds managed by KBC are not included in the scope of consolidation, as they do not meet the three criteria of control (power, exposure to a variable return and ability to use such power to affect those returns).
    - Joint subsidiaries in which KBC does not hold 50% of the share capital are classified as joint subsidiaries, since it has joint control over these entities based on shareholder agreements.
  - Interests in subsidiaries
    - For the vast majority of the entities, the voting rights are materially equal to the ownership rights.
    - Certain structured entities that are included in the scope of consolidation are subject to significant restrictions. In the past, KBC initiated a number of CDO and RMBS note issues, in each case through a structured entity established for the sole purpose of entering into the relevant transaction (collectively referred to as the 'vehicles' and the 'transactions'). Each of the vehicles invested the proceeds of its notes issue in order to collateralise its obligations under both the notes and a portfolio credit default swap. All shares in the vehicles are wholly owned by a trust company. Nevertheless, the vehicles are consolidated in KBC based on the requirements of IFRS 10. Under the agreements governing the transactions, there are significant restrictions on KBC's ability to access, transfer or use the cash or other assets of the vehicles to settle liabilities of other entities within the group. All the assets of the vehicles are assigned to the security trustee (for itself and as trustee for the holders of the notes) as continuous security for the payment and discharge of the obligations of the vehicles under the notes. Unless explicitly authorised by the agreements or unless the security trustee provides consent in writing beforehand, neither the vehicle nor KBC Bank as administrator can access, transfer or use the cash or other assets of the vehicles to settle liabilities of other KBC-group entities.
    - Pursuant to the joint capital decision, specific pillar-II levels have been set to ensure that certain minimum capital ratios are respected, which impose certain restrictions on the repatriation of capital and distribution of dividends.
    - With regard to Loan Invest NV, KBC is exposed to loan losses on the mortgage portfolio and, therefore, recognises impairment losses on them where necessary.
  - Interests in joint ventures and associated companies
    - For a summary of the financial information on ČMSS, see Note 28.
    - For a summary of the financial information on KBC Asset Management, see Note 39.
    - No summarised financial information is provided for immaterial entities on an aggregate basis, because, even on that basis, the amount is immaterial.
  - Interests in unconsolidated structured entities
    - KBC Bank NV is arranger and dealer of a number of 40-billion-euro medium term notes programmes issued by 19 unconsolidated structured entities established for that purpose. Between 2006 and 2010, these entities were established as Irish public limited companies or Irish private limited companies under the Irish Companies Act 1963 to 2012. Their primary business is to raise money by issuing notes in order to buy financial assets (such as securities, bonds and deposits) and to enter into related derivative and other contracts (like equity-linked swaps, interest-linked swaps, total return swaps and repo transactions). They provide investment opportunities for clients by providing economies of scale, a diversification of credit risk and a high level of granularity. Each structured entity has a

prospectus that was approved by the Central Bank of Ireland (available at www.kbc.be/prospectus/spv). However, the structured entities are not consolidated because they fail to meet the three criteria for consolidation (power, exposure to a variable return and ability to use such power to affect those returns). At year-end 2015, the assets under management at these entities amounted to 16.2 billion euros.

- Sponsored unconsolidated structured entities are defined as structured entities where KBC or one of its subsidiaries acts as arranger of the issuance programme, but where the decision-making power of the entities does not reside with KBC or one of its subsidiaries. As a result, these entities are not consolidated.
- At year-end 2015, KBC Bank had received income from unconsolidated structured entities in the form of management fees (37 million euros), custody fees (1 million euros), administrative agent fees (1 million euros) and accounting fees (1 million euros).
- At year-end 2015, KBC Group held 5.6 billion euros' worth of notes issued by the unconsolidated structured entities. KBC Bank's liabilities towards the unconsolidated structured entities amounted to 5.9 billion euros and comprised mainly term deposits (5.3 billion euros).
- Any potential decrease in the value of the notes is passed on to the end-client, which means it will have no impact on KBC Group.
- KBC Asset Management provides a 0.05-billion-euro line of credit for KBC funds to cover any (temporary) shortfalls arising at month-end and especially at quarter-end.

The following is a summary of financial information for the KBC Asset Management group:

KBC Asset Management Group (in millions of EUR)	**2014**	**2015**
Cash and cash balances with central banks	0	0
Financial assets	649	496
Non financial assets	39	20
TOTAL ASSETS	688	516
Financial liabilities	5	0
Non financial liabilities	150	106
Total equity	533	410
TOTAL LIABILITIES AND EQUITY	688	516
Total income	464	540
Interest income	5	1
Interest expense	- 1	- 1
Opex	- 81	- 82
Impairments	0	0
Income taxes	- 77	- 99
Total profit	283	334
Other comprehensive income	2	0
Total comprehensive income	285	334

Note 40: Main changes in the scope of consolidation

Company	Consolidation method	Ownership percentage at group level		Comments
		31/12/2014	31/12/2015	
Additions				
VB Leasing SK, spol. r. o.	Full	------	100	Acquisition by ČSOB Leasing in the 3rd quarter of 2015
VB Leasing Sprostredkovateľská s. r. o.	Full	------	100	Acquisition by ČSOB Leasing in the 3rd quarter of 2015
Exclusions				
KBC Bank Deutschland AG	Full	------	------	Sold in 3Q 2014
Transformation fund Stabilita	Full	------	------	Deconsolidated in 3Q 2014
KBC Financial Holding Inc.	Full	100	------	Liquidated 4Q 2015
Name Changes				
None				
Changes in ownership percentage and internal mergers				
Antwerpse Diamantbank NV	Full	100	------	Merged with KBC Bank in 3Q 2015
KBC Lease Holding NV	Full	100	------	Merged with KBC Bank in 3Q 2015

Note 41: Risk management

The information required in relation to risks (in accordance with IFRS 4 and IFRS 7) and capital (pursuant to IAS 1) is provided in those parts of the ‘Risk management’ and ‘Capital adequacy’ sections that have been audited by the statutory auditor.

Note 42: Post-balance-sheet events

Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved by the Board of Directors (17 March 2016):

- Please refer to Note 31 as regards the '5-5-5 bonds' issued by KBC Group NV.

Note 43: General information on the company

Name:	KBC Bank NV
Incorporated:	17 March 1998
Country of incorporation:	Belgium.
Registered office:	Havenlaan 2, 1080 Brussels, Belgium.
VAT:	BE 0462.920.226.
RLP:	Brussels.
Legal form:	naamloze vennootschap (company with limited liability) under Belgian law, which solicits or has solicited savings from the public; the company is a credit institution that is subject to the prudential supervision of the National Bank of Belgium and the European Central Bank.
Life:	undefined.
Object:	In Belgium or abroad, for its own account or for account of third parties, the company has as object the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue (Article 2 of the Articles of Association).

Documents open to public inspection

The Articles of Association of the company are open to public inspection at the Registry of the Dutch-speaking division of the Brussels Commercial Court. The financial statements are filed with the National Bank of Belgium. Decisions on the appointment, resignation and dismissal of members of the Executive Committee and the Board of Directors are published in the *Appendices to the Belgian Official Gazette*. Financial reports about the company and convening notices of general meetings of shareholders are also published in the financial press and/or on www.kbc.com. Copies of the company's annual reports are available at its registered office and/or can be downloaded from www.kbc.com. They are sent annually to the holders of registered shares and to those who have requested a copy.

General Meeting of Shareholders

A General Meeting is held every year at the company's registered office or at any other place indicated in the convening notice, at 11 a.m. on the Wednesday immediately prior to the last Thursday of April, or, if this day is a statutory public holiday or bank holiday, at 11 a.m. on the business day immediately before it.

Each share gives entitlement to one vote.

Holders of bonds, warrants or certificates issued in co-operation with the company are entitled to attend the General Meeting, but they have only advisory voting capacity.

Holders of registered bonds, warrants or certificates issued in co-operation with the company must also notify the registered office of KBC Bank NV in writing, at least four business days prior to the meeting, of their intention to attend the General Meeting.

Holders of book-entry bonds, warrants or certificates issued in co-operation with the company must, at least four business days prior to the General Meeting, deposit at the registered office or at another place designated in the convening notice, a certificate drawn up by the recognised account holder or by the clearing house, attesting to the non-availability of the bonds, warrants or certificates until the date of the General Meeting.

Holders of bearer bonds, warrants or certificates issued in co-operation with the company must, within the same timeframe, deposit their securities at the registered office or at another location if specified in the convening notice. They will receive a certificate attesting to the fact that their bonds, warrants or certificates were deposited on time. They will be admitted to the General Meeting upon presentation of proof of their identity and this certificate.

Company annual accounts

10				9	EUR	
NAT.	Date Filed	N°	P.	E.	D.	**C-inst 1.1**

ANNUAL ACCOUNTS IN EUR (2 decimals)

NAME: KBC BANK

Legal Form: NV
Address: Havenlaan N°.: 2 Box:
Postal Code: 1080 Municipality: BRUSSELS
Country: België
Register of Legal Persons (RLP) - Chamber of Commerce: Brussels
Internet address*: http://www.kbc.be

Company Number 0462.920.226

Date 29/04/2015 of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNT approved by the General Meeting of 27/04/2016

concerning the financial year covering the period from 01/01/2015 till 31/12/2015

Previous period from 01/01/2014 till 31/12/2014
The amounts of the previous financial year are / ~~are not~~ ** identical to those which have been previously published.

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS and AUDITORS

	Period on the Board in 2013	End of current term of office
CHAIRMAN OF THE BOARD OF DIRECTORS:		
Mr. Thomas LEYSEN, Rosier 21, 2000 Antwerpen	entire year	2019
CHAIRMAN OF THE EXECUTIVE COMMITTEE		
Mr. Johan THIJS, Moorsemsestraat 260, 3130 Betekom	entire year	2017

Members: see next page

Enclosed to these annual accounts:
- the report of the statutory auditor
- the annual report of the Board of Directors to the ordinary General Meeting of shareholders

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Total number of pages deposited:
Number of the pages of the standard form not deposited for not being of service: 5.6.2, 5.7.1, 5.7.3, 5.8.6, 5.20, 5.21.1, 5.21.2, 5.21.4, 5.25, 5.32.2

Signature (name and position)	Signature (name and position)
J. THIJS	T. LEYSEN
Chairman of the Executive Committee	Chairman of the Board of Directors

* Optional Statement
** Delete where appropriate

LIST OF DIRECTORS, MANAGERS AND AUDITORS (continuation from previous page)

Members:

Dhr. Nabil ARISS, 16 Chiddingstone Street, UK London SW6 3TG	entire year	2018
Dhr. Alain BOSTOEN, Coupure 126, 9000 Gent	resignation as of 28/04/2015	
Dhr. Franky DEPICKERE, Izegemstraat 203, 8770 Ingelmunster	entire year	2019
Dhr. Luc DISCRY, Bosduifdreef 4, 2970 Schilde	entire year	2018
Dhr. Frank DONCK, Floridalaan 62, 1180 Ukkel	resignation as of 28/04/2015	
Dhr. Daniel FALQUE, Bovenbosstraat 78, 3053 Haasrode	entire year	2016
Dhr. Lucien GIJSENS, Oudenaardsesteenweg 44, 9000 Gent	entire year	2019
Dhr. John HOLLOWS, V Ulickach 882 164 00, Praha - Nebusice, Tsjechië	entire year	2017
Dhr. Lode MORLION, Weststraat 18, 8647 Lo-Reninge	entire year	2016
Dhr. Luc POPELIER, Voosdonk 21, 2801 Heffen	entire year	2017
Dhr. Theodoros ROUSSIS, Poederstraat 51, 2370 Arendonk	entire year	2016
Mevr. Ghislaine VAN KERCKHOVE, Wegvoeringstraat 62, 9230 Wetteren	entire year	2016
Mevr. Christine VAN RIJSSEGHEM, Avenue du Manoir 59, 1410 Waterloo	entire year	2018
Dhr. Piet VANTHEMSCHE, Tombergstraat 57, 1750 St.-Martens-Lennik	entire year	2019
Dhr. Philippe VLERICK, Ronsevaalstraat 2, 8510 Bellegem	resignation as of 28/04/2015	
Dhr. Marc WITTEMANS, Beatrijslaan 91, 3110 Rotselaar	entire year	2018

AUDITOR:

Ernst & Young Bedrijfsrevisoren bcvba

De Kleetlaan 2 1831 Diegem, V.A.T. BE 0446.334.711, Registry number at the IBR/IRE (B160)
Represented by Christel Weymeersch
Partner, permanent representative of Christel Weymeersch bvba

DECLARATION ABOUT SUPPLEMENTARY AUDITING OR ADJUSTMENT MISSION

The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

The annual accounts ~~have~~ / have not* been audited or adjusted by an external accountant or auditor who is not a statutory auditor.

If YES, mention here after: name, first names, profession, residence-address of each external accountant or auditor, the number of membership with the professional Institute ad hoc and the nature of this engagement:

A. Bookkeeping of the undertaking**,
B. Preparing the annual accounts**,
C. Auditing the annual accounts and/or
D. Adjusting the annual accounts.

If the assignment mentioned either under A or B is performed by authorised accountants or authorised accountants-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number of membership with the Professional Institute of Accountants and Tax consultants and the nature of this engagement.

Name, first name, profession, residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

* Delete where appropriate.
** Optional disclosure.

BALANCE SHEET AFTER APPROPRIATION

ASSETS	Notes	Code	Current period	Previous period
I. Cash in hand, balances with central banks and post office banks		10100	1.355.357.346,01	1.051.392.920,88
II. Treasury bills eligible for refinancing at central banks		10200	291.242.670,70	682.119.786,08
III. Loans and advances to credit institutions	5.1	10300	16.769.650.437,54	21.856.266.308,08
A. Repayable on demand		10310	283.101.551,43	1.608.111.520,00
B. Other loans and adv. (with agreed maturity dates)		10320	16.486.548.886,11	20.248.154.788,08
IV. Loans and advances to customers	5.2	10400	93.764.383.738,77	85.886.204.458,21
V. Debt securities and other fixed-income securities	5.3	10500	24.109.914.758,42	23.345.266.107,39
A. Issued by public bodies		10510	15.627.750.981,33	16.535.010.496,83
B. Issued by other borrowers		10520	8.482.163.777,09	6.810.255.610,56
VI. Shares and other variable-yield securities	5.4	10600	142.399.487,69	186.573.729,00
VII. Financial fixed assets	5.5/ 5.6.1	10700	13.426.160.954,87	13.754.872.381,98
A. Participating interests in affiliated enterprises		10710	12.844.053.234,22	13.104.502.684,10
B. Participating interests in other enterprises linked by participating interests		10720	76.710.216,95	139.270.019,77
C. Other shares held as financial fixed assets		10730	39.088.000,43	24.711.350,40
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		10740	466.309.503,27	486.388.327,71
VIII. Formation expenses and intangible fixed assets	5.7	10800	364.144,78	484.386,03
IX. Tangible fixed assets	5.8	10900	785.038.567,07	801.231.112,28
X. Own shares		11000	0,00	0,00
XI. Other assets	5.9	11100	1.796.079.899,48	1.942.085.685,73
XII. Accrued income	5.10	11200	9.038.131.441,80	9.941.907.880,65
TOTAL ASSETS		19900	161.478.723.447,13	159.448.404.756,31

	Notes	Code	Current Period	Previous Period
LIABILITIES				
THIRDPARTY FUNDS		201/208	151.398.782.134,19	149.435.790.420,46
I. Amounts owed to credit institutions	5.11	20100	16.307.051.472,54	14.329.640.977,27
A. Repayable on demand		20110	1.545.115.963,86	2.668.632.657,98
B. Amounts owed as a result of the rediscounting of trade bills		20120	0,00	0,00
C. Other debts with agreed maturity dates or periods of notice		20130	14.761.935.508,68	11.661.008.319,29
II. Amounts owed to customers	5.12	20200	108.589.733.737,11	107.873.921.644,07
A. Savings deposits		20210	35.567.300.317,52	33.351.026.487,55
B. Other debts		20220	73.022.433.419,59	74.522.895.156,52
1. repayable on demand		20221	36.137.762.461,04	32.252.988.048,96
2. with agreed maturity dates or periods of notice		20222	36.884.670.958,55	42.269.907.107,56
3. as a result of the rediscounting of trade bills		20223	0,00	0,00
III. Debts evidenced by certificates	5.13	20300	12.506.927.237,14	10.600.170.476,99
A. Debt securities and other fixed-income securities in circulation		20310	7.781.036.577,80	5.471.575.695,70
B. Other		20320	4.725.890.659,34	5.128.594.781,29
IV. Other liabilities	5.14	20400	1.161.024.262,74	2.808.501.889,32
V. Accrued charges and deferred income	5.15	20500	7.305.850.276,17	8.151.574.318,44
VI. Provisions and deferred taxes		20600	248.195.929,74	277.544.361,10
A. Provisions for liabilities and charges		20610	215.745.959,57	276.192.876,59
1. Pensions and similar obligations		20611	23.912.710,15	31.874.152,08
2. Taxation		20612	0,00	0,00
3. Other liabilities and charges	5.16	20613	191.833.249,42	244.318.724,51
B. Deferred taxes		20620	32.449.970,17	1.351.484,51
VII. Fund for general banking risks		20700	0,00	0,00
VIII. Subordinated liabilities	5.17	20800	5.279.999.218,75	5.394.436.753,27
OWN FUNDS		209/213	10.079.941.312,94	10.012.614.335,85
IX. CAPITAL	5.18	20900	8.948.439.652,39	8.948.439.652,39
A. Subscribed capital		20910	8.948.439.652,39	8.948.439.652,39
B. Uncalled capital (-)		20920	0,00	0,00
X. Share premium account		21000	895.449.646,51	895.449.646,51
XI. Revaluation surpluses		21100	0,00	0,00
XII. Reserves		21200	230.975.500,00	160.411.490,37
A. Legal reserve		21210	218.002.251,77	147.438.242,14
B. Reserves not available for distribution		21220	0,00	0,00
1. In respect of own shares held		21221	0,00	0,00
2. Other		21222	0,00	0,00
C. Untaxed reserves		21230	12.973.248,23	12.973.248,23
D. Reserves available for distribution		21240	0,00	0,00
XIII. Profits (losses (-)) brought forward (+)/(-)		21300	5.076.514,04	8.313.546,58
TOTAL LIABILITIES		29900	161.478.723.447,13	159.448.404.756,31

OFF BALANCE SHEET CAPTIONS	Notes	Code	Current period	Previous period
I. Contingent liabilities	5.22	30100	16.802.741.110,68	20.484.554.797,78
A. Non-negotiated acceptances		30110	66.018.544,95	118.765.351,03
B. Guarantees serving as direct credit substitutes		30120	3.067.748.704,25	2.999.723.886,48
C. Other guarantees		30130	11.967.566.441,08	15.269.184.630,69
D. Documentary credits		30140	1.701.407.420,40	2.096.880.929,58
E. Assets charged as collateral security on behalf of third parties		30150	0,00	0,00
II. Commitments which could give rise to a risk	5.22	30200	35.557.493.774,46	31.123.999.826,56
A. Firm credit commitments		30210	4.076.872.262,66	1.708.208.498,39
B. Commitments as a result of spot purchases of transferable or other securities		30220	108.271.242,80	134.100.940,50
C. Undrawn margin on confirmed credit lines		30230	31.372.350.269,00	29.281.690.387,67
D. Underwriting and placing commitments		30240	0,00	0,00
E. Commitments as a result of open-ended sale and repurchase agreements		30250	0,00	0,00
III. Assets lodged with the credit institution		30300	206.374.531.802,06	191.913.723.355,16
A. Assets held by the credit institution for fiduciary purposes		30310	4.501.432.620,54	4.174.311.000,64
B. Safe custody and equivalent items		30320	201.873.099.181,52	187.739.412.354,52
IV. Uncalled amounts of share capital		30400	9.680.386,73	8.744.136,73

INCOME STATEMENT (presentation in vertical form)

		Notes	Code	Current Period	Previous period
I. Interest receivable and similar income		5.23	40100	3.032.036.053,93	3.277.353.448,94
A. Of which: from fixed-income securities			40110	624.498.374,24	736.890.118,66
II. Interest payable and similar charges			40200	1.477.400.275,78	1.876.680.395,47
III. Income from variable-yield securities		5.23	40300	906.886.885,81	683.706.227,13
A. From shares and other variable-yield securities			40310	4.186.210,06	4.113.347,65
B. From participating interests in affiliated enterprises			40320	896.393.187,60	676.714.314,88
C. From participating interests in other enterprises linked by participating interests			40330	4.613.511,66	1.480.165,43
D. From other shares held as financial fixed assets			40340	1.693.976,49	1.398.399,17
IV. Commissions receivable		5.23	40400	979.234.191,45	1.039.139.966,24
A. Brokerage and related commissions			40410	615.313.229,50	604.271.205,75
B. Management, consultancy and conservation commissions			40420	47.626.093,03	40.799.501,21
C. Other commissions received			40430	316.294.868,92	394.069.259,28
V. Commissions payable			40500	148.059.180,54	136.478.576,53
VI. Profit (loss) on financial transactions	(+)/(-)	5.23	40600	135.311.973,52	-65.580.613,42
A. On trading of securities and other financial instruments			40610	20.082.148,86	64.068.192,84
B. On disposal of investment securities			40620	115.229.824,66	-129.648.806,26
VII. General administrative expenses			40700	1.757.037.231,58	1.674.634.639,00
A. Remuneration, social security costs and pensions			40710	806.889.249,66	793.751.143,96
B. Other administrative expenses			40720	950.147.981,92	880.883.495,04
VIII. Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets			40800	47.826.099,97	52.224.130,97
IX. Decrease in write downs on receivables and in provisions for off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	(+)/(-)		40900	-207.239.689,30	-202.158.670,02
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(+)/(-)		41000	-14.165.891,25	-3.320.327,19
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions	(+)/(-)		41100	93.435.923,91	100.606.607,63
XII. Provisions for liabilities and charges other than those included in the off balance sheet captions			41200	13.074.869,94	17.361.585,43
XIII. Transfer from (Transfer to) the fund for general banking risks	(+)/(-)		41300	0,00	0,00
XIV. Other operating income		5.23	41400	228.098.810,84	253.296.083,33
XV. Other operating charges		5.23	41500	115.453.478,09	122.592.028,67
XVI. Profits (losses) on ordinary activities before taxes	(+)/(-)		41600	1.594.747.123,01	1.203.071.366,57

		Notes	Code	Current period	Previous period
XVII. Extraordinary income			41700	2.805.359.538,67	551.820.863,12
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets			41710	0,00	0,00
B. Adjustments to write-downs on financial fixed assets			41720	2.761.457.165,38	549.802.066,48
C. Adjustments to provisions for extraordinary liabilities and charges			41730	600,30	1.617.084,66
D. Gain on disposal of fixed assets			41740	40.798.074,53	191.016,64
E. Other extraordinary income		5.25	41750	3.103.698,46	210.695,34
XVIII. Extraordinary charges			41800	2.980.085.778,22	58.333.550,85
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets			41810	4.857.314,80	
B. Write-downs on financial fixed assets			41820	252.389.368,00	21.416.711,25
C. Provisions for extraordinary liabilities and charges	(+/-)		41830	0,00	0,00
D. Loss on disposal of fixed assets			41840	2.722.737.271,33	36.803.445,50
E. Other extraordinary charges		5.25	41850	101.824,09	3.610,32
XIX. Profits (Losses) for the period before taxes	(+/-)		41910	1.420.020.883,46	1.696.558.678,84
XIXbis. A. Transfer to deferred taxes			41921	5.000.260,33	16.497.318,49
B. Transfer from deferred taxes			41922	17.425.423,34	9.029.844,72
XX. Income taxes	(+/-)	5.26	42000	21.165.853,89	3.652.547,90
A. Income taxes			42010	24.746.663,99	17.461.424,37
B. Adjustement of income taxes and write-back of tax provisions			42020	3.580.810,10	13.808.876,47
XXI. Profits (Losses) for the period	(+/-)		42100	1.411.280.192,58	1.685.438.657,17
XXII. Transfer to untaxed reserves	(+/-)		42200	0,00	0,00
XXIII. Profit (Losses) for the period available for appropriation	(+/-)		42300	1.411.280.192,58	1.685.438.657,17

APPROPRIATION ACCOUNT

		Code	Current period	Previous period
A. Profit (loss) to be appropriated	(+)/(-)	49100	1.419.593.739,16	1.685.897.811,30
1. Profit (loss) for the period available for appropriation	(+)/(-)	(42300)	1.411.280.192,58	1.685.438.657,17
2. Profit (loss) to be carried forward	(+)/(-)	(21300P)	8.313.546,58	459.154,13
B. Transfers from capital and reserves		49200	0,00	0,00
1. From capital and share premium account		49210	0,00	0,00
2. From reserves		49220	0,00	0,00
C. Transfers to capital and reserves		49300	70.564.009,63	84.271.932,86
1. To capital and share premium account		49310	0,00	0,00
2. To the legal reserve		49320	70.564.009,63	84.271.932,86
3. To other reserves		49330	0,00	0,00
D. Profit (loss) to be carried forward	(+)/(-)	49400	5.076.514,04	8.313.546,58
E. Shareholders' contribution in respect of losses		49500	0,00	0,00
F. Profit to be distributed		49600	1.343.953.215,49	1.593.312.331,86
1. Dividends		49610	1.327.081.298,90	1.574.192.989,04
2. Director's or manager's entitlements		49620	0,00	0,00
3. Other allocations		49630	16.871.916,59	19.119.342,82

NOTES

I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS (Assets caption III)

	Code	Current period	Previous period
A. FOR THE CAPTION AS A WHOLE	(10300)	16.769.650.437,54	21.856.266.308,08
1. Loans and advances to affiliated enterprises	50101	8.099.418.438,45	12.435.404.910,58
2. Loans and advances to other enterprises linked by participating interests	50102	0,00	0,00
3. Subordinated loans and advances	50103	665.344.704,04	93.088.376,88
B. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS (with agreed maturity dates or periods of notice)	(10320)	16.486.548.886,11	20.248.154.788,08
1. Trade bills eligible for refinancing with the central bank of the country(ies) of establishment of the credit	50104	0,00	
2. Breakdown according to the remaining maturity			
a. Up to 3 months	50105	13.103.881.763,10	
b. Over 3 months up to 1 year	50106	1.734.443.474,72	
c. Over 1 year up to 5 years	50107	1.256.814.203,45	
d. Over 5 years	50108	345.351.257,52	
e. Undated	50109	46.058.187,32	

II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS (Assets caption IV)

	Code	Current Period	Previous Period
1. Loans to affiliated enterprises	50201	21.609.553.522,09	18.335.237.351,09
2. Loans to other enterprises linked by participating interests	50202	49.923.536,03	52.884.222,13
3. Subordinated loans	50203	1.264.120.425,19	393.643.431,04
4. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established	50204	0,00	0,00
5. Breakdown according to the remaining maturity :			
a. Up to 3 months	50205	25.672.804.908,82	
b. Over 3 months up to 1 year	50206	5.474.049.627,91	
c. Over 1 year up to 5 years	50207	11.413.139.563,58	
d. Over 5 years	50208	46.989.114.527,10	
e. Undated	50209	4.215.275.111,36	
6. Breakdown of customer loans based on the type of debtor			
a. Claims on government	50210	4.278.068.753,17	4.335.224.983,90
b. Retail exposures	50211	33.244.636.412,14	29.715.391.770,76
c. Claims on enterprises	50212	56.241.678.573,46	51.835.587.703,55
7. Breakdown by type :			
a. Trade bills (including own acceptance)	50213	75.725.347,74	
b. Loans and advances as a result of leasing and similar agreements	50214	377.493.361,22	
c. Fixed-rate loans	50215	1.026.573.000,20	
d. Mortgage loans	50216	28.323.529.058,57	
e. Other term loans with a maturity over 1 year	50217	35.375.815.771,40	
f. Other loans and advances	50218	28.585.247.199,64	
8. Geographical breakdown			
a. Belgian origin	50219	82.872.043.507,97	
b. Foreign	50220	10.892.340.230,80	
9. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalization contracts			
a. Principal sums initially lent	50221	0,00	
b. Reconstitution fund and mathematical reserves relating to these loans	50222	0,00	
c. Net amount outstanding (a-b)	50223	0,00	

III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES (Assets caption V)

	Code	Current period	Previous period
A. GENERAL	(10500)	24.109.914.758,42	23.345.266.107,39
1. Securities issued by affiliated enterprises	50301	7.188.281.879,07	5.159.648.509,06
2. Securities issued by enterprises linked by participating interests	50302	0,00	0,00
3. Securities representing subordinated loans	50303	145.465.304,12	182.804.177,89
4. Country analysis of the securities issued			
a. By public bodies	50304	12.330.086.494,72	
b. By other borrowers	50305	3.297.664.486,61	
c. Belgian issuers other than public bodies	50306	1.254.596.694,30	
d. Foreign issuers other than public bodies	50307	7.227.567.082,79	
5. Listing			
a. Book value of listed securities	50308	24.096.765.852,34	
b. Market value of listed securities	50309	25.854.945.444,16	
c. Book value of unlisted securities	50310	13.148.906,08	
6. Maturities			
a. Remaining maturity of up to one year	50311	6.417.559.907,75	
b. Remaining maturity of over one year	50312	17.692.354.850,67	
7. Analysis by portfolio			
a. Trading portfolio	50313	720.864.076,02	
b. Investment portfolio	50314	23.389.050.682,40	
8. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50315	7.712.712,17	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Art. 35ter §2 para. 2)	50316	0,00	
9. Investment portfolio			
a. Difference between redemption value (if higher) and carrying value	50317	42.605.798,05	
b. Difference between redemption value (if lower) and carrying value	50318	884.847.376,72	

		Codes	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES				
1. As at end of the preceding period		50323P	xxxxxxxxxxxxxxx	22.554.913.816,91
2. Movements during the the period		50319	860.852.778,61	
a . Acquisitions		50320	6.989.279.592,65	
b . Sales		50321	-5.983.211.411,20	
c . Adjustments by application of Article 35ter §4 and 5	(+/-)	50322	-145.215.402,84	
3. Acquisition cost as at end of the period		50323	23.415.766.595,52	
4. Transfers between portfolios				
a . Transfers from the investment portfolio to the trading portfolio		50324		
b . Transfers from the trading portfolio to the investment portfolio		50325		
c . Impact on result		50326		
5. Write-Downs as at end of the period		50332P	xxxxxxxxxxxxxxx	18.941.283,63
6. Movements during the the period		50327	7.774.629,48	
a . Recorded		50328	8.798.048,15	
b . Excess written back		50329	-943.673,27	
c . Cancellations		50330	-1.097.598,00	
d . Transfers from one caption to another	(+/-)	50331	1.017.852,60	
7. Write-downs as at end of the period		50332	26.715.913,12	
8. Carrying value as at end of the period		(50314)	23.389.050.682,40	

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			Codes	Current period	Previous period
1.	**Total amount drawn**		50340	359.605.887	339.794.985
	a.	Bonds	50341	359.605.887	339.794.985
	b.	Allowed interbank loans	50342	0	0
2.	**Use of assets**		50350	1.709.165.453	339.794.985
	a.	Volksleningen	50351	1.709.165.453	339.794.985
	b.	Investment pursuant to art. 11	50352	0	0
	c.	Interbank loans drawn	50353	0	0
3.	**Income from realized investments pursuant to art. 11**		50360	0	0

IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES (Assets caption VI)

	Code	Current Period	Previous Period
A. GENERAL REPORT	(10600)	142.399.487,69	186.573.729,00
1. Country analysis of the issuers of securities			
a. Belgian issuers	50401	1.954.920,52	3.947.051,61
b. Foreign issuers	50402	140.444.567,17	182.626.677,39
2. Listing			
a. Carrying value	50403	130.671.728,14	
b. Market value	50404	151.152.820,67	
c. Carrying value of unlisted securities	50405	11.727.759,55	
3. Analysis by portfolio			
a. Trading portfolio	50406	115.005.530,68	
b. Investment portfolio	50407	27.393.957,01	
4. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50408	15.979.841,41	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Article 35ter §2 paragraph 2)	50409	0,00	

		Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES				
1. Acquisition cost as at the end of the period		50414P	xxxxxxxxxxxxxxx	88.833.670,54
2. Movements during the the period		50410	-21.519.374,29	
a. Acquisitions		50411	37.718.859,33	
b. Sales		50412	-59.653.597,14	
c. Other adjustments	(+/-)	50413	415.363,52	
3. Acquisition cost as at end of the period		50414	67.314.296,25	
4. Transfers between portfolios				
a. Transfers from the investment portfolio to the trading portfolio		50415		
b. Transfers from the trading portfolio to the investment portfolio		50416	-15.000.000,00	
c. Impact on result		50417		
5. Write-downs as per end of the period		50423P	xxxxxxxxxxxxxxx	18.503.658,55
6. Movements during the period		50418	6.416.680,69	
a. Recorded		50419	9.408.922,63	
b. Excess written back		50420	-3.097.406,26	
c. Cancellations		50421	-11.782,85	
d. Transfers from one caption to another	(+)/(-)	50422	116.947,17	
7. Write-downs as at end of the period		50423	24.920.339,24	
8. Carrying value as at end of the period		(50407)	27.393.957,01	

V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets caption VII)

	Codes	Current period	Previous period
A. GENERAL			
1. Breakdown of financial fixed assets by economic sector			
a. Participating interests in enterprises that are credit institutions	50501	6.694.578.093,39	6.556.009.892,50
b. Participating interests in enterprises that are not credit institutions	50502	6.149.475.140,82	6.548.492.791,60
c. Participating interests in enterprises linked by participating interests that are credit institutions	50503	5.849,10	5.839,10
d. Participating interests in enterprises linked by participating interests that are not credit institutions	50504	76.704.367,85	139.264.180,67
e. Other shares held as financial fixed assets in enterprises that are credit institutions	50505	0,00	0,00
f. Other shares held as financial fixed assets in enterprises that are not credit institutions	50506	39.088.000,43	24.711.350,40
g. Subordinated loans in linked enterprises that are credit institutions	50507	370.000.000,00	361.200.000,00
h. Subordinated loans in linked enterprises that are not credit institutions	50508	57.009.503,27	82.688.327,71
i. Subordinated loans in enterprises with participation interests that are credit institutions	50509	0,00	0,00
j. Subordinated loans in enterprises with participation interests that are not credit institutions	50510	39.300.000,00	42.500.000,00
2. Listings			
a. Participating interests in affiliated listed enterprises	50511	0,00	
b. Participating interests in affiliated not listed enterprises	50512	12.844.053.234,19	
c. Participating interests in other enterprises linked by participating interests that are listed	50513	13.705.877,56	
d. Participating interests in other enterprises linked by participating interests that are not listed	50514	63.004.339,39	
e. Other shares held as financial fixed assets in enterprises that are listed	50515	25.182.938,70	
f. Other shares held as financial fixed assets in enterprises that are not listed	50516	13.905.061,73	
g. Amount of subordinated loans represented by listed securities	50517	0,00	

	Codes	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF FINANCIAL FIXED ASSETS IN AFFILIATED ENTERPRISES			
1. Acquisition cost at the end of the period	50522P	xxxxxxxxxxxxxxx	18.940.110.950,39
2. Movements during the period	50518	-2.584.752.270,75	
a. Acquisitions	50519	734.595.182,06	
b. Sales and disposals	50520	-3.319.347.452,81	
c. Transfers from one caption to another (+/-)	50521	0,00	
3. Acquisition cost as at the end of the period	50522	16.355.358.679,64	
4. Revaluation surpluses	50528P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	50523	0,00	
a. Recorded	50524	0,00	
b. Acquisitions from third parties	50525	0,00	
c. Cancellations	50526	0,00	
d. Transfers from one caption to another (+/-)	50527	0,00	
6. Revaluation surpluses as at the end of the period	50528	0,00	
7. Write-downs as at the end of the period	50535P	xxxxxxxxxxxxxxx	5.835.608.266,29
8. Movements during the period	50529	-2.324.302.820,84	
a. Recorded	50530	429.319.948,97	
b. Excess written back	50531	-1.777.594,93	
c. Acquisitions from third parties	50532	0,00	
d. Cancellations	50533	-2.751.845.174,88	
e. Transfers from one caption to another (+/-)	50534	0,00	
9. Write-downs as at end of the period	50535	3.511.305.445,45	
10. Net carrying value as at the end of the period	10710	12.844.053.234,19	

		Codes	Current period	Previous period
C. ANALYSIS OF THE CARRYING VALUE OF FIXED FINANCIAL ASSETS IN ENTERPRISES LINKED BY PARTICIPATING INTERESTS				
1. Acquisition cost as at end of the period		50540P	xxxxxxxxxxxxxxx	201.628.363,93
2. Movements during the period		50536	-63.319.402,03	
a. Acquisitions		50537	2.678.810,55	
b. Sales and disposals		50538	-65.998.212,58	
c. Transfers from one caption to another	(+/-)	50539	0,00	
3. Acquisition cost as at end of the period		50540	138.308.961,90	
4. Revaluation surpluses at the end of the period		50546P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period		50541	0,00	
a. Recorded		50542	0,00	
b. Acquisitions from third parties		50543	0,00	
c. Cancellations		50544	0,00	
d. Transfers from one caption to another	(+/-)	50545	0,00	
6. Revaluation surpluses at the end of the period		50546	0,00	
7. Write-downs as at the end of the period		50553P	xxxxxxxxxxxxxxx	62.358.344,16
8. Movements during the period		50547	-759.599,21	
a. Recorded		50548	40.269,00	
b. Excess written back		50549	-799.868,21	
c. Acquisitions from third parties		50550	0,00	
d. Cancellations		50551	0,00	
e. Transfers from one caption to another	(+/-)	50552	0,00	
9. Write-downs as at the end of the period		50553	61.598.744,95	
10. Net carrying value as at end of the period		10720	76.710.216,95	

		Codes	Current period	Previous period
D. ANALYSIS OF THE CARRYING VALUE OF OTHER SHARES HELD AS FINANCIAL FIXED ASSETS				
1. Acquisition cost as at the end of the period		50558P	xxxxxxxxxxxxxxx	25.194.214,19
2. Movements during the period		50554	14.900.038,96	
a. Acquisitions		50555	15.176.667,76	
b. Sales and disposals		50556	-276.628,80	
c. Transfers from one caption to another	(+/-)	50557	0,00	
3. Acquisition cost as at the end of the period		50558	40.094.253,15	
4. Revaluation surpluses at the end of the period		50564P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period		50559	0,00	
a. Recorded		50560	0,00	
b. Acquisitions from third parties		50561	0,00	
c. Cancellations		50562	0,00	
d. Transfers from one caption to another	(+/-)	50563	0,00	
6. Revaluation surpluses as at end of the period		50564	0,00	
7. Write-downs as at the end of the period		50571P	xxxxxxxxxxxxxxx	482.863,79
8. Movements during the period		50565	523.388,93	
a. Recorded		50566	523.388,93	
b. Excess written back		50567	0,00	
c. Acquisitions from third parties		50568	0,00	
d. Cancellations		50569	0,00	
e. Transfers from one caption to another	(+/-)	50570	0,00	
9. Write-downs as at the end of the period		50571	1.006.252,72	
10. Net carrying value as at the end of the period		10730	39.088.000,43	

		Codes	Current period	Previous period
E. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO AFFILIATED ENTERPRISES				
1. Net carrying value as at end of the period		50579P	xxxxxxxxxxxxxxx	443.888.327,71
2. Movements during the period		50572	-16.878.824,44	
a. Additions		50573	30.000.000,00	
b. Reimbursements		50574	-46.878.824,44	
c. Write-downs		50575	0,00	
d. Amounts written back		50576	0,00	
e. Realized exchange gains/losses	(+)/(-)	50577	0,00	
f. Other	(+)/(-)	50578	0,00	
3. Net carrying value as at the end of the period		50579	427.009.503,27	
4. Accumulated write-downs as at the end of the period		50580	0,00	

		Codes	Current period	Previous period
F. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO ENTERPRISES LINKED BY PARTICIPATING INTERESTS				
1. Net carrying value as at the end of the period		50588P	xxxxxxxxxxxxxxx	42.500.000,00
2. Movements during the period		50581	-3.200.000,00	
a. Additions		50582	0,00	
b. Reimbursements		50583	-3.200.000,00	
c. Write-downs		50584	0,00	
d. Amounts written back		50585	0,00	
e. Realized exchange gains/losses	(+)/(-)	50586	0,00	
f. Other	(+)/(-)	50587	0,00	
3. Net carrying value as at the end of the period		50588	39.300.000,00	
4. Accumulated write-downs as at the end of the period		50589	0,00	

VI LIST OF ENTERPRISES IN WHICH THE INSTITUTION HOLDS A PARTICIPATING INTEREST

A. SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

List enterprises in which the enterprise holds a participating interest within the meaning of the Royal Decree of September 23 rd 1992 and other enterprises in which the institution holds rights in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER				Shares held				Information from the most recent period for which annual accounts are available			
				directly			by subsidiaries	Annual accounts dated	Currency	Own funds	Net result (+) or (-)
				Type	Number	%	%			(in thousands units)	
1. Affiliated enterprises											
ADB Asia Pacific Limited Singapore, SI	Singapore	SI		Ordinary	33.000.000	100,00	0,00	31-dec-14	USD	30.312	793
BEL ROM CINCI S.R.L. Romania, RO	Romania	RO		Ordinary	10.000.000	100,00	0,00	31-dec-14	RON	-95.379	-5.577
CBC BANQUE SA BrusselsBE 0403.211.380	Brussels	BE	0403.211.380	Ordinary	2.989.624	99,99	0,01	31-dec-14	EUR	517.024	78.392
Ceskoslovenska Obchodná Banka a.s. Bratislava SK,-	Bratislava	SK	-	Ordinary	7.470	100,00	0,00	31-dec-14	EUR	648.993	60.467
Ceskoslovenska Obchodni Banka a.s. PragueCZ-	Prague	CZ	-	Ordinary	563.750.001	100,00	0,00	31-dec-14	CZK	76.614.000	13.208.000
CIBANK AD Sofia, BG -	Sofia,	BG	-	Ordinary	22.793.251	100,00	0,00	31-dec-14	BGN	258.425	21.500
IIB Finance Ireland DublinIE-	Dublin	IE	-	Ordinary Ordinary AUD Ordinary EUR Ordinary GBP Ordinary USD	2.166.999 700.000 109.965.541 104.000.000 116.000.000	0,65 0,21 33,04 31,25 34,85	0,00 0,00 0,00 0,00 0,00	31-dec-14	EUR	274.125	20.884
K & H Bank Zrt. BudapestHU-	Budapest	HU	-	Reg. Sh. HUF 2000	140.978.164.412	100,00	0,00	31-dec-14	HUF	179.414.000	-14.881.000
KB Consult NV BrusselsBE 0437.623.220	Brussels	BE	0437.623.220	Ordinary	364.543	99,95	0,05	31-dec-14	EUR	863	-10
KBC Asset Management NV BrusselsBE 0469.444.267	Brussels	BE	0469.444.267	Ordinary	2.730.644	47,35	4,51	31-dec-14	EUR	124.575	335.216
KBC Autolease NV Leuven BE, 0422562385	Leuven	BE		Ordinary	184.987	99,99	0,00	31-dec-14	EUR	21.483	13.645
KBC Bail Immobilier France sas France FR,	Lille	FR		Ordinary	750.000	100,00	0,00	31-dec-14	EUR	7.624	98
KBC Lease Belgium NV Leuven BE, 0426403684	Leuven	BE		Ordinary	267.179	99,99	0,01	31-dec-14	EUR	13.888	10.923
KBC Immolease NV Leuven BE, 0444058872	Leuven	BE		Ordinary	1.000.328	99,99	0,01	31-dec-14	EUR	23.145	2.381
RSL Leasing IFN SA Romania, RO	BUCURESTI	RO		Ordinary	321.362	99,99	0,01	31-dec-14	EUR	33.091	901
KBC Bank Ireland Plc DublinIE-	Dublin	IE	-	Ordinary	1.826.438.504	100,00	0,00	31-dec-14	EUR	882.947	-83.086
KBC Clearing NV AmsterdamNL-	Amsterdam	NL	-	Ordinary	30.491	100,00	0,00	31-dec-14	EUR	532	179
KBC Commercial Finance NV BrusselsBE 0403.278.488	Brussels	BE	0403.278.488	Ordinary	119.999	99,99	0,00	31-dec-14	EUR	9.459	3.568
KBC Credit Investments NV Brussels, BE 0887.849.512	Brussels,	BE	0887.849.512	Ordinary	4.999.999	99,99	0,00	31-dec-14	EUR	4.894.281	160.416
KBC Financial Products International SA Luxemburg LU-	Luxemburg	LU	-	Ordinary	100	100,00	0,00	31-dec-14	USD	61.087	-285
KBC Financial Products UK Limited LondonGB-	London	GB	-	Ordinary	350.100.000	100,00	0,00	31-dec-14	USD	384.291	-1.580
KBC Ifima SA LuxemburgLU-	Luxemburg	LU	-	Ordinary	10.585	100,00	0,00	31-dec-14	EUR	10.757	1.769
KBC Investments Hong Kong Limited Hong Kong,HK-	Hong Kong,	HK	-	Ordinary	130.000.000	100,00	0,00	31-dec-14	USD	91.619	6.366
KBC Investments Limited London,UK-	London,	UK	-	Ordinary	1.305.000.100	100,00	0,00	31-dec-14	USD	1.623.412	985
KBC Lease (UK) Limited GuildfordGB-	Guildford	GB	-	Ordinary	10.560.746	49,00	51,00	31-dec-14			
KBC Private Equity NV BrusselsBE 0403.226.228	Brussels	BE	0403.226.228	Ordinary Ordinary - 44.275% paid up in full	445.416 73.502	85,84 14,16	0,00 0,00	31-dec-14	EUR	18.662	53
KBC Real Estate Luxembourg SA LuxemburgLU -	Luxemburg	LU	-	Ordinary	3.098	99,94	0,06	31-dec-14	EUR	1.605	1.360
KBC Securities NV BrusselsBE 0437.060.521	Brussels	BE	0437.060.521	Ordinary	1.898.517	99,95	0,05	31-dec-14	EUR	96.645	12.534
NV ACTIEF NV BrusselsBE 0824.213.750	Brussels	BE	0824.213.750	Cat "A"	600	57,14	0,00	31-dec-14	EUR	103	-1
Old Broad Street Invest NV Brussels,BE 0871.247.565	Brussels,	BE	0871.247.565	Ordinary	1.581.449	99,99	0,00	31-dec-14	EUR	132.989	1.759
Almafin Real Estate NV BrusselsBE 0403 355 494	Brussels	BE	0403 355 494	Ordinary	61.999	99,99	0,00	31-dec-14	EUR	34.399	781
Julienne Holdings SARL LuxemburgLU -	Luxemburg	LU	-	Ordinary	4.500	90,00	0,00	31-dec-14	EUR	-25.697	-1.120
KBC Vastgoedinvesteringen NV BrusselsBE 0455 916 925	Brussels	BE	0455 916 925	Ordinary	57.909	99,90	0,10	31-dec-14	EUR	-4.077	569
KBC Vastgoedportefeuille België Brussels,BE 0438 007 854	Brussels,	BE	0438 007 854	Ordinary	57.763	99,99	0,01	31-dec-14	EUR	16.946	366
Poelaert Invest NV BrusselsBE 0478 381 531	Brussels	BE	0478 381 531	Ordinary	9.950	99,50	0,50	31-dec-14	EUR	14.529	669
Vastgoedruimte Noord NV	Brussels	BE	0863201515	Ordinary	18.999	99,99	0,01	31-dec-14	EUR	-13.254	-17.803

Brussels BE 0863201515											
Almaloisir & Immobilier SAS Nice,FR 3542 862 0439	Nice,	FR	3542 862 0439	Ordinary	328	100,00	0,00	31-dec-14	EUR	111	-11
Apitri NV BrusselsBE 0469 889 873	Brussels	BE	0469 889 873	Ordinary	98	98,00	2,00	31-dec-14	EUR	4.478	492
Immo Antares NV BrusselsBE 0456398361	Brussels	BE	0456398361	Ordinary	2.375	95,00	5,00	10-nov-14	EUR	-2.260	76
Immo Basilix NV BrusselsBE 0453348801	Brussels	BE	0453348801	Ordinary	2.375	95,00	5,00	12-sep-14	EUR	82	1
Immo Lux - Airport SA LuxemburgLU -	Luxemburg	LU	-	Ordinary	1.456	99,93	0,07	31-dec-14	EUR	-3.955	-157
Immo Namott NV BrusselsBE 0840.412.849	Brussels	BE	0840.412.849	Ordinary	99	99,00	1,00	31-dec-14	EUR	62	0
Immo Namott Tréfonds NV BrusselsBE -	Brussels	BE	-	Ordinary	1	1,00	99,00	31-dec-14			
Immo Senningerberg LuxemburgLU	Luxemburg	LU		Ordinary	96.849	99,95	0,05		EUR	8.403	904
Immo Zenobe Gramme BrusselsBE 0456572664	Brussels	BE	0456572664	Ordinary	99	99,00	1,00	31-dec-14	EUR	77	0
Immobilière Distri-Land NV BrusselsBE 0436440909	Brussels	BE	0436440909	Ordinary	1.093	87,44	0,08	31-dec-14	EUR	311	2
Luxembourg North Distribution SA LuxemburgLU 1945 3469	Luxemburg	LU	1945 3469	Ordinary	11	11,00	89,00	31-dec-14			
Brussels North Distribution NV BrusselsBE0476212887	Brussels	BE	0476212887	Ordinary	5	5,00	95,00	31-dec-14			
Immo Quinto NV BrusselsBE 0466000470	Brussels	BE	0466000470	Ordinary	141.935	99,30	0,70	31-dec-14	EUR	4.754	253
Almafin Real Estate Services NV BrusselsBE 0416.030.525	Brussels	BE	0416.030.525	Ordinary	1	0,01	99,99	31-dec-14			
Thanksys NV Hasselt BE,	Hasselt	BE		Cat 'B'	408.333	27,22	0,00	31-dec-14	EUR	0	0
MIDAS Life Settlements Delaware US	Delaware	US			100	100,00	0,00	31-dec-14			
FITRACO NV Leuven, BE, 0425012626	Leuven	BE	0425012626	Ordinary	199	99,50	0,00	31-dec-14	EUR	1.850	287
KBC BAIL FRANCE II SAS Lyon, FR	Lyon	FR		Ordinary	4.303.000	100,00	0,00	31-dec-14	EUR	8.038	-453
SECURITAS SAM Monaco, MC	Monaco	MC		Ordinary	199.980	99,99	0,00	31-dec-14	EUR	3.867	115
BANQUE DIAMANTAIRE SUISSE SA Geneve, CH	Geneve	CH		Ordinary	4.000	100,00	0,00	31-dec-14	CHF	16.359	-70
KBC SECURITIES USA, INC NY, US	New york	US		Ordinary	100	100,00	0,00	31-dec-14	USD	6.286	-304
KBC VERZEKERINGEN NV Leuven, BE, 0403552563	Leuven	BE	0403552563	Ordinary	1	99,99	0,01	31-dec-14	EUR	1.868.008	293.060

2. Enterprises linked by participating interests

>=20% en <= 50%

Antwerps Innovatiecentrum NV Antwerpen, BE,	Antwerpen	BE		Ordinary	3.575	16,25	0,00	31-dec-14	EUR	133	-5
Bedrijvencentrum Regio Roeselare NV RoeselareBE 0428.378.724	Roeselare	BE	0428.378.724	Ordinary	500	22,22	0,00	31-dec-14	EUR	572	-9
Bancontact-Mistercash NV BrusselsBE 0884.499.250	Brussels	BE	0884.499.250	Ordinary	5.123	20,00	0,00	31-dec-14	EUR	5.635	464
CITYLIFE BELGIUM NV Hasselt, BE	Hasselt	BE		Ordinary	1.000.000	33,33	0,00		EUR		
Isabel NV BrusselsBE 0455.530.509	Brussels	BE	0455.530.509	Ordinary	253.322	25,33	0,00	31-dec-14	EUR	10.277	5.138
Xenarjo cvba MechelenBE 0899.749.531	Mechelen	BE	0899.749.531	Ordinary	1.009	22,39	0,00	31-dec-14	EUR	-217	-396
Etoiles d'Europe SAS ParisFR -	Paris	FR	-	Ordinary	2.250	45,00	0,00	30-jun-14	EUR	189	-17
Immo Beaulieu NV BrusselsBE 0450193133	Brussels	BE	0450193133	Ordinary	1.000	50,00	0,00	16-jun-14	EUR	68	128
Justinvest Antwerpen NV WilrijkBE 0476658097	Wilrijk	BE	0476658097	Ordinary	50	33,33	0,00	31-dec-14	EUR	408	46
Rabot Invest NV WilrijkBE 0479758733	Wilrijk	BE	0479758733	Ordinary	60	25,00	0,00	31-dec-14	EUR	597	22
Brussels I3 Fund NV BrusselsBE 0477925433	Brussels	BE	0477925433	Cat "D"	2.182	36,37	0,00	31-dec-14	EUR	1.417	50
Real Estate Participation NV ZaventemBE 0473.018.817	Zaventem	BE	0473.018.817	Ordinary	500	50,00	0,00	31-dec-14	EUR	6.668	530
Covent Garden Real Estate NV ZaventemBE 0872.941.897	Zaventem	BE	0872.941.897	Ordinary	750	50,00	0,00	31-dec-14	EUR	1.500	-41
Gemma Frisius-Fonds K.U. Leuven NV LeuvenBE 0477.960.372	Leuven	BE	0477.960.372	Cat "B"	4.000	40,00	0,00	31-dec-14	EUR	11.862	1.252
Banking Funding Company NV BrusselsBE 0884.525.182	Brussels	BE	0884.525.182	Ordinary	12.437	20,25	0,00	31-dec-14	EUR	254	26
QBIC Feeder Fund BrusselsBE -	Brussels	BE	-	Ordinary	4.000	21,02	0,00	31-dec-14	EUR	5.069	-305

3. Enterprises linked by participating interests

>=10% en <= 20%

Bedrijvencentrum Zaventem NV ZaventemBE 0426.496.726	Zaventem	BE	0426.496.726	Ordinary	350	11,64	0,00	31-dec-14	EUR	488	-8
BH-Capital a.s.	Brno	CZ	-	Ordinary	717.300	14,06	0,01	31-dec-14	CZK	530.448	45

BrnoCZ -											
Designcenter De Winkelhaak AntwerpBE 0470.201.857	Antwerp	BE	0470.201.857	Cat. B	124	19,47	0,00	31-dec-14	EUR	1.312	2
Europay Belgium SCRL BrusselsBE 0434.197.536	Brussels	BE	0434.197.536	Ordinary	4.932	14,49	0,95	31-dec-14	EUR	941	75
Impulse Microfinancieringsfonds WilrijkBE 0870.792.160	Wilrijk	BE	0870.792.160	Ordinary	2.000	17,57	0,00	31-dec-14	EUR	15.740	1.618
Rural Impulse LuxemburgLU -	Luxemburg	LU	-	Ordinary	15.000	16,67	0,00	31-dec-14	USD	9.368	-874
Visa-Belgium CVBA BrusselsBE 0435.551.972	Brussels	BE	0435.551.972	Ordinary	23	12,85	0,56	31-dec-14	EUR	275	7
Baekeland II NV GentBE 0876.424.296	Gent	BE	0876.424.296	Ordinary	2.000.000	18,02	0,00	31-dec-14	EUR	4.468	-199
Vives NV Louvain-La-NeuveBE 0862.398.591	Louvain-La-Neuve	BE	0862.398.591	Ordinary	2.500	14,70	0,00	31-dec-14	EUR	3.428	-1.468
Bedrijvencentra Limburg NV HasseltBE 0425.902.353	Hasselt	BE	0425.902.353	Ordinary	1.800	12,50	0,00	31-dec-14			
Bedrijvencentrum Leuven Heverlee BE, 0428.014.676	Heverlee	BE	0428.014.676	Ordinary	40	9,52	4,76	31-dec-14	EUR	1.963	9
Bedrijvencentrum vilvoorde Vilvoorde BE, 0434222577	Vilvoorde	BE	0434.222.577	Ordinary	338	9,31	8,26	31-dec-14	EUR	1.425	-42

B. ENTERPRISES FOR WHICH THE CREDIT INSTITUTION HAS UNLIMITED LIABILITY IN ITS CAPACITY OF FULLY LIABLE PARTNER OR MEMBER

The annual accounts of any enterprise to which the enterprise is unlimited liable will be added to the present accounts and published jointly.
Departure from that requirement will be mentioned in the second column referring to the appropiate code (A or B), explained hereafter.

The annual accounts of the enterprise:

A. are published by filing with the National Bank of Belgium;

B. are effectively published in another Member State of the EEC as laid down in Article 3 of the Directive 2009/101/EEC;

C. are fully consolidated or proportionally consolidated in the reporting institution's accounts which have been prepared audited and published in accordance with the Royal Decree of September 23 rd 1992 on the consolidated accounts of institutions.

Name and full address of registered office and, for enterprises governed by Belgian law, VAT number or national identification number	Code, if any

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

		Codes	Current period	Previous period
A. Formation expenses				
1. Net carrying value as at the end of the period		50705P	xxxxxxxxxxxxxxx	0,00
2. Movements during the period		50701	0,00	
a. New expenses incurred		50702	0,00	
b. Amortization		50703	0,00	
c. Other	(+)/(-)	50704	0,00	
3. Net carrying value as at the end of the period		50705	0,00	
4. Of which				
a. Expenses of formation or capital increase, loan issue expenses and other formation expenses		50706	0,00	
b. Reorganization costs		50707	0,00	

		Codes	Current period	Previous period
B. GOODWILL				
1. Acquisition cost as at the end of the period		50712P	xxxxxxxxxxxxxxx	1.250.874,68
2. Movements during the period		50708	0,00	
a. Acquisitions, including own construction		50709	0,00	
b. Sales and disposals		50710	0,00	
c. Transfers from one caption to another	(+)/(-)	50711	0,00	
3. Acquisition cost as at the end of the period		50712	1.250.874,68	
4. Amortizations and write-downs as at the end of the period		50719P	xxxxxxxxxxxxxxx	1.250.874,68
5. Movements during the period		50713	0,00	
a. Recorded		50714	0,00	
b. Excess written back		50715	0,00	
c. Acquisitions from third parties		50716	0,00	
d. Cancellations		50717	0,00	
e. Transfers from one caption to another	(+/-)	50718	0,00	
6. Amortizations and write-downs as at the end of the period		50719	1.250.874,68	
7. Net carrying value as at the end of the period		50720	0,00	

		Codes	Current period	Previous period
C. COMMISSIONS FOR ATTRACTING NEW BUSINESS WITH CUSTOMERS				
1. Acquisition cost as at the end of the period		50725P	xxxxxxxxxxxxxxx	0,00
2. Movements during the period		50721	0,00	
a. Acquisitions, including own construction		50722	0,00	
b. Sales and disposals		50723	0,00	
c. Transfers from one caption to another	(+)/(-)	50724	0,00	
3. Acquisition cost as at the end of the period		50725	0,00	
4. Amortizations and write-downs as at the end of the period		50732P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period		50726	0,00	
a. Recorded		50727	0,00	
b. Excess written back		50728	0,00	
c. Acquisitions from third parties		50729	0,00	
d. Cancellations		50730	0,00	
e. Transfers from one caption to another	(+)/(-)	50731	0,00	
6. Amortizations and write-downs as at the end of the period		50732	0,00	
7. Net carrying value as at end of the period		50733	0,00	

		Codes	Current period	Previous period
D. OTHER INTANGIBLE FIXED ASSETS				
1. Acquisition cost as at end of the period		50738P	xxxxxxxxxxxxxxx	975.760,41
2. Movements during the period		50734	-3.582,90	
a. Acquisitions, including own construction		50735	0,00	
b. Sales and disposals		50736	-3.582,90	
c. Transfers from one caption to another	(+)/(-)	50737	0,00	
3. Acquisition cost as at end of the period		50738	972.177,51	
4. Amortizations and write-downs as at end of the period		50745P	xxxxxxxxxxxxxxx	491.374,38
5. Movements during the period		50739	116.658,35	
a. Recorded		50740	112.352,04	
b. Excess written back		50741	0,00	
c. Acquisitions from third parties		50742	0,00	
d. Cancellations		50743	4.306,31	
e. Transfers from one caption to another	(+)/(-)	50744	0,00	
6. Amortizations and write-downs as at the end of the period		50745	608.032,73	
7. Net carrying value as at the end of the period		50746	364.144,78	

VIII. TANGIBLE FIXED ASSETS (Assets caption IX)

		Codes	Current period	Previous period
A. LAND AND BUILDINGS				
1. Acquisition cost as at the end of the period		50805P	xxxxxxxxxxxxxxx	1.290.019.456,39
2. Movements during the period	(+)/(-)	50801	-27.632.132,05	
a. Acquisition, including own construction		50802	40.597.933,24	
b. Sales and disposals		50803	-68.230.065,29	
c. Transfers from one caption to another	(+)/(-)	50804	0,00	
3. Acquisition cost as at the end of the period		50805	1.262.387.324,34	
4. Revaluation surpluses as at the end of the period		50811P	xxxxxxxxxxxxxxx	58.957.289,86
5. Movements during the period	(+)/(-)	50806	0,00	
a. Recorded		50807	0,00	
b. Acquisitions from third parties		50808	0,00	
c. Cancellations		50809	0,00	
d. Transfers from one caption to another	(+)/(-)	50810	0,00	
6. Revaluation surpluses as at the end of the period		50811	58.957.289,86	
7. Amortizations and write-downs as at the end of the period		50818P	xxxxxxxxxxxxxxx	750.343.232,33
8. Movements during the period	(+)/(-)	50812	-2.573.809,04	
a. Recorded		50813	42.450.219,67	
b. Excess written back		50814	0,00	
c. Acquisitions from third parties		50815	0,00	
d. Cancellations		50816	-45.024.028,71	
e. Transfers from one caption to another	(+)/(-)	50817	0,00	
9. Amortizations and write-downs as at the end of the period		50818	747.769.423,29	
10. Net carrying value as at the end of the period		50819	573.575.190,91	

		Codes	Current period	Previous period
B. PLANT, MACHINERY AND EQUIPMENT				
1. Acquisition cost as at the end of the period		50824P	xxxxxxxxxxxxxxx	10.281.191,53
2. Movements during the period	**(+)/(-)**	50820	2.157.480,93	
a. Acquisition, including own construction		50821	2.157.480,93	
b. Sales and disposals		50822	0,00	
c. Transfers from one caption to another	(+)/(-)	50823	0,00	
3. Acquisition cost as at the end of the period		50824	12.438.672,46	
4. Revaluation surpluses as at the end of the period		50830P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	**(+)/(-)**	50825	0,00	
a. Recorded		50826	0,00	
b. Acquisitions from third parties		50827	0,00	
c. Cancellations		50828	0,00	
d. Transfers from one caption to another	(+)/(-)	50829	0,00	
6. Revaluation surpluses as at the end of the period		50830	0,00	
7. Amortization and write-downs as at the end of the period		50837P	xxxxxxxxxxxxxxx	9.290.459,14
8. Movements during the period	**(+)/(-)**	50831	2.026.002,67	
a. Recorded		50832	1.446.616,08	
b. Excess written back		50833	0,00	
c. Acquisitions from third parties		50834	0,00	
d. Cancellations		50835	579.386,59	
e. Transfers from one caption to another	(+)/(-)	50836	0,00	
9. Amortizations and write-downs as at the end of the period		50837	11.316.461,81	
10. Net carrying value as at the end of the period		50838	1.122.210,65	

		Codes	Current period	Previous period
C. FURNITURE AND VEHICLES				
1. Acquisition cost as at the end of the period		50843P	xxxxxxxxxxxxxxx	33.626.459,06
2. Movements during the period	**(+)/(-)**	50839	332.092,63	
a. Acquisition, including own construction		50840	341.824,91	
b. Sales and disposals		50841	-9.732,28	
c. Transfers from one caption to another	(+)/(-)	50842	0,00	
3. Acquisition cost as at the end of the period		50843	33.958.551,69	
4. Revaluation surpluses as at the end of the period		50849P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	**(+)/(-)**	50844	0,00	
a. Recorded		50845	0,00	
b. Acquisitions from third parties		50846	0,00	
c. Cancellations		50847	0,00	
d. Transfers from one caption to another	(+)/(-)	50848	0,00	
6. Revaluation surpluses as at the end of the period		50849	0,00	
7. Amortizations and write-downs as at the end of the period		50856P	xxxxxxxxxxxxxxx	16.435.088,66
8. Movements during the period	**(+)/(-)**	50850	1.157.325,15	
a. Recorded		50851	1.076.330,68	
b. Excess written back		50852	0,00	
c. Acquisitions from third parties		50853	0,00	
d. Cancellations		50854	80.994,47	
e. Transfers from one caption to another	(+)/(-)	50855	0,00	
9. Amortizations and write-downs as at the end of the period		50856	17.592.413,81	
10. Net carrying value as at the end of the period		50857	16.366.137,88	

		Codes	Current period	Previous period
D. LEASING AND OTHER SIMILAR RIGHTS				
1. Acquisition cost as at the end of the period		50862P	xxxxxxxxxxxxxxx	113.357.525,84
2. Movements during the period	(+)/(-)	50858	181.034,58	
a. Acquisition, including own construction		50859	181.034,58	
b. Sales and disposals		50860	0,00	
c. Transfers from one caption to another	(+)/(-)	50861	0,00	
3. Acquisition cost as at the end of the period		50862	113.538.560,42	
4. Revaluation surpluses as at the end of the period		50868P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	(+)/(-)	50863	0,00	
a. Recorded		50864	0,00	
b. Acquisitions from third parties		50865	0,00	
c. Cancellations		50866	0,00	
d. Transfers from one caption to another	(+)/(-)	50867	0,00	
6. Revaluation surpluses as at the end of the period		50868	0,00	
7. Amortizations and write-downs as at the end of the period		50875P	xxxxxxxxxxxxxxx	10.023.238,09
8. Movements during the period	(+)/(-)	50869	5.186.621,80	
a. Recorded		50870	5.186.621,80	
b. Excess written back		50871	0,00	
c. Acquisitions from third parties		50872	0,00	
d. Cancellations		50873	0,00	
e. Transfers from one caption to another	(+)/(-)	50874	0,00	
9. Amortizations and write-downs as at the end of the period		50875	15.209.859,89	
10. Net carrying value as at the end of the period		50876	98.328.700,53	
11. Of which				
a. Land and buildings		50877	98.328.700,53	
b. Plant, machinery and equipment		50878	0,00	
c. Furniture and vehicles		50879	0,00	

		Codes	Current period	Previous period
E. OTHER TANGIBLE FIXED ASSETS				
1. Acquisition cost as at the end of the period		50884P	xxxxxxxxxxxxxxx	218.806.252,43
2. Movements during the period	(+)/(-)	50880	25.802.241,61	
a. Acquisition, including own construction		50881	27.504.790,92	
b. Sales and disposals		50882	-1.702.549,31	
c. Transfers from one caption to another	(+)/(-)	50883	0,00	
3. Acquisition cost as at the end of the period		50884	244.608.494,04	
4. Revaluation surpluses as at the end of the period		50890P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	(+)/(-)	50885	0,00	
a. Recorded		50886	0,00	
b. Acquisitions from third parties		50887	0,00	
c. Cancellations		50888	0,00	
d. Transfers from one caption to another	(+)/(-)	50889	0,00	
6. Revaluation surpluses as at the end of the period		50890	0,00	
7. Amortizations and write-downs as at the end of the period		50897P	xxxxxxxxxxxxxxx	137.725.044,61
8. Movements during the period	(+)/(-)	50891	11.237.122,33	
a. Recorded		50892	9.732.497,13	
b. Excess written back		50893	0,00	
c. Acquisitions from third parties		50894	0,00	
d. Cancellations		50895	1.504.625,20	
e. Transfers from one caption to another	(+)/(-)	50896	0,00	
9. Amortizations and write-downs as at the end of the period		50897	148.962.166,94	
10. Net carrying value as at the end of the period		50898	95.646.327,10	

		Codes	Current period	Previous period
F. ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS				
1. Acquisition cost as at the end of the period		50903P	xxxxxxxxxxxxxxx	0,00
2. Movements during the period	(+)/(-)	50899	0,00	
a. Acquisition, including own construction		50900	0,00	
b. Sales and disposals		50901	0,00	
c. Transfers from one caption to another	(+)/(-)	50902	0,00	
3. Acquisition cost as at the end of the period		50903	0,00	
4. Revaluation surpluses as at the end of the period		50909P	xxxxxxxxxxxxxxx	0,00
5. Movements during the period	(+)/(-)	50904	0,00	
a. Recorded		50905	0,00	
b. Acquisitions from third parties		50906	0,00	
c. Cancellations		50907	0,00	
d. Transfers from one caption to another	(+)/(-)	50908	0,00	
6. Revaluation surpluses as at the end of the period		50909	0,00	
7. Amortization and write-downs as at the end of the period		50916P	xxxxxxxxxxxxxxx	0,00
8. Movements during the period	(+)/(-)	50910	0,00	
a. Recorded		50911	0,00	
b. Excess written back		50912	0,00	
c. Acquisitions from third parties		50913	0,00	
d. Cancellations		50914	0,00	
e. Transfers from one caption to another	(+)/(-)	50915	0,00	
9. Amortizations and write-downs as at the end of the period		50916	0,00	
10. Net carrying value as at the end of the period		50917	0,00	

IX. OTHER ASSETS (Assets caption XI)

	Current period
Breakdown (if the amount in this caption is significant)	
Options	1.275.118.183,25

X. DEFERRED CHARGES AND ACCRUED INCOME (Assets caption XII)

	Code	Current period
1. Deferred charges	51001	43.843.360,45
2. Accrued income	51002	8.994.288.081,35

X.bis REINVESTMENT OF SEGREGATED CUSTOMER FUNDS

	Code	Current period
Total	51003	0,00

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS (Liabilities caption I)

	Code	Current period	Previous period
1. Amounts due to affiliated enterprises	51101	904.413.717,07	1.032.177.002,60
2. Amounts due to other enterprises linked by participating interests	51102	0,00	0,00
3. Breakdown of debts other than on sight according to their remaining maturity			
a. Up to 3 months	51103	10.699.813.789,46	
b. Over 3 months up to 1 year	51104	810.364.656,30	
c. Over 1 year up to 5 years	51105	3.241.682.278,99	
d. Over 5 years	51106	0,00	
e. Undated	51107	10.074.783,93	

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS (Liabilities caption II)

	Code	Current period	Previous period
1. Affiliated enterprises	51201	12.754.164.369,28	16.271.770.125,51
2. Other enterprises linked by participating interests	51202	115.558.956,30	118.396.839,20
3. Breakdown according to the remaining maturity			
a. Repayable on demand	51203	36.137.762.461,04	
b. Up to 3 months	51204	18.362.981.179,97	
c. Over 3 months up to 1 year	51205	5.118.476.841,55	
d. Over 1 year up to 5 years	51206	9.568.488.054,42	
e. Over 5 years	51207	3.719.427.056,30	
f. Undated	51208	35.682.598.143,83	
4. Breakdown of debt owed to customers depending on the nature of the debtors			
a. Debt owed to government	51209	2.042.462.109,89	2.490.823.885,40
b. Debt owed to private persons	51210	46.045.533.474,68	45.059.108.959,90
c. Debt owed to enterprises	51211	60.501.738.152,54	60.323.988.798,77
5. Geographical breakdown of debt owed to customers			
a. Of Belgian origin	51212	75.117.275.398,53	
b. Of foreign origin	51213	33.472.458.338,58	

XIII. STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES (liabilities caption III)

	Codes	Current period	Previous period
1. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to affiliated companies.	51301	0,00	19.974.934,29
2. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to companies linked by participating interests.	51302	0,00	0,00
3. Breakdown of debt represented by certificates in accordance to their remaining maturity.			
a. Up to 3 months	51303	4.704.163.956,51	
b. Over 3 months up to 1 year	51304	787.523.336,44	
c. Over 1 year up to 5 years	51305	3.832.205.036,97	
d. Over 5 years	51306	3.183.034.907,22	
e. Undated	51307	0,00	

XIV. OTHER LIABILITIES (liabilities caption IV)

	Codes	Current period
1. Taxes, remuneration and social security charges due to the tax authorities	51401	0,00
a. Overdue debts	51402	0,00
b. Unmatured debts	51403	0,00
2. Taxes, remuneration and social security charges due to the National Social Security Office	51404	0,00
a. Overdue debts	51405	0,00
b. Unmatured debts	51406	0,00
3. Taxes		
a. Taxes payable	51407	32.036.166,80
b. Estimated tax liabilities	51408	17.386.421,11
4. Other liabilities		
Breakdown if the amount in this caption is significant		
Holiday allowance, remuneration and other personnel costs to be paid		173.574.148,22
Option contracts		679.527.320,01
Dividends still to be paid		164.741.126,76
Other		143.181.667,75

XV. ACCRUED CHARGES AND DEFERRED INCOME (liabilities caption V)

	Codes	Current period
1. Accrued charges	51501	7.261.265.610,60
2. Deferred income	51502	44.584.665,57

XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (liabilities VI.A.3)

	Current period
Breakdown of liabilities (VI.A.3) if the amounts in this caption are significant	
Credit commitments	87.376.521,61
Litigation and operational disputes	65.880.055,40
Provision for disability payments	5.569.821,33
Other	30.957.393,24

XVII. STATEMENT OF SUBORDINATED LIABILITIES (liabilities caption VIII)

	Codes	Current period	Previous period
1. Subordinated debts due to affiliated enterprises	51701	4.030.214.317,04	1.290.394.470,40
2. Subordinated debts due to other enterprises linked by participating interests	51702	0,00	0,00

	Codes	Current period
3. Charges as a result of subordinated liabilities	51703	242.220.626,45

4. For each subordinated loan, the following information: reference number, the ISO code of the currency, the amount of the loan in the currency of the loan, the remuneration arrangements, the due date and, if no due date is determined, the terms of duration, where appropriate the circumstances in which the institution is required to repay in advance, the conditions for the subordination and if appropriate, the conditions for the conversion into capital or into some other form of liability.

Detail of each subordinated loan :

Reference nummer	Currency	Amount	Maturity date or conditions governing the maturiy	a) Circumstances in which the entreprise is required to repay this loan. b) Conditions for the subordition c) Conditions for conversion into capital
0001	EUR	3.079.994.954	Deposits originated by KBC Group	a) Unconditional
0002	EUR	250.000.021	01/08/2006 - 01/08/2016 Deposits originated by KBC Group	a) Fiscal requalification
0003	EUR	237.200.611	Subordinated certificates Issued by KBC Bank	a) Unconditional
0004	EUR	35.205.844	Subordinated Time Deposits Issued by KBC Bank	a) Unconditional
0005	GBP	43.194.257	19/12/2003 - perpetual Issued by KBC Bank	a) Fiscal requalification Repayment possible from 19/12/2019 c) Mandat. conv. Into KBC Bank in case of Superv. Event
0006	USD	198.947.893	Deposits originated by KBC IFIMA	a) Fiscal requalification
0007	EUR	424.769.394	Deposits originated by KBC IFIMA	a) Fiscal requalification
0008	CZK	2.500.000.000	18/05/2005 - 18/05/2016 Deposits originated by KBC IFIMA (2.500 Mio CZK)	a) Fiscal requalification
0009	USD	150.000.000	07/02/2005 - 07/02/2025 Deposits originated by KBC IFIMA (150 Mio USD)	a) Fiscal requalification
0010	USD	1.000.000.000	25/01/2013 – 25/01//2023 Contingent Capital Notes (1.000 Mio USD)	

XVIII. STATEMENT OF CAPITAL

	Codes	Current period	Previous period
A. CAPITAL			
1. Subscribed capital			
a. Subscribed capital as at the end of the preceding period	20910P	xxxxxxxxxxxxxx	8.948.439.652,39
b. Subscribed capital as at the end of the period	(20910)	8.948.439.652,39	

	Codes	Amounts	Number of shares
c. Changes during the period			
d. Structure of the capital			
e. Categories of shares			
Ordinary shares entitled to dividend		8.948.439.652,39	915.228.482
f. Registered shares	51801	xxxxxxxxxxxxxx	915.228.482
g. Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	0

	Codes	Uncalled capital	Called but unpaid capital
2. CAPITAL NOT PAID UP			
a. Uncalled capital	(20920)	0,00	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	0,00
c. Shareholders still owing capital payment			

	Codes	Current period
3. OWN SHARES		
a. Held by the reporting institution itself		
* Amount of capital held	51804	0,00
* Corresponding number of shares	51805	0,00
b. Held by its subsidiaries		
* Amount of capital held	51806	0,00
* Corresponding number of shares	51807	0,00
4. SHARE ISSUANCE COMMITMENTS		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	0,00
* Amount of capital to be subscribed	51809	0,00
* Maximum corresponding number of shares to be issued	51810	0,00
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	0,00
* Amount of capital to be subscribed	51812	0,00
* Maximum corresponding number of shares to be issued	51813	0,00
5. AUTHORIZED CAPITAL NOT ISSUED	51814	4.000.000.000,00

	Codes	Current period
6. SHARES NOT REPRESENTING CAPITAL		
a. Repartition		
* Number of parts	51815	0,00
* Number of votes	51816	0,00
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	0,00
* Number of parts held by its subsidiaries	51818	0,00

B. SHAREHOLDER STRUCTURE OF THE INSTITUTION AT YEAR END, ACCORDING TO THE NOTIFICATIONS RECEIVED BY THE INSTITUTION

KBC Groep NV	Number of shares:	915.228.481
KBC Verzekeringen NV	Number of shares:	1

XIX. BREAKDOWN OF BALANCE SHEET, IF MORE THAN 15 MILLION EUROS, IN EUROS AND IN FOREIGN CURRENCY

	Codes	Current period
1. Total Assets		
a. In Euro	51901	140.788.883.002,59
b. In foreign currency (equivalent in EUR)	51902	20.689.840.444,54
2. Total liabilities		
a. In Euro	51903	136.284.718.239,38
b. In foreign currency (equivalent in EUR)	51904	25.194.005.207,75

XX. FIDUCIARY TRANSACTIONS ACCORDING TO ARTICLE 27TER §1 PARAGRAPH 3

	Current period
Concerned assets and liabilities items	0,00
	0,00
	0,00
	0,00
	0,00

XXI. STATEMENT OF GUARANTEED DEBTS AND OBLIGATIONS

	Current period
A. MORTGAGES (amount of enrollment or carrying amount of the collateralized buildings, if this is less)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
B. PLEDGE OF THE TRADING FUND (total enrollment)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

	Period
C. PLEDGE OF OTHER ASSETS (book value of pledged assets)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
Discounting, repurchase agreements and secured advances	14.237.881.805,87
Asset Pledge requirement KBC New York	137.721.135,30
Asset Pledge National Bank of Belgium	3.687.690.514,75
Covered bonds	11.646.819.260,32
b. Off-balance sheet	
Options and futures	6.039.049.128,00
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
D. COLLATERAL ON FUTURE ASSETS (total assets in question)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off-balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

XXII. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS WITH POTENTIAL CREDIT RISK (off balance sheet I and II)

	Codes	Current period	Previous period
1. Total contingent liabilities on behalf of affiliated companies	52201	9.866.649.921,76	12.883.024.801,40
2. Total contingent liabilities on behalf of companies linked by participating interests	52202	5.404.500,00	574.848,01
3. Total commitments with a potential credit risk to affiliated companies	52203	0,00	0,00
4. Total commitments with a potential risk with regard to companies linked by participating interests	52204	0,00	0,00

XXIII. OPERATING RESULTS (items I to XV of the income statement)

	Codes	Period	Previous period
1. Breakdown of operating income according to origin			
a. Interest and similar income	(40100)	3.032.036.053,94	3.277.353.448,94
* Belgian sites	52301	2.819.466.796,95	3.041.675.879,80
* Foreign offices	52302	212.569.256,99	235.677.569,14
b. Income from fixed-income securities: shares and other variable-yield securities	(40310)	4.186.210,06	4.113.347,65
* Belgian sites	52303	4.185.977,06	4.082.352,22
* Foreign offices	52304	233,00	30.995,43
c. Income from fixed-income securities: investments in affiliated companies	(40320)	896.393.187,60	676.714.314,88
* Belgian sites	52305	896.393.187,60	676.714.314,88
* Foreign offices	52306	0,00	0,00
d. Income from fixed-income securities: shares in companies linked by participating interests	(40330)	4.613.511,66	1.480.165,43
* Belgian sites	52307	4.613.511,66	1.480.165,43
* Foreign offices	52308	0,00	0,00
e. Income from fixed-income securities: other shares held as fixed financial assets	(40340)	1.693.976,49	1.398.399,17
* Belgian sites	52309	1.693.976,49	1.398.399,17
* Foreign offices	52310	0,00	0,00
f. Commissions received	(40400)	979.234.191,45	1.039.139.966,24
* Belgian sites	52311	943.701.733,72	997.280.924,57
* Foreign offices	52312	35.532.457,73	41.859.041,67
g. Profit on financial transactions	(40600)	135.311.973,52	-65.580.613,42
* Belgian sites	52313	110.857.686,05	-77.009.825,26
* Foreign offices	52314	24.454.287,47	11.429.211,84
h. Other operating income	(41400)	228.098.810,84	253.296.083,33
* Belgian sites	52315	216.171.679,31	240.976.988,50
* Foreign offices	52316	11.927.131,54	12.319.094,83
2. Employees on the personnel register			
a. Total number at the closing date	52317	9.668	9.895
b. Average number of employees in full-time equivalents	52318	8.983	8.933
* Management Personnel	52319	86	76
* Employees	52320	8.897	8.857
* Workers	52321	0	0
* Other	52322	0	0
c. Number of actual worked hours	52323	12.797.798	12.615.442
3. Personnel			
a. Remuneration and direct social benefits	52324	573.807.107,10	558.577.647,03
b. Employers' social security	52325	155.993.639,90	151.591.496,16
c. Employers' premiums for extra statutory insurance	52326	45.138.196,80	53.660.882,33
d. Other personnel	52327	28.283.890,98	27.316.070,00
e. Retirement and survivors' pensions	52328	3.666.414,88	2.605.048,44
4. Provisions for pensions and similar obligations			
a. Increase (+)	52329	8.374.818,20	16.315.643,50
b. Decrease (-)	52330	16.536.283,70	17.189.608,74

	Codes	Period	Previous period
5. Breakdown of other operating income if this represents a significant amount			
a. Recuperation moratorium intrest		2.280,72	15.463.340,97
b. Recuperatie CDO-reinsurers		0,00	1.047.065,85
c. Surplus value on sale buildings		5.959.391,92	7.624.652,39
d. Operational leasing		17.405.533,57	21.936.256,67
e. Other		204.731.604,63	207.224.767,45
6. Other operating expenses			
a. Corporate taxes	52331	84.484.305,73	87.878.807,53
b. Other	52332	30.969.172,36	34.713.221,14
c. Analysis of other operating expenses if this represents a significant amount			
7. Operating revenue from affiliated companies	52333	2.063.292.436,16	2.893.815.018,77
8. Operating costs relating to affiliated companies	52334	1.630.193.175,10	2.316.728.338,02

XXIV. STATEMENT OF OFF BALANCE SHEET OPERATIONS ON SECURITIES, CURRENCIES AND OTHER FINANCIAL INSTRUMENTS WHICH BRING NO OBLIGATION WITH A POTENTIAL CREDIT RISK ACCORDING TO HEADING II OF THE OFF BALANCE SHEET ITEMS

	Codes	Current period
A. TYPES OF OPERATIONS (amounts on the closing date of the accounts)		
1. Securities transactions		
a. Forward purchases and sales of securities and marketable securities	52401	0,00
* of which: not intended for hedging purposes	52402	0,00
2. Exchange transactions (amounts to be provided)		
a. Forward exchange contracts	52403	88.769.599.415,15
* of which: not intended for hedging purposes	52404	88.769.599.415,15
b. Currency and interest rate swaps	52405	29.301.240.350,42
* of which: not intended for hedging purposes	52406	29.301.240.350,42
c. Currency futures	52407	0,00
* of which: not intended for hedging purposes	52408	0,00
d. Options on currencies	52409	23.297.888.608,61
* of which: not intended for hedging purposes	52410	23.297.888.608,61
e. Forward exchange contracts	52411	0,00
* of which: not intended for hedging purposes	52412	0,00
3. Transactions in other financial instruments		
Forward transactions in interest rate (nominal / notional reference)		
a. Interest rate swap agreements	52413	279.590.647.920,38
* of which: not intended for hedging purposes	52414	278.370.627.991,30
b. Interest futures transactions	52415	14.201.159.022,78
* of which: not intended for hedging purposes	52416	14.201.159.022,78
c. Future Interest rate Agreements	52417	700.000.000,00
* of which: not intended for hedging purposes	52418	700.000.000,00
d. Interest rate options	52419	88.214.847.854,21
* of which: not intended for hedging purposes	52420	88.214.847.854,21
Other purchase and sales (sale / purchase price agreed between parties)		
e. Other option transactions	52421	3.167.400.298,72
* of which: not intended for hedging purposes	52422	3.167.400.298,72
f. Other futures transactions	52423	0,00
* of which: not intended for hedging purposes	52424	0,00
g. Other forward purchases and sales	52425	21.582.568,65
* of which: not intended for hedging purposes	52426	0,00

B. QUANTIFICATION OF THE IMPACT ON THE RESULTS OF THE DEROGATION OF VALUATION RULE UNDER article 36bis, § 2 RELATING TO THE FORWARD TRANSACTIONS IN INTEREST RATE

		Codes	Current period
1. Forward transactions in interest rate regarding treasury management			
a. Nominal / notional reference amount on the closing date of accounts		52427	1.459.739.541,66
b. Difference between market value and book value	(+)/(-)	52428	415.388,00
2. Forward transactions in interest rate regarding ALM			
a. Nominal / notional reference amount on the closing date of accounts		52429	79.638.146.453,79
b. Difference between market value and book value	(+)/(-)	52430	-2.061.568.044,94
3. Forward transactions in interest rate without the effect of risk reduction (LOCOM)			
a. Nominal / notional reference amount on the closing date of accounts		52431	1.190.521.786,17
b. Difference between market value and book value	(+)/(-)	52432	-15.391.687,30

XXV. EXTRAORDINARY RESULTS

	Codes	Current period
1. Realised gains on transfer of fixed assets to affiliated companies	52501	0,00
2. Incurred losses on transfer of fixed assets to affiliated companies	52502	0,00
3. Breakdown of the other exceptional income if it comprises significant amounts		0,00
4. Breakdown of the other extraordinary costs if they comprise significant amounts		0,00
0		

XXVI. INCOME TAXES

	Codes	Current period
1. Income taxes for the year	52601	-23.364.036,63
a. Taxes and withholding taxes due or paid	52602	-51.477.943,05
b. Excess of income tax prepayments and of withholding taxes	52603	28.955.443,50
c. Estimated additional charges for income taxes	52604	-841.537,08
2. Income taxes for previous years	52605	-1.382.627,34
a. Additional income taxes due or paid	52606	-1.367.762,54
b. Additional charges for income taxes, estimated (included in liabilities)	52607	-14.864,80
3. Main sources of differences between the profit before tax, as stated in the financial statements, and the estimated taxable income		
Movements in taxable reserves and provisions		30.429.573,41
The specific tax system applicable to gains and losses on shares		-2.502.245.749,08
The application of the foreign tax credit scheme on dividends received		0,00
Disallowed expenses (other than write-downs, losses on shares and corporation tax)		26.420.683,61

4. Impact of extraordinary results on the amount of income taxes for the year

Realised gains and incurred losses on shares under financial fixed assets (gains not taxable and losses not deductible)		-5.912.839,28
Write-downs (not deductible) and write-backs (not taxable) on shares under financial fixed assets		0,00

	Codes	Current period
5. Sources of deferred taxes		
a. Deferred tax assets	52608	-2.579.831.722,29
* Accumulated tax losses deductible from future taxable profits	52609	-2.579.831.722,29
* Other deferred tax assets		
b. Passive deferrals	52610	0,00
* Breakdown of the passive deferrals		

XXVII. VALUE ADDED TAX AND TAXES BORNE BY THIRD PARTIES

	Codes	Current period	Previous period
1. Charged value added tax			
a. To the reporting institution (deductible)	52701	9.396.894,94	6.765.230,44
b. By the reporting institution	52702	30.024.430,32	26.240.922,56
2. Amounts withheld on behalf of third parties as			
a. Payroll tax	52703	153.586.113,17	154.446.992,93
b. Withholding tax	52704	163.210.753,50	214.809.271,75

XXVIII. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS AND TRANSACTIONS WITH RELATED PARTIES

A. OFF BALANCE SHEET RIGHTS AND COMMITMENTS

	Codes	Current period
1. Substantial commitments to acquire fixed assets		
2. Substantial commitments to dispose of fixed assets		

3. Significant litigation and other significant commitments

Significant disputes pending:

As regards the most significant legal disputes pending, claims filed against KBC Bank companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. ‘probable outflow’, ‘possible outflow’ or ‘remotely probable outflow’). Provisions are set aside for ‘probable outflow’ cases (see ‘Notes on the accounting policies’). No provisions are constituted for ‘possible outflow’ cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims (‘remotely probable outflow’), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. Nonetheless, for reasons of transparency, KBC also provides information on the current status of the most important cases in this category.

The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.

Probable outflow:
- From the end of 1995 until the beginning of 1997, KBC Bank and KB Consult were involved in the transfer of cash companies. Cash companies are characterised by the fact that the asset side of their balance sheets comprises primarily amounts receivable and cash, in addition to other liquid assets. On several occasions between 1995 and 1997, KB Consult acted as the intermediary between the sellers and buyers of such companies. There were various ways in which the bank could be involved, but in most cases they concerned payments or lending. KBC Bank and/or KB Consult were joined to proceedings in a number of cases. In addition, KB Consult was placed under suspicion by an investigating judge in 2004, and together with KBC Bank and KBC Group NV, was summoned to appear in the proceedings before the court sitting in chambers in Bruges. On 9 November 2011, the judge referred KB Consult and KBC Bank to Bruges Criminal Court on charges of uttering, but dismissed the charges against KBC Group NV. The Belgian state appealed the decision of no case to answer against KBC Group NV. On 27 October 2015, the indictments division ruled that proceedings were time-barred and upheld the original decision of no case to answer. The case as referred will now be heard before Bruges Criminal Court in the course of 2016. A suitable provision has been constituted to deal with the potential impact of claims for damages in this respect. The transfer of a cash company is in principle completely legitimate. Nevertheless, it later transpired that certain purchasers were acting in bad faith since they did not make any investments at all and did not file tax returns for the cash companies they had purchased. KBC Bank and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. Referral to the criminal court does not in any way imply that any KBC entity has been convicted of an offence. KBC is fully defending its position in these cases, based, among other things, on the fact that, during the period in which the events took place, the legal entity was not liable to prosecution and, in particular, KBC was utterly lacking in criminal intent.

- In March 2000, Rebeo and Trustimmo, two subsidiaries of Almafin (a subsidiary of KBC Bank), together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company) were summoned by the Belgian Ministry of Finance to appear before the civil court in Brussels regarding non-payment of 16.7 million euros in taxes owed by Broeckdal. However, Broeckdal contested this claim and in December 2002 initiated court proceedings against the Ministry of Finance before the civil court in Antwerp. The civil case pending before the Brussels court has been suspended until final judgment has been passed in the tax-related proceedings pending before the Antwerp court. Broeckdal was wound up by court order on 2 November 2010 and was declared properly wound up and dissolved on 13 September 2011. A suitable provision has been set aside to cover potential damages.

- When Lehman Brothers went bankrupt in September 2008, KBC Bank had derivative transactions outstanding with Lehman Brothers Finance AG (LBF) under an ISDA Master Agreement. The bankruptcy triggered an event of default and early termination of all outstanding transactions. LBF is disputing a number of matters in this regard, including the valuation method used by KBC Bank and – in a letter of claim dated 21 December 2012 – asserts that the net amount payable to LBF under the ISDA agreement is 58.2 million US dollars plus 52.8 million US dollars in interest accruing since September 2008. KBC Bank believes it has various arguments to defend the valuation method used and is also strongly disputing the interest rate applied by LBF. On 25 September 2013, KBC was summoned by LBF in London, where LBF filed the claim of 58.2 million US dollars plus interest of 57 million US dollars (calculated to the end of March 2013). An appropriate provision was set aside to cover this risk. On 8 October 2015, a settlement was reached with LBF's liquidators in Zurich. The case is now closed.

- In 2003, a major case of fraud at K&H Equities Hungary was uncovered. Numerous clients suffered substantial losses on their securities portfolios as a result of unauthorised speculative transactions and possible misappropriations of funds. Instructions and portfolio overviews were forged or tampered with. In August 2008, criminal sentences were handed down. Following an order by the court of appeal on 27 May 2010, the case was retried. On 29 December 2015, the court of first instance again handed down a number of convictions, and some accused were acquitted. The prosecution has since appealed, and so the prosecution will continue at appeal level. All claims against K&H Equities have been settled either amicably or following an arbitration decision. The largest liability claim, which had been covered by adequate provisioning (with due account taken of the compensation expected from an external insurer), was settled out of court in September 2015.

Possible loss:
- On 6 October 2011, Irving H. Picard, trustee for the substantively consolidated SIPA (Securities Investor Protection Act) liquidation of Bernard L. Madoff Investments Securities LLC and Bernard L. Madoff, sued KBC Investments before the bankruptcy court in New York to recover approximately 110 million US dollars' worth of transfers made to KBC entities. The basis for this claim was the subsequent transfers that KBC received from Harley International, a Madoff feeder fund established under the laws of the Cayman Islands. This claim is one of a whole set made by the trustee against several banks, hedge funds, feeder funds and investors. Among the issues being addressed by the district court, and presently being briefed, are the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules to subsequent transferees such as KBC. KBC is participating in that briefing and, together with numerous other defendants, has filed motions for dismissal. District court Judge Jed Rakoff has already made several intermediate rulings in this matter, the most important of which are the rulings on extraterritoriality and good faith defences. On 27 April 2014, Judge Rakoff issued an opinion and order regarding the ‘good faith' standard and pleading burden to be applied in the Picard/SIPA proceeding based on sections 548(b) and 559(b) of the Bankruptcy Code. As such the burden of proof that KBC should have been aware of the fraud perpetrated by Madoff in this matter is for Picard/SIPA. On 7 July 2014, Judge Rakoff ruled that Picard/SIPA's reliance on section 550(a) does not allow for the recovery of subsequent transfers received abroad by a foreign transferee from a foreign transferor (as is the case for KBC). Therefore, the trustee’s recovery claims have been dismissed to the extent that they seek to recover purely foreign transfers. In June 2015, the trustee filed a petition against KBC Investments Ltd to overturn the ruling that the claim fails on extraterritoriality grounds. In this petition, the trustee also amended the original claim including the sum sought. The amount has now been increased to 196 million US dollars.

On 8 October 2012, a number of parties who had subscribed to the ‘5-5-5 products’ issued by KBC Group NV and by KBC IFIMA raised proceedings before Brussels Court of First Instance. In the case involving the KBC Group NV issue, the court handed down a judgment on 20 January 2016, which found in favour of one of the plaintiffs. KBC Bank and KBC Group NV have examined the judgment in detail and are of the view that there is sufficient ground for appealing the case, and have therefore decided to file a petition to that effect.

Other significant liabilities.

The bank irrevocably guarantees all the sums, indebtedness, obligations and liabilities outstanding on 31 December 2015 of the following companies, which are consequently exempt from publication on a consolidated basis.

KBC Asset Management NV
KBC Securities NV

4. Where appropriate, a brief description of the system of supplementary retirement or survivor benefit of the personnel or the executives, stating the measures taken to cover the resulting charges

All members of staff are covered by a supplementary pension scheme that includes an additional death benefit, orphan’s annuity and invalidity benefits. The amount covered under these schemes (which are defined benefit schemes) depends on the average final salary, number of years of service and age at the time of retirement.

These pension schemes are financed entirely by the employer through annual contributions that are recognised in the income statement. These contributions, calculated on an actuarial basis using the aggregate cost method, are transferred to the Pensioenfonds KBC OFP (KBC pension fund for employees) and the Pensioenfonds Senior Management KBC OFP (KBC pension fund for senior management), whose specific task is to manage the accrued reserves, to pay out the supplementary pension benefit and to carry out the necessary administration.

With effect from 2014, a defined contribution plan was introduced that is mandatory for all new employees and optional for employees signed up to the aforementioned defined benefit plan. Since 2015, the defined benefit plan is therefore a closed plan (i.e. no new members can sign up to it). The new defined contribution plan is funded entirely by the employer. A statutory minimum return is guaranteed for contribution plans (3.25% in 2015 when the plan is funded by the employer, and 1.75% from 2016 on). The management of the reserves built up in this way, the payout of those reserves and the administration of the plan is also entrusted to the OFP Pensioenfonds KBC and the OFP Pensioenfonds Senior Management KBC.

In addition, staff may contribute to a supplementary pension scheme (defined contribution plan). It is based solely on members’ personal contributions which are deducted directly from their salaries. The statutory guaranteed return in 2015 was 3.75% for employee contributions, and will be 1.75 % from 2016 on. Management of the reserves accrued in this way, their payment and associated administration is the responsibility of the Pensioenfonds KBC OFP and Pensioenfonds Senior Management KBC OFP.

	Code	Current period
5. Pensions that are borne by the institution itself: the estimated amount of obligations arising from past services	52801	
Bases and methods of estimation		

6. Nature and business purpose of off balance sheet arrangements

Provided that the risks or benefits of such arrangements are material and to the extent that disclosure of the risks or benefits is necessary for assessing the financial situation of the institution;
where appropriate, the financial consequences of these operations for the facility must also be mentioned:

KBC Bank NV is a member of a VAT grouping.

KBC Bank has set up a company for investments in debt securities, called Home Loan Invest, which has acquired mortgage loans of KBC Bank, using funds received from the issuance of securities.

KBC Bank carries almost all of these securities on its balance sheet. The interest risk carried by Home Loan Invest is covered by interest rate swaps concluded between Home Loan Invest and KBC Bank, so that this operation has a limited effect on the ALM management of the bank and on the income statement. The balance sheet shows a decrease of loans for an amount of 1.383 billion euros and an increase of investment securities for an amount of 1.107 billion euros.

The main reason for setting up this operation is to make part of the loans of KBC Bank more liquid, as the securities issued by Home Loan Invest and held by KBC Bank are eligible for refinancing with the ECB. As a consequence the main purpose of this operation is improving the liquidity risk of the bank.

Note that Home Loan Invest is listed as a “Special Purpose Entity”, included in the consolidated reporting of KBC Bank.

The annual accounts of Home Loan Invest are available at the Central Balance Sheet Office.

7. Other off balance sheet rights and commitments

B. TRANSACTIONS WITH RELATED PARTIES OUTSIDE NORMAL MARKET CONDITIONS

	Period
Indication of such transactions if they are significant, including the amount of these transactions, the nature of the relationship with the related party and any other information on transactions that would be required to obtain a better understanding of the financial situation of the institution:	
Transactions with affiliated companies were all concluded in line with the prevailing market conditions.	

XXIX. FINANCIAL RELATIONS WITH

	Codes	Current period
A. DIRECTORS AND MANAGERS, INDIVIDUALS OR CORPORATE BODIES WHO CONTROL THE INSTITUTION DIRECTLY OR INDIRECTLY WITHOUT BEING RELATED TO IT OR OTHER COMPANIES CONTROLLED DIRECTLY OR INDIRECTLY BY THESE PEOPLE		
1. Amounts receivable from these persons	52901	168.111.907,87
a. Conditions on amounts receivable		
2. Guarantees granted on their behalf	52902	0,00
a. Principal terms of the guarantees granted		
3. Other significant commitments undertaken in their favour	52903	0,00
a. Main conditions of these obligations		
4. Direct and indirect remuneration and pensions, included in P&L, provided that such disclosure does not concern exclusively or mainly the situation of a single identifiable person		
a. To directors and managers	52904	457.499,99
b. To former directors and former managers	52905	11.448,16

	Codes	Current period
B. THE AUDITOR(S) AND THE PEOPLE HE (SHE) IS (ARE) RELATED TO		
1. Remuneration of the auditor(s)	52906	2.391.311,93
2. Fees for exceptional services or special services provided to the company by the auditor(s)		
a. Other audit services	52907	583.769,29
b. Tax advisory services	52908	0,00
c. Other non-audit services	52909	84.367,62
3. Fees for exceptional services or special services provided to the company by persons with whom the auditor(s) is(are) related		
a. Other audit services	52910	0,00
b. Tax advisory services	52911	0,00
c. Other non-audit services	52912	0,00

4. Statements in accordance with Article 133, § 6 of the Company Code

XXX. POSITIONS IN FINANCIAL INSTRUMENTS

	Codes	Current period
1. Financial instruments to be received by the institution on behalf of clients	53001	1.542.476.879,45
2. Financial instruments to be delivered by the institution to clients	53002	1.215.381.119,95
3. Financial instruments of clients held in custody by the institution	53003	182.022.480.200,48
4. Financial Instruments from clients given in custody by the institution	53004	112.885.193.785,66
5. Financial Instruments from clients held as collateral by the institution	53005	1.490.877.287,79
6. Financial Instruments from clients given as collateral by the institution	53006	0,00

XXXI. DERIVATIVES NOT ESTIMATED AT FAIR VALUE

	Current period
Estimated fair value of each class of derivative not measured at fair value, with information on the nature and volume of these instruments	
Forward exchange contracts	-42.157.446,38
Currency and interest rate swaps	-66.901.596,47
Interest rate swap agreements	-1.991.798.109,03
Other option contracts	-47.249,50

XXXII. DECLARATION ON CONSOLIDATED ACCOUNTS

A. TO BE COMPLETED BY ALL CREDIT INSTITUTIONS

The institution has drawn up and has published consolidated annual accounts and a consolidated annual report*

~~**The institution does not draw up consolidated annual accounts nor a consolidated annual report because she is exempted due to following reason(s)***~~

The institution does not, solely nor jointly, control one or more subsidiaries governed by Belgian or foreign law*

The institution is a subsidiary of a parent company that draws up and publishes consolidated accounts, in which the annual accounts are included through consolidation*

Justification of compliance with the conditions set out in Article 4 of the Royal Decree of September 23rd 1992:

Name and full address of the registered office and, for institutions governed by Belgian law, the company number of the parent company publishing the consolidated accounts by virtue of which the exemption is granted

B. TO BE COMPLETED BY INSTITUTIONS WHICH ARE SOLELY OR JOINTLY-HELD SUBSIDIARIES

Name and full address of the registered office and, for companies governed by Belgian law, the company number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated **:

KBC GROEP NV
HAVENLAAN 2, 1080 BRUSSEL
0403.227.515
The parent company draws up consolidated annual accounts and publishes these consolidated annual accounts.

If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained **:

* Delete where appropriate

** If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published

C. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 133, paragraph 6 of the Company Law

	Codes	Current period
D. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 134, paragraphs 4 and 5 of the Company Law		
1. Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53201	
2. Fees for exceptional services or special services rendered in this group by the auditor(s)		
a. Other audit services	53202	
b. Tax consultancy services	53203	
c. Other non-audit services	53204	
3. Fees for the people who are related to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53205	
4. Fees for exceptional services or special services rendered in this group by the people who are related to the auditor(s)		
a. Other audit services	53206	
b. Tax consultancy services	53207	
c. Other non-audit services	53208	

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SOCIAL REPORT (in euro)

Numbers of joint industrial committees which are competent for the enterprise:	310				

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES RECORDED IN THE STAFF REGISTER

During the current period	Codes	Total	1. Male	2. Female
Average number of employees				
Full-time	1001	6.042	3.676	2.366
Part-time	1002	3.358	722	2.636
Total of full-time equivalents (VTE)	1003	8.507	4.201	4.307
Number of hours actually worked				
Full-time	1011	8.596.467	5.373.860	3.222.608
Part-time	1012	3.393.129	738.114	2.655.015
Total	1013	11.989.596	6.111.974	5.877.622
Personnel costs				
Full-time	1021	540.477.604,65	367.182.557,85	173.295.046,80
Part-time	1022	193.895.168,54	47.778.046,81	146.117.121,73
Total	1023	734.372.773,19	414.960.604,66	319.412.168,53
Advantages in addition to wages	1033	15.920.407,25	8.983.591,81	6.936.815,44

During the previous period	Codes	P. Total	1P. Male	2P. Female
Average number of employees	1003	8.436	4.239	4.197
Number of hours actually worked	1013	11.783.782	6.111.946	5.671.836
Personnel costs	1023	726.756.688,00	418.526.639,00	308.230.049,00
Advantages in addition to wages	1033	14.625.593,00	8.422.627,00	6.202.966,00

	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
At the closing date of the current period				
Number of employees recorded in the personnel register	105	5.924	3.281	8.338,8
By nature of the employment contract				
Contract for an indefinite period	110	5.924	3.281	8.338,8
Contract for a definite period	111	0	0	0,0
Contract for the execution of a specifically assigned work	112	0	0	0
Replacement contract	113	0	0	0
According to the gender and by level of education				
Male	120	3.604	695	4.107,0
primary education	1200	0	0	0
secondary education	1201	415	188	542,7
higher education (non-university)	1202	2.144	424	2.459,4
university education	1203	1.045	83	1.104,9
Female	121	2.320	2.586	4.231,8
primary education	1210	0	0	0
secondary education	1211	249	529	612,7
higher education (non-university)	1212	1.400	1.577	2.575,9
university education	1213	671	480	1.043,2
By professional category				
Management staff	130	56	0	56,0
Employees	134	5.868	3.281	8.283
Workers	132	0	0	0
Other	133	0	0	0

HIRED TEMPORARY STAFF AND PERSONNEL PUT AT THE ENTERPRISE'S DISPOSAL

During the current period	Codes	1. Temporary personnel	2. Persons put at the disposal of the enterprise
Average number of employees	150	64	0
Number of hours actually worked	151	126.019	0
Charges of the enterprise	152	4.303.917,00	0

TABLE OF PERSONNEL CHANGES DURING THE CURRENT PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees recorded on the personnel register during the financial year	205	425	103	503
By nature of the employment contract				
Contract for an indefinite period	210	424	103	502
Contract for a definite period	211	1	0	1
Contract for the execution of a specifically assigned work	212	0	0	0
Replacement contract	213	0	0	0

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees with a in the staff register listed date of termination of the contract during the period	305	441	295	633
By nature of the employment contract				
Contract for an indefinite period	310	439	295	631
Contract for a definite period	311	2	0	2
Contract for the execution of a specifically assigned work	312	0	0	0
Replacement contract	313	0	0	0
According to the reason for termination of the employment contract				
Retirement	340	72	162	162
Unemployment with company bonus	341	0	0	0
Dismissal	342	40	8	46
Other reason	343	329	125	424
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350	0	0	0

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE CURRENT PERIOD

	Codes	Male	Codes	Female
Total number of official advanced professional training projects at company expense				
Number of participating employees	5801	3.721	5811	4.143
Number of training hours	5802	96.827	5812	121.733
Costs for the company	5803	7.934.619,00	5813	8.867.100,00
of which gross costs directly linked to the training	58031	7.743.765,00	58131	8.653.568,00
of which paid contributions and deposits in collective funds	58032	190.854,00	58132	213.532,00
of which received subsidies (to be deducted)	58033	0,00	58133	0,00
Total number of less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	3.601	5831	4.149
Number of training hours	5822	36.561	5832	48.736
Costs for the company	5823	2.274.792,00	5833	2.602.703,00
Total number of initial professional training projects at company expense				
Number of participating employees	5841	0	5851	0
Number of training hours	5842	0	5852	0
Costs for the company	5843	0,00	5853	0,00

Valuation rules

1. General

The accounting principles and valuation rules conform to Belgian accounting legislation and the provisions of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The annual accounts are made up as at 31 December after profit appropriation.

2.Valuation rules

CURRENCY TRANSLATION

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. Negative and positive valuation differences, except for those relating to the financing of shares and investments in foreign currency and to dotation capital for foreign branches, are recorded in the profit and loss account.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.
For transactions that entailed funding (lending), the rate of the day is used if there is no exchange rate.

Income and charges denominated in foreign currency are stated in the profit and loss account at the rate prevailing when they were recognised. Foreign-currency income and expenditure which is hedged in advance is recorded in euros on the basis of the fixed rate.

Translation of the financial statements of foreign branches outside the euro zone:
balance sheet items are translated at the closing exchange rate prevailing at year-end, profit and loss account items are translated based on average rates. For this purpose, each month's profit or loss is translated into euros at the rate prevailing at the end of that month.

The translation difference at balance sheet date, resulting from translating the profit and loss account on the basis of average rates, is taken to the profit and loss account as profit on financial transactions.

AMOUNTS RECEIVABLE

Interest collected in advance and similar income (including such additional compensation as fees for foreign loans) for the entire loan period cannot be taken to the profit and loss account immediately, and is therefore posted to an accruals and deferrals heading. At month-end, the amount earned is written to the profit and loss account.
Origination and processing fees charged are taken to profit and loss immediately on the inception of the loans and advances concerned, credit insurance premiums are taken to the profit and loss account annually when paid.
Commissions due (payable in advance) for bank guarantees given are recorded in the profit and loss account immediately. The commissions received by KBC Bank for credit broking are charged to the profit and loss account when the credit is disbursed.

Amounts receivable arising from advances and cash deposits are recorded in the balance sheet for the amount made available. The difference between the amount made available and the nominal value (discount) is recognised on an accruals basis according to the straight- line method as interest receivable via the accruals and deferrals accounts.

Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by customers. Interest received but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings.

The other amounts receivable are recognised in the balance sheet at nominal value.

Loans and advances that are transferred through securitisation operations where the transfer qualifies as a sale under NBB/BNB guidelines no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the amount is required to be recorded in the contingent accounts. Until the securitisation operation comes to an end, the entry in the contingent accounts is required to be adjusted at the end of each month to reflect customers' loan repayments. Any gains realised on the sale of securitised assets are taken to the profit and loss account immediately at the time of the sale.
If the sales price is made up entirely or in part of a variable element dependent on the buyer's operating profit, this element will only be taken to the profit and loss account when the operating profit is known and this element is therefore fixed.

In synthetic securitisation operations, the (credit) risk in respect of the underlying (loan) portfolio is all that is transferred to a third party, and this by means of a credit default swap, for example, and not through the effective transfer/sale of the (loan) receivables. In other words, the loans remain on the balance sheet. Transactions used to hedge the company's own loan receivables are recognised as guarantees given or received. Transactions relating to the trading portfolio are recorded as interest rate swaps. Both types of transaction are marked to market and taken to profit and loss, unless carried out on an illiquid market (in this case, positive valuation differences are posted to an accruals and deferrals heading, and negative valuation differences to the profit and loss account).

For loans with an uncertain outcome, general provisions are set aside and specific write-downs are charged. All interest and various other receivables which have remained unpaid for three months after having become payable will not be recognised in the profit and loss account.

Non-specific write-downs are calculated for domestic loans with an uncertain outcome on the basis of the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the ‘uncertain outcome’ portfolio that might become ‘doubtful’) and the loss percentage.
IBNR losses are recognised to take account of incurred but not yet reported losses on normal loans.

For loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely to ensue on the outstanding loans. Interest due and charges are written to reserves.
Loans are classified as irrecoverable and doubtful if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.

The amount of any security is equal to the principal amount registered. Personal security is recorded in the accounts in the amount that can be obtained if execution is levied. Whenever the borrower makes a payment, the current amount of security has to be adjusted. If insufficient security is provided for a loan, a risk premium in the form of a higher rate of interest will be charged. The income this generates will be posted to ‘Net interest income’ on an accruals basis.

Deferred taxes are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base, except for deferred tax assets on tax losses or notional interest deductions carried forward, which are not recognised due to the principle of prudence. Deferred taxes to be recognised are measured using the tax rates in effect on realisation of the assets or settlement of the liabilities to which they relate.

SECURITIES

Securities are recognised at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged directly to the result.

- *Investment portfolio*
Fixed-income investment securities are recorded at acquisition cost, less or plus the matured portion of the premium or discount. The difference between the acquisition cost and the redemption value is reflected as an interest item in the profit and loss account on an accruals basis over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, based on the internal rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

If redemption of a security is uncertain or doubtful, an impairment is recorded according to the principles that apply for the valuation of amounts receivable.
If securities are sold, their carrying value is determined on a case-by-case basis. Gains or losses are posted directly to the profit and loss account.

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year, based on the annual accounts for the previous year. File administrators are responsible for ensuring that any significant negative developments during the course of the year are also dealt with.

No value impairments are posted for shares hedged against a decline in price by means of an option.

- *Trading portfolio*
Securities belonging to the trading portfolio are marked to market. The resulting valuation differences are recorded in the profit and loss account under heading VI: 'Profit (Loss) on financial transactions'.

FINANCIAL FIXED ASSETS

Included in KBC Bank's holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.
If there are no lasting ties and the shares are acquired for resale, then this investment will not be considered a financial fixed asset, but rather as part of the investment portfolio, regardless of the size of the shareholding and the influence that could be exerted on the management of the company in question through this shareholding.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition cost.
Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.
Participating interests, shares and share certificates classified as financial fixed assets may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to associated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

All formation expenses referred to in the Royal Decree on the annual accounts of credit institutions are charged directly to the profit and loss account for the financial year as administrative expenses.

Capitalised goodwill is depreciated according to the straight-line method over a period of five years, unless the Board of Directors decides otherwise.

The following rules apply to software that has been developed in-house: all charges relating to continuity projects, as well as any research expenses for investments, are taken directly to the profit and loss account. However, development expenses (both internal and external) for investments are capitalised as an intangible fixed asset and written off over a period of five years. Investments are large-scale projects that introduce or replace an important business objective or model. Systems software is depreciated at the same rate as hardware, being written off according to the straight-line method over a period of three years.. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

At KBC Bank, intangible fixed assets recorded are capitalised at acquisition cost including ancillary costs, and are written off on an accruals basis during the first year of investment.

TANGIBLE FIXED ASSETS

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT, etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use. The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

When tangible fixed assets are sold, realised gains or losses are taken immediately to the profit and loss account. If these assets are destroyed, the remaining amount to be written off is charged directly to the result.

Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is written off over the average residual useful life of the assets in question.

CREDITORS

Amounts owed as a result of advances or cash deposits received are recorded in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected as interest on an accruals basis in the profit and loss account.

PROVISIONS FOR LIABILITIES & CHARGES

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

- Pensions
Concerned here are commitments with regard to retirement and survivor's pensions, benefits paid out on early retirement and other similar pensions or allowances (related mainly to employees' leaving employment early and end-of-career schemes).

- Taxation
This provision covers the commitments that may arise from a change in the tax base or in the calculation of tax. It is set aside in anticipation of additional tax charges (not yet assessed) for past financial years, for the amount that is disputed.

- Other liabilities and charges

This is a residual heading in respect of the provisions referred to above and includes provisions for legal disputes, commitment credit and indirect taxes.

FINANCIAL INSTRUMENTS

- Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealised profit or loss on revaluation is recognised at least at the end of every month. This revaluation takes into account any interest flows that have already been recognised on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognised immediately. Where illiquid currencies or securities are concerned, no profit on revaluation is recognised.

The existing strategic positions the dealing room takes for its own account via derivatives with a view to generating a profit on the long term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest rate positions.

For non-trading activities, where interest rate instruments are concerned, the gains or losses realised are only recognised on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., share option premiums) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest rate products denominated in a foreign currency (macro-hedging) are also valued according to the 'lower of cost and market' principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR ALM interest rate management purposes is recognised solely on an accruals basis.

Option premiums that are paid in advance are only taken to the profit and loss account on the due date or on liquidation, with the exception of option premiums for caps, floors and collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the 'Other assets' or 'Other liabilities' items. Option premiums relating to trading activities are revalued at least at the end of every month.

- Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term only starts at that time for certain interest rate products (e.g., FRAs).

Trading transactions are marked to market, and the mark-to-market (dirty price) value is recognised in the trading results. Non-trading transactions are included in interest income on an accruals basis, which is the case for interest payable and interest receivable relating to interest rate swaps and foreign currency interest rate swaps. The swap difference arising on FX swaps (and FX outrights) is also released to the results on an accruals basis. The results from interest rate futures and FRAs are included in the profit and loss account spread over the term of the underlying hedged item. Equity swaps are treated in the same way as interest rate swaps. In practice, equity swaps (just like options) are only recorded in the trading book and consequently marked to market. KBC Bank makes use of the derogation allowed by the NBB/BNB to Article 36*bis* of the Royal Decree on the annual accounts of credit institutions. This derogation makes it possible to take interest rate derivatives that do not meet the hedging criteria to the profit and loss account on an accruals basis (interest rate derivatives classified as ALM or treasury management instruments).

- Hedging criteria for forward interest rate transactions:

The general criteria are set out in Article 36*bis* of the Royal Decree on the annual accounts of credit institutions of 23 September 1992:

- the hedged item or the combination of comparable hedged items must expose the credit institution to a risk of interest rate fluctuation;
- the transaction must be recorded in the books as a hedge from its inception;
- there must be a close correlation between fluctuations in the value of the hedged item and fluctuations in the value of the hedge; in the case of hedging options, there must be a correlation between fluctuations in the value of the hedged item and fluctuations in the value of the underlying financial instrument.

In addition, specific company criteria apply. All these criteria must be met: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered trading transactions once the underlying position to be hedged no longer exists.

Future interest rate positions can be hedged if it is reasonably certain that the position will actually materialise. Moreover, the amount, term and interest rate conditions must be sufficiently certain.

- Calculation of unrealised profit/loss on revaluation

Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the accounting records. Only for calculating capital adequacy requirements relative to market risks is the market risk calculated on a net basis per counterparty.

For forward interest rate and similar products (namely forward foreign exchange products), valuation occurs on the basis of the net present value of future, determinable cash flows using a single yield curve per currency, which is used throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation. Options are valued according to the usual valuation models. For interest rate products, calculations are always based on the assumption of a liquid market, provided the underlying currencies are liquid.

If a credit granted to a counterparty is classified as ‘doubtful’ or ‘irrecoverable’, the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be recorded; for commitments, provisions will be set aside.

3. **Changes in valuation rules**

None.

Dematerialization Securities

In compliance with article 11 of the law of 14 December 2005 relating to the abolishment of bearer securities, during 2015, the Bank has sold its bearer financial instruments of which the holder has not identified himself and has transferred the proceeds of the sale to the “Deposito-en Consignatiekas”. The auditor has confirmed that the Bank has complied with the stipulations of that article.

Notes to the annual accounts

The annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

Balance sheet

KBC Bank NV (x1000 EUR)	31/12/2015	31/12/2014	change
Assets	**161 478 723**	**159 448 405**	**2 030 319**
Cash and cash balances with central banks	1 646 600	1 733 513	-86 913
Amounts receivable from credit institutions	16 769 650	21 856 266	-5 086 616
Of which reverse repos with credit institutions	*6 071 633*	*7 488 096*	-1 416 463
Amounts receivable from clients	93 764 384	85 886 204	7 878 179
Of which reverse repos with professional counterparties	*3 765 939*	*6 431 050*	-2 665 111
Bonds and other fixed-income securities	24 109 915	23 345 266	764 649
Shares and other variable-yield securities	142 399	186 574	-44 174
Financial fixed assets	13 426 161	13 754 872	-328 711
Formation expenses, tangible and intangible fixed assets	785 403	801 715	-16 313
Other assets	1 796 080	1 942 086	-146 006
Deferred charges and accrued income	9 038 131	9 941 908	-903 776
Liabilities	**161 478 723**	**159 448 405**	**2 030 319**
Amounts payable to credit institutions	16 307 051	14 329 641	1 977 410
Of which repos with credit institutions	*1 112 961*	*992 507*	*120 454*
Amounts payable to clients	108 589 734	107 873 922	715 812
Of which repos with professional counterparties	*8 601 754*	*7 294 111*	*1 307 643*
Debts represented by securities	12 506 927	10 600 170	1 906 757
Other amounts payable	1 161 024	2 808 502	-1 647 478
Accrued charges and deferred income	7 305 850	8 151 574	-845 724
Provisions for liabilities and charges and deferred taxes	248 196	277 544	-29 348
Subordinated loans	5 279 999	5 394 437	-114 438
Equity	10 079 941	10 012 614	67 327

Balance sheet total

Total assets went up by 2 billion euros to 161.5 billion euros, due mainly to the net impact of a 7.9-billion-euro increase in amounts receivable from clients and a 5.1-billion-euro decrease in amounts receivable from credit institutions. Foreign branches held 3.94% of the bank's total assets (3.89% at year-end 2014).

Amounts receivable from credit institutions

On balance, net borrowing from credit institutions[1] came to 4.4 billion euros, as opposed to net lending to credit institutions of 6.7 billion euros in 2014. At 16.8 billion euros, amounts receivable from credit institutions fell by 5.1 billion euros. The decline related primarily to:

(1) A decrease in term loans and overnight deposits with group entities (-2.7 billion euros).

(2) A decline in trade receivables (-1 billion euros), mainly at the Singapore and Hong Kong branches, which came about because of the economic slowdown in China.

(3) A decrease in reverse repos (-1.4 billion euros).

[1] Amounts receivable from credit institutions + reverse repos with professional counterparties - amounts payable to credit institutions - repos with professional counterparties.

Amounts receivable from clients

Amounts receivable from clients increased by 7.9 billion euros to 93.8 billion euros. This growth can be accounted for by:

(1) A decrease in reverse repos (-2.5 billion euros)
(2) An increase in term loans:

- With group entities (+5.6 billion euros)
- Slight growth in retail and corporate loans (+1 billion euros)
- The merger of Antwerp Diamond Bank (ADB) (+0.5 billion euros)

(3) An increase in mortgage lending (+2.8 billion euros) resulting from the repurchase of securitised loans from Home Loan Invest.

Bonds and other fixed-income securities

The portfolio of bonds and other fixed-income securities grew by 0.8 billion euros, bringing it to 24.1 billion euros. Securities issued by public authorities represented 65% of the portfolio.

The increase was made up of the following elements:

(1) Home Loan Invest repurchasing certificates it had issued (cf. offsetting effect in 'amounts receivable from clients' relating to the repurchase of securitised mortgage loans): -2.4 billion euros
(2) Investment bonds sold on account of the new bank law: -0.9 billion euros
(3) Short-term certificates of deposit: +5 billion euros
(4) Government bonds sold: -1 billion euros

Financial fixed assets

Financial fixed assets decreased by 0.3 billion euros to 13.4 billion euros, due to capital increases and provisioning at a number of subsidiaries, mergers (ADB and KBC Lease Holding) and the liquidation of KBC Financial Holding Inc.

Other asset items

'Deferred charges and accrued income' consisted primarily of accrued interest and the revaluation of derivatives (such as IRS). This item fell by 0.9 billion euros on account of the lower mark-to-market valuation of derivatives, the effect of which was intensified by clearing operations.

Amounts payable to credit institutions

The amounts payable to credit institutions grew by 2 billion euros to 16.3 billion euros, owing to the net effect of an increase in short-term deposits (+3 billion euros) offset by fewer overnight deposits from other financial institutions (-1 billion euros) due to negative interest rates.

Amounts payable to clients and debts represented by securities

This item went up by 2.6 billion euros to 121.1 billion euros at year-end 2015. Fixed-term time deposits fell by 6.7 billion euros as a result primarily of wholesale funding, which had been provided via subsidiary KBC IFIMA, reaching maturity. There was a shift from matured time deposits to savings and current accounts, whose deposits increased by 6.1 billion euros. Repo transactions increased by 1.3 billion euros. Furthermore, there were additional issues under the covered bond programme (an impact of 1.9 billion euros).

Other liabilities

Other liabilities decreased by 1.6 billion euros, due primarily to a dividend for financial year 2014 being paid to KBC Group NV in April 2015.

Accrued charges and deferred income

'Accrued charges and deferred income' was made up primarily of interest payable and the revaluation of derivatives.

Provisions for liabilities and charges and deferred taxes

In 2015, the provisions for liabilities and charges decreased by 30 million euros to 248 million euros, mainly because of the drop in liabilities and charges relating to legal and operational disputes.

Subordinated loans

Subordinated loans decreased by 0.1 billion euros, which was the net-effect of:

- New tier-2 instruments being issued by KBC Group NV (+0.8 billion euros) offset by maturing, subordinated deposits (mainly IFIMA: -0.6 billion).

- Subordinated certificates no longer being issued as from August 2015, which caused this item to decline (-0.3 billion euros).

Equity

Equity increased slightly to 10.1 billion euros.

Off-balance-sheet items

Under ‘contingent liabilities’, ‘other guarantees’ decreased by 3.3 billion euros. These were mainly lower guarantees in relation to KBC IFIMA due to matured bonds.

Under ’commitments carrying a potential credit risk’, ‘firm credit commitments’ increased by 2.4 billion euros, which was related to the increased volume of repos.

Under ’assets lodged with the credit institution’, ‘safe custody and equivalent items’ increased by 14.1 billion euros.

Profit and loss account

KBC Bank NV (x1000 EUR)	31/12/2015	31/12/2014	change
Gross income from ordinary activities	3.656.108	3.174.756	481.352
Operating charges	-1.920.317	-1.849.451	-70.866
Write-downs and provisions	-141.045	-122.234	-18.811
Profit on ordinary activities	1.594.747	1.203.071	391.676
Extraordinary result	-174.726	493.487	-668.214
Taxes	-8.741	-11.120	2.379
Result for the period to be appropriated	**1.411.280**	**1.685.439**	**-274.158**

Notes to the profit and loss account

(x1000 EUR)	31/12/2015	31/12/2014	change
Net interest income	1.554.636	1.400.673	153.963
Income from variable-yield securities	906.887	683.706	223.181
Net fee and commission income	831.175	902.661	-71.486
Results from financial transactions	135.312	-65.581	200.893
Other operating income	228.099	253.296	-25.197
Gross income from ordinary activities	**3.656.108**	**3.174.756**	**481.352**

'Gross income from ordinary activities' came to 3.7 billion euros, up 0.5 billion euros on the figure for2014.

This increase is accounted for as follows:

- Despite the difficult interest-rate climate, net interest income improved due primarily to the fact that ‘interest expense’ (+400 million euros) fell more sharply than ‘interest income’ (-245 million euros). As far as interest expense is concerned, the drop was the result primarily of lower interest rates and volumes in respect of time deposits. Moreover, the reduction in rates paid on savings accounts had a positive impact. Lastly, subordinated debt was issued at a lower rate of interest.
  Interest income likewise decreased due to lower rates of interest on loans to clients and on reinvestments in the bond portfolio.
- Income from variable yield securities increased by 223 million euros, thanks chiefly to higher dividends paid by subsidiaries (+186 million euros).
- Net provisions fell by 71 million euros (the impact of lower securitisation fees for Loan Invest due to lower outstanding securitised volumes was greater than the solid level of fees generated by investment product in the first half of 2015).
- The results from financial transactions rose by 200 million euros, which was attributable mainly to specific losses incurred in 2014 that were no longer present in 2015 (cf. CDO portfolio).
- Other operating income decreased by 25 million euros, due primarily to the lower level of charges passed on to other group entities.

(x1000 EUR)	31/12/2015	31/12/2014	change
General administrative charges	-1 757 037	-1 674 635	-82 403
Depreciation of and amounts written off tangible and intangible fixed assets	-47 826	-52 224	4 398
Other operating charges	-115 453	-122 592	7 139
Operating charges	**-1 920 317**	**-1 849 451**	**-70 866**

Operating charges (including 'depreciation of and amounts written off tangible and intangible fixed assets ' and 'other operating charges') increased slightly to 1.9 billion euros in 2015. The bank tax (including the amount contributed to the deposit protection scheme) amounted to 68 million euros (compared with 105 million euros a year earlier).

(x1000 EUR)	31/12/2015	31/12/2014	change
Write-downs on loans	-207 240	-202 159	-5 081
Write-downs on investment portfolio	-14 166	-3 320	-10 846
Provisions	80 361	83 245	-2 884
Write-downs and provisions	**-141 045**	**-122 234**	**-18 811**

‘Write-downs on loans’ increased by 5 million euros to 207 million euros, while provisioning rose by 11 million euros.

The ‘extraordinary result’ decreased by 668 million euros, mainly on account of impairment charges on group entities being reversed in 2014 and impairment charges being recognised on certain group entities in 2015.

Branch network

At the end of 2015, KBC Bank had a network of 647 branches in Belgium. It also has ten branches abroad, more specifically in New York, London, Paris, Rotterdam, Singapore, Hong Kong, Shanghai, Dublin, Düsseldorf and Poland.

The legal information required in accordance with Article 96 of the Belgian Companies Code that has not been provided above appears in the ‘Report of the Board of Directors’ section.

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Free translation from the Dutch original

Statutory auditor's report to the general meeting of the company KBC Bank nv for the year ended 31 December 2015

As required by law and the Company's by-laws, we report to you in the context of our statutory auditor's mandate. This report includes our opinion on the balance sheet as at 31 December 2015, the income statement for the year 31 December 2015 and the disclosures (all elements together "the Annual Accounts") and includes as well our report on other legal and regulatory requirements.

Report on the Annual Accounts - Unqualified opinion

We have audited the Annual Accounts of KBC Bank nv ("the Company") as of and for the year ended 31 December 2015, prepared in accordance with the financial-reporting framework applicable in Belgium, which show a balance sheet total of 161.478.723 thousand € and of which the income statement shows a profit for the year of 1.411.280 thousand €.

Responsibility of the Board of Directors for the preparation of the Annual Accounts

The Board of Directors is responsible for the preparation of Annual Accounts that give a true and fair view in accordance with the financial-reporting framework as applicable in Belgium. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of Annual Accounts that give a true and fair view and that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the given circumstances.

Responsibility of the statutory auditor

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

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

We have obtained from the Board of Directors and the Company's officials the explanations and information necessary for performing our audit procedure and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Unqualified opinion

In our opinion, the Annual Accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2015, and of its results for the year then ended, prepared in accordance with the financial-reporting framework applicable in Belgium.

Report on other legal and regulatory requirements

The Board of Directors is responsible for the preparation and the content of the Board of Director's report on the Annual Accounts, in accordance with article 96 of the Belgian Company Code, as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Belgian Company Code and with the Company's by-laws.

In the context of our mandate and in accordance with the additional standard issued by the 'Instituut van de Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises' as published in the Belgian Gazette on 28 August 2013 (the "Additional Standard"), it is our responsibility to perform certain procedures to verify, in all material respects, compliance with certain legal and regulatory requirements, as defined in the Additional Standard. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the Annual Accounts.

- The Board of Director's report on the Annual Accounts includes the information required by law, is consistent with the Annual Accounts and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to certain formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of the results proposed to the general meeting complies with the relevant requirements of the law and the Company's by-laws.
- There are no transactions undertaken or decisions taken in breach of the by-laws or of the Belgian Company Code that we have to report to you.
- During the year, an interim dividend has been distributed in respect of which we have prepared the attached report in accordance with the legal requirements.

Brussels, 17 March 2016

Ernst & Young Bedrijfsrevisoren bcvba / Réviseurs d'Entreprises sccrl
Statutory auditor
Represented by

Weymeersch

Christel Weymeersch*
Partner
* Acting on behalf of a bvba/sprl

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Auditor's report to the Board of Directors of KBC Bank nv on the statement of assets and liabilities prepared for the purpose of the distribution of an interim dividend

Mission

In accordance with article 618 of the Company Code and the company's bylaws, and in our capacity as statutory auditor, we report to you on the interim statement of assets and liabilities of your company, as per 30 September 2015, prepared for the purpose of the distribution of an interim dividend of € 1.162.340.172,14.

The Board of Directors is responsible for the preparation and the presentation of this interim statement of assets and liabilities in accordance with the requirements of the accounting law in Belgium, the legal and regulatory requirements that apply to the keeping of the accounts, as well as the compliance with the Company Code and the bylaws of the company.

Our responsibility is to form a conclusion on this statement of assets and liabilities based on our review.

More than six months have passed since the end of the previous financial year and the annual accounts in respect of that financial year were approved by the General Shareholders' Meeting of April 29, 2015. The statement of assets and liabilities, which is the basis for determining the results, is less than two months old, and was prepared with consistent application of the existing valuation rules.

We have established that article 38 of the coordinated bylaws provides the Board of Directors the authority to distribute interim profits.

Scope of the review

We have carried out our review in accordance with ISRE 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Report of the auditor to the Board of Directors of KBC Bank nv relation to the statement of assets and liabilities prepared for the purpose of the distribution of an interim dividend

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement of assets and liabilities is not prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

The profit as per 30 September 2015 and the nine-month period then ended amounts to € 1.235.863.022,27, and taking into account the profit brought forward and the reserves not available for distribution and to be set up according to the legal requirements or bylaws, is sufficient to proceed with a distribution of an interim dividend, as intended by the Board of Directors.

Brussels, 13 November 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Weymeersch

Christel Weymeersch*
Partner
* Acting on behalf of a BVBA/SPRL

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ASSETS	september 2015	december 2014
I. Cash in hand, balances at central banks and post office banks	**1.160.166.300,62**	**1.051.392.920,88**
II. Treasury bills eligible for refinancing at the central bank	**379.117.090,27**	**682.119.786,08**
III. Loans and advances to credit institutions	**29.252.240.498,00**	**21.856.266.308,08**
A. Repayable on demand	2.914.371.733,42	1.608.111.520,00
B. Other loans and advances (with agreed maturity dates or periods of notice)	26.337.868.764,58	20.248.154.788,08
IV. Loans and advances to customers	**91.655.683.328,80**	**85.886.204.458,21**
V. Bonds and other fixed-income securities	**19.157.170.768,05**	**23.345.266.107,39**
A. Issued by public bodies	15.499.441.271,57	16.535.010.496,83
B. Issued by other borrowers	3.657.729.496,48	6.810.255.610,56
VI. Shares and other variable-yield securities	**151.662.031,43**	**186.573.729,00**
VII. Financial fixed assets	**13.552.574.404,16**	**13.754.872.381,98**
A. Participating interests in affiliated enterprises	12.913.563.151,55	13.104.502.684,10
B. Particpating interests in other enterprises linked	126.045.902,61	139.270.019,77
C. Other shares constituting financial fixed assets	39.881.304,86	24.711.350,40
D. Subordinated loans and advances to affiliated enterprises and other enterprises linked by participating interests	473.084.045,14	486.388.327,71
VIII. Formation expenses and intangible fixed assets	**364.094,31**	**484.386,03**
IX. Tangible fixed assets	**788.441.981,02**	**801.231.112,28**
X. Own shares	**0,00**	**0,00**
XI. Other assets	**1.841.010.352,25**	**1.942.085.685,73**
XII. Deferred charges and accrued income	**8.753.547.235,50**	**9.941.907.880,65**
TOTAL ASSETS	166.691.978.084,41	159.448.404.756,31

LIABILITIES	september 2015	december 2014
I. Amounts owed to credit institutions	**15.256.307.080,92**	**14.329.640.977,27**
A. Repayable on demand	3.402.297.298,99	2.668.632.657,98
B. Amounts owed as a result of the rediscounting of trade bills	0,00	0,00
C. Other debts (with agreed maturity dates or periods of notice)	11.854.009.781,93	11.661.008.319,29
II. Amounts owed to customers	**113.827.575.956,81**	**107.873.921.644,07**
A. Saving deposits	35.065.987.367,21	33.351.026.487,55
B. Other debts	78.761.588.589,60	74.522.895.156,52
1) Repayable on demand	42.038.180.033,20	32.252.988.048,96
2) With agreed maturity dates or periods of notice	27.705.974.369,89	34.975.795.651,52
3) As a result of the rediscounting of trade bills	9.017.434.186,51	7.294.111.456,04
III. Debts represented by securities	**12.464.414.089,23**	**10.600.170.476,99**
A. Bonds and other fixed-income securities in circulation	7.388.075.452,98	5.471.575.695,70
B. Other debt instruments	5.076.338.636,25	5.128.594.781,29
IV. Other liabilities	**1.038.160.772,38**	**2.808.501.889,32**
V. Accrued charges and deferred income	**7.281.656.473,83**	**8.151.574.318,44**
VI. A. Provisions for liabilities and charges	**240.135.602,01**	**276.192.876,59**
1. Pensions and similar commitments	25.815.792,75	31.874.152,08
2. Taxation	0,00	0,00
3. Other liabilities and charges	214.319.809,26	244.318.724,51
B. Deferred taxes	**31.837.402,54**	**1.351.484,51**
VII. Fund for General Banking Risks	**0,00**	**0,00**
VIII. Subordinated liabilities	**5.303.413.348,57**	**5.394.436.753,27**
CAPITAL AND RESERVES	11.248.477.358,12	10.012.614.335,85
IX. Capital	**8.948.439.652,39**	**8.948.439.652,39**
A. Subscribed capital	8.948.439.652,39	8.948.439.652,39
B. Uncalled capital (-)	0,00	0,00
X. Share premium account	**895.449.646,51**	**895.449.646,51**
XI. Revaluation reserve	**0,00**	**0,00**
XII. Reserves	**160.411.490,37**	**160.411.490,37**
A. Legal reserve	147.438.242,14	147.438.242,14
B. Reserves not available for distribution	0,00	0,00
1. Own	0,00	0,00
2. Other	0,00	0,00
C. Untaxed reserves	12.973.248,23	12.973.248,23
D. Reserves available for distribution	0,00	0,00
XIII. Profit brought forward	**1.244.176.568,85**	**8.313.546,58**
TOTAL LIABILITIES	166.691.978.084,41	159.448.404.756,31

Additional information

Annex

Capital transactions and guarantee agreements between KBC Group and the government in 2008 and 2009

In 2008 and 2009, KBC Group NV – the parent company of KBC Bank NV – 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 securities were subscribed by the Belgian State (the Federal Holding and Investment Company) and the Flemish Region, each in the amount of 3.5 billion euros.

KBC Group repaid that amount as follows:

- in 2012: 3.5 billion euros, plus a penalty of 15% to the Belgian Federal Government;
- in 2013: 1.17 billion euros, plus a penalty of 50% to the Flemish Regional Government;
- in 2014: 0.33 billion euros, plus a penalty of 50% to the Flemish Regional Government;
- in 2015: 2.00 billion euros, plus a penalty of 50% to the Flemish Regional Government.

In 2009, KBC Group also signed an agreement with the Belgian State regarding a guarantee for a substantial part of its structured credit portfolio. The plan initially related to a notional amount totalling 20 billion euros. More information on the structure of that transaction is provided in previous annual reports. In recent years, KBC rapidly reduced its exposure to CDOs and collapsed the two remaining CDOs in its portfolio in 2014. Over a period of just five years, KBC succeeded in scaling back its entire CDO portfolio, which had exceeded 25 billion euros in 2008, thus releasing it from the guarantee agreement.

Ratios used

Common equity ratio

A risk-weighted measure of solvency, based on common equity tier-1 capital.

Calculation	2014	2015
Method of calculation provided in the 'Capital adequacy' section (the ratio given here is based on the Danish compromise)		
Phased-in	12.2%	14.1%
Fully loaded	12.1%	13.7%

Cost/income ratio

Gives an impression of relative cost efficiency (costs relative to income).

Calculation (in millions of EUR or %)	Reference	2014	2015
Operating expenses (A)	'Operating expenses' in the consolidated income statement	3 311	3 388
/			
Total income (B)	'Total income' in the consolidated income statement	5 734	6 145
= (A) / (B)		58%	55%

This ratio is now based entirely on IFRS figures after use of the 'adjusted income statement' was discontinued in 2015 (the reference figures have been restated retroactively).

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges.

Calculation (in millions of EUR or %)	Reference	2014	2015
Specific impairment on loans	'Loan and investment portfolio' table in the 'Risk management' section	5 709	5 517
/		13 692	12 305
Outstanding impaired loans	'Loan and investment portfolio' table in the 'Risk management' section		
= (A) / (B)		42%	45%

Where appropriate, the numerator and denominator in the formula may be limited to impaired loans that are more than 90 days past due.

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period (in this case, a year), relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	2014	2015
Net changes in impairment for credit risks (A)	Component of 'Impairment' in the consolidated income statement	587	323
/			
Average outstanding loan portfolio (B)	'Loan and investment portfolio' table in the 'Risk management' section	139 178	141 951
= (A) / (B)		0.42%	0.23%

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12 and correspond to the new definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	2014	2015
Amount outstanding of impaired loans (A)	'Loan and investment portfolio' table in the 'Risk management' section	13 692	12 305
/			
Total outstanding loan portfolio (B)	'Loan and investment portfolio' table in the 'Risk management' section	138 931	143 400
= (A) / (B)		9.9%	8.6%

Where appropriate, the numerator may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12).

Leverage ratio

Gives an idea of the bank's solvency, based on a simple non-risk-weighted ratio.

Calculation (in millions of EUR or %)	Reference	2014	2015
Regulatory available tier-1 capital (A)	'Solvency of KBC Bank' table in the 'Capital adequacy' section	11 132	12 346
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	220 436	230 558
= (A) / (B)		5.1%	5.4%

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period.

Calculation (in millions of EUR or %)	Reference	2014	2015
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR for 2015 and on the CRR for 2014 (therefore not entirely comparable)	37 700	47 300
/			
Total net cash outflows over the next 30 calendar days (B)		31 400	37 150
= (A) / (B)		120%	127%

Loan portfolio

Gives an idea of the magnitude of (what are mainly pure, traditional) lending activities.

Calculation (in millions of EUR)	Reference ('Consolidated financial statements')	2014	2015
Loans and advances to customers (A)	'Loans and advances to customers' in Note 14	125 550	129 206
-			
Reverse repos with customers (B)	'Reverse repos' in Note 14	-3 200	-2 425
+			
Debt instruments issued by corporates and by credit institutions and investment firms (C)	Component of 'Debt instruments issued by corporates and by credit institutions and investment firms' in Note 14	6 860	7 118
+			
Loans and advances to credit institutions and investment firms (excluding dealing room activities) (D)	Component of 'Loans and advances to credit institutions and investment firms' in Note 14	1 443	1 060
+			
Financial guarantees granted to clients (E)	Component of 'Financial guarantees given' in Note 35	8 175	7 830
+			
Impairment on loans (F)	Component of 'Impairment' in Note 17	5 801	5 623
+			
Other (G)	Component of Note 14	-5 698	-5 012
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		138 931	143 400

Minimum requirement for own funds and eligible liabilities (MREL)

Indicates the extent to which a bank has sufficient own funds and eligible liabilities available for bail-in. MREL and bail-in are based on the idea that shareholders and debt-holders should bear losses first if a bank fails.

Calculation (in millions of EUR or %)	Reference	2014	2015
Own funds and liabilities that satisfy the requirements of the Bank Recovery and Resolution Directive (with the exception of certain excluded liabilities) (A)	Bank Recovery and Resolution Directive	27 557	28 647
/			
Own funds and liabilities (B)	Consolidated balance sheet	211 116	217 626
= (A) / (B)		13.1%	13.2%

Net interest margin

Gives an idea of net interest income (one of the most important sources of revenue for the group) relative to average total interest-bearing assets.

Calculation (in millions of EUR or %)	Reference	2014	2015
Net interest income* (A)	Component of 'Net interest income' in the consolidated income statement	3 539	3 594
/			
Average interest-bearing assets* (B)	Component of 'Total assets' in the consolidated balance sheet	170 168	177 629
= (A) / (B)		2.08%	2.02%

* Redefined at the start of 2014 (and the figures restated retroactively) to eliminate all divestments and volatile short-term assets used for liquidity management purposes.

Net stable funding ratio (NSFR)

Gives an idea of the bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	2014	2015
Available amount of stable funding (A)	-	134 750	135 400
/			
Required amount of stable funding (B)		109 500	111 800
= (A) / (B)		123%	121%

In 2014, we adjusted the method of calculation following our interpretation of the new Basel Committee guidance in October of that year. Therefore, the figures prior to 2014 are not entirely comparable with the figures for 2014 and 2015.

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

Calculation (in billions of EUR)	Reference	2014	2015
Belgium Business Unit (A)	KBC Asset Management Annual Report	172.2	193.8
+			
Czech Republic Business Unit (B)		7.4	8.8
+			
International Markets Business Unit (C)		6.1	6.2
= (A)+(B)+(C)		185.7	208.8

Total capital ratio

A risk-weighted measure of the group's solvency, based on total regulatory capital.

Calculation	2014	2015
Method of calculation provided in the 'Capital adequacy' section (the ratio given here is based on the Danish compromise)		
Phased-in	17.9%	20.6%
Fully loaded	17.6%	20.1%

* The CRD IV rules are gradually being implemented to allow banks to build up the necessary capital buffers. The capital position of a bank, when account is taken of the transition period, is referred to as the 'phased-in' view. The capital position based on full application of all the rules – as would be the case after this transition period – is referred to as 'fully loaded'.

Management certification

‘I, Luc Popelier, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the assets, the financial condition and results of KBC Bank NV and its consolidated subsidiaries, and that the annual report provides a fair overview of the development, results and the situation of KBC Bank NV and its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which they are exposed.’