Press Release

Outside trading hours - Regulated information*

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Exceptionally good start to the year with first-quarter profit of 510 million euros

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

Johan Thijs, Group CEO:

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

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

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

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

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

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

Our ambition is to be among the best-performing, retail-focused financial institutions in Europe and to become the reference in bank-insurance in our core markets. Our strong belief in our core business of bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria has been confirmed through these results.

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

Financial highlights for 1Q2015 compared with 4Q2015:

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

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

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

Overview of results according to IFRS

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

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

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

Overview of adjusted results

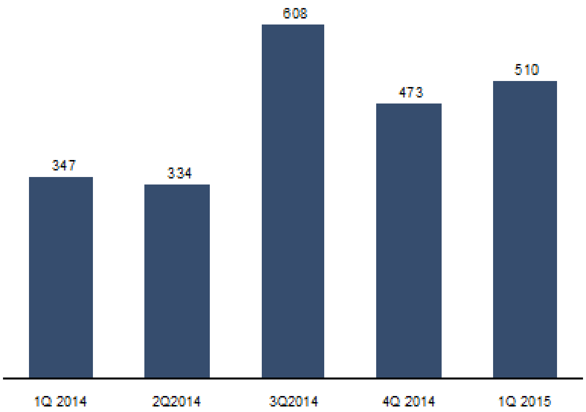
In addition to the figures according to IFRS (previous section) and until the end of 2014, KBC provides figures aimed at giving more insight into the ongoing business performance. Hence, in the table below, the impact of legacy activities (remaining divestments, CDOs) and of the valuation of own credit risk is excluded from P/L and summarised in three lines under the heading 'Legacy business and own credit risk impact (after tax)' in the table (under segment reporting, these items are all included in the Group Centre). In view of their immateriality (finalisation of the divestments, no CDO exposure anymore), these items are no longer stated separately, starting from the first quarter of 2015. Moreover, capital-market income is treated differently for accounting purposes for the Belgium Business Unit (with all trading results recorded under 'Net result from financial instruments at fair value'). This treatment was continued in the first quarter of 2015. A full explanation of the differences between the IFRS and adjusted figures is provided under 'Notes on segment reporting' in the 'Consolidated financial statements' section of the quarterly report.

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

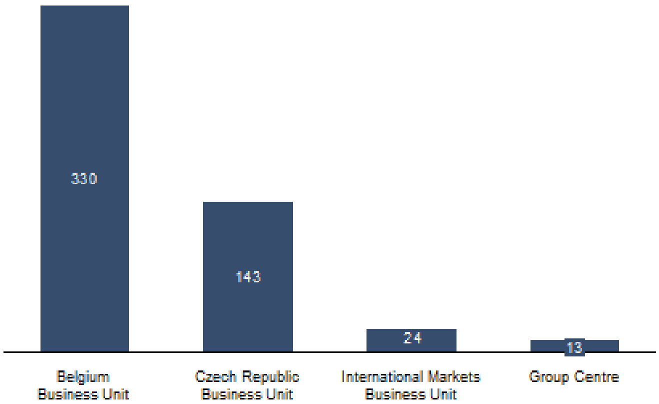
IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 in 2015 is that certain levies have to be recognised in advance, which adversely impacted the results for the first quarter of 2015. As it needs to be applied retroactively,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

Analysis of the quarter under review (1Q2015)

Net result (in millions of EUR)



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



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

Total income

- In addition to the figures according to IFRS (previous section) and until the end of 2014, KBC provided figures aimed at giving more insight into its ongoing business performance. Hence, in the analysis below, the impact of legacy activities (remaining divestments and CDOs) and of the valuation of own credit risk is excluded from P/L for all 2014 quarterly data, to allow for a relevant comparison. Moreover, capital-market income is treated differently for accounting purposes for the Belgium Business Unit (with all trading results recording under 'Net result from financial instruments at fair value').
- The year-on-year performance was also partly affected by the deconsolidation of KBC Bank Deutschland and by a number of other minor changes. These items will be disregarded to enable a meaningful comparison to be made ('on a comparable basis').
- Net interest income stood at 1 072 million euros, down 3% quarter-on-quarter but up 7% year-on-year. On a comparable basis, this item was up 9% year-on-year. The net interest margin came to 2.08% for the quarter under review, 8 basis points lower than the level of the previous quarter, and 8 basis points higher than the (recalculated) level of the year-earlier quarter. The quarter-on-quarter decrease in net interest income was driven primarily by lower upfront refinancing fees on mortgage loans in Belgium and lower revenues on

previously refinanced mortgages in Belgium but also by lower reinvestment yields on the investment portfolio. Year-on-year the increase was driven by sound commercial margins, volume increases, lower funding costs and higher prepayment fees. Deposit volumes were up 3% quarter-on-quarter and 6% year-on-year. Loan volumes increased by 1% quarter-on-quarter and 4% year-on-year. The loan book in the Belgium Business Unit grew by 1% quarter-on-quarter and by 5% year-on-year. Deposits in the Belgium Business Unit grew by 5% quarter-on-quarter and by 11% year-on-year. The loan book in the Czech Republic increased by 9% year-on-year and 2% quarter-on-quarter, while deposits rose by 7% year-on-year and stayed flat quarter-on-quarter. The loan portfolio in the International Markets Business Unit was almost flat year-on-year, owing to the contraction in the Irish loan portfolio offsetting strong growth in Hungary, Bulgaria and Slovakia, and was also virtually unchanged quarter-on-quarter. Its deposit base grew by 8% year-on-year (driven mainly by Ireland, where there is a successful ongoing retail campaign, and Bulgaria), and went up by 3% quarter-on-quarter.

- The life and non-life insurance businesses delivered gross earned premiums less gross technical charges and the ceded reinsurance result totaling 108 million euros in the quarter under review, up 23% quarter-on-quarter, driven mainly by lower technical charges in the non-life segment, and up 48% year-on-year, driven chiefly by higher earned premiums in the non-life segment and lower technical charges in the life segment.

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

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

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

- The net result from financial instruments at fair value amounted to 74 million euros in the quarter under review, well above the 58-million-euro average for the four preceding quarters but lower than the previous quarter. The quarter-on-quarter decrease in this item was accounted for by positive CVA (due mainly to model changes) in the previous quarter. The valuations in respect of ALM derivative instruments came to -3 million euros in the quarter under review (compared to a quarterly average of -50 million euros in 2014 and of -7 million euros in the fourth quarter of 2014). Dealing room income, which also drives this item, stood at a modest level in 1Q2015, impacted partly by the revaluation of the Swiss franc during the period.

- Net realised gains from available-for-sale assets stood at 79 million euros for the quarter under review, up on the 36-million-euro average for the four preceding quarters and higher than the previous quarter. These gains were realised both on the sale of shares and bonds on the back of buoyant markets.

- Net fee and commission income amounted to 462 million euros, up 13% quarter-on-quarter and 22% year-on-year (23% on a comparable basis) owing primarily to the higher entry fees on investment products and higher level of management fees for mutual funds. Assets under management stood at 208 billion euros, up 12% on their level of the previous quarter (accounted for by the investment performance (+8%) and net entries (+4%)) and up 25% year-on-year, driven by the investment performance (+16%) and by net inflows (+9%).

- Other net income came to 49 million euros, substantially higher than the 16-million-euro average for the four preceding quarters (the latter figure had been impacted to the tune of -231 million euros by provisioning for the new Hungarian act on retail loans in 2Q2014, whereas the first quarter of 2015 included a reversal of that provision of 17 million euros).

Operating expenses

- Operating expenses came to 1 125 million euros in the first quarter, up 17% on their level in the previous quarter and 8% year-on-year (9% on a comparable basis). The increase was distorted by the posting of a significant proportion of the special bank taxes for the full 2015 year in the quarter under review in application of IFRIC 21 (264 million euros); on a like-for-like comparison (i.e. excluding the effect of the bank tax and on a comparable basis), the other expenses decreased by 6% quarter-on-quarter and went up by 3% year-on-year. The quarter-on-quarter decline was attributable to lower marketing expenses in Belgium and the Czech Republic, lower staff expenses in Belgium and Ireland and some one-off items in Hungary in the fourth quarter of 2014. Making a year-on-year comparison, the increase was accounted for by higher staff expenses in Belgium, the Czech Republic and Ireland and higher general expenses in Ireland (ongoing retail campaign, among other things).

- The year-to-date cost/income ratio came to a relatively high 63%, but this was largely caused by the recognition of 264 million euros in the first quarter to cover the largest part of full-year bank taxes. Adjusted for specific items (inter alia the bank tax, tax adjustments and divestments), the cost/income ratio stood at 52%.

Impairment charges

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

Breakdown by business unit

- In the first quarter of 2015, the **Belgium Business Unit** generated a net result of 330 million euros, up on the 304 million euros recorded in 1Q2014, but since – in application of IFRIC 21 – the bulk of special bank taxes for the full year 2015 was recognised in the first quarter of the year, evidently below the previous quarter's result. Compared with that previous quarter, 1Q2015 was characterised by increased net fee and commission income and lower net interest income, a very good combined ratio for non-life insurance thanks to a low claims level, a decrease in sales of life insurance products, lower trading and fair value income, high realised gains on the sale of bonds and shares, and lower other net income. Costs were impacted by the posting of a significant proportion of the special bank taxes (among which the contribution to the European Single Resolution Fund) for the full year; excluding those taxes, costs went down, as did impairment charges. The banking activities accounted for two-thirds of the net result in the quarter under review, and the insurance activities for one-third. Lastly, 1Q2015 was also impacted by one-off negative tax adjustments.
- In the quarter under review, the **Czech Republic Business Unit** posted a net result of 143 million euros, higher than the 132-million-euro average for the four preceding quarters. Compared with the previous quarter, the results for 1Q2015 featured (on a comparable basis) more or less stable net interest income despite the low

interest rate environment, an increase in the net interest margin, slightly lower net fee and commission income, higher net results from financial instruments at fair value and from the sale of bonds and shares, a good non-life combined ratio, and a drop in sales of life insurance products. Costs were impacted by the recognition in the quarter under review of a significant proportion of the special bank taxes (among which the contribution to the European Single Resolution Fund) for the full year; excluding those taxes, costs went down. Loan loss impairment charges were extremely low. Banking activities accounted for 97% of the net result in the quarter under review, and insurance activities for 3%.

- In the quarter under review**,** the **International Markets Business Unit** recorded a positive net result of 24 million euros, a vast improvement on the -46-million-euro average for the four preceding quarters (which had been affected by provisions related to the new retail loans act in Hungary (Curia provisions) and by loan loss impairments in Ireland). Compared to the previous quarter, 1Q2015 was characterised by slightly higher net interest income, lower net fee and commission income, a strong result from financial instruments at fair value, and an increase in other income due to a partial release of previously recorded provisions for the new retail loans act in Hungary. There was also an improvement in the non-life combined ratio and an increase in life insurance sales. Costs were impacted by the recording of a significant proportion of the special bank taxes for the full year (among which the contribution to the European Single Resolution Fund); excluding those taxes, costs went down. Loan loss provisions were significantly down on the previous quarter. Overall, the banking activities accounted for a net result of 18 million euros (positive results in Slovakia and Bulgaria, but negative results in Hungary and Ireland), while the insurance activities accounted for a net result of 6 million euros.
- The **Group Centre**'s net result amounted to 13 million euros in 1Q2015. This entity includes a number of group items and the results of companies earmarked for divestment. It also includes the impact of the legacy business (CDOs and divestments) and the valuation of own credit risk. Whereas these items were stated separately in 2014, the fact that the amounts are now immaterial means that they are once again included in the various P/L lines as of 1Q2015.

Equity, solvency and liquidity

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

Selected balance sheet data

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

* In accordance with IFRS 5, the assets and liabilities of a number of divestments have been reallocated to 'Non-current assets held for sale and disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.

Selected ratios

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

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

Strategy highlights and main events

Strategy and business highlights

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

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

- KBC Ireland has been awarded the 'best corporate reputation' in the Irish retail banking sector for the fourth year in a row according to the annual RepTrak study, acknowledging KBC as the top reputable retail bank in Ireland. RepTrak studies how an organisation rates across key areas such as performance, innovation, leadership, products and services, governance, workplace and citizenship.
- As part of its financial education programme, 'Ready, Steady, Money!', K&H in Hungary organised targeted financial awareness courses in March 2015. In February, the sports equipment tender results were announced, with five winners and total prize money of 2 million Hungarian forint, for the internal refurbishment of the winners' gyms and the replacement of their sports equipment, focusing on the most underprivileged small regions. Three hospitals within the underprivileged areas received equipment valued at 3 million Hungarian forint.

- In February, the 10th edition of the largest amateur running event in Slovakia – the ČSOB Bratislava Marathon – broke several records: more than 10 000 runners registered to participate in different running disciplines, the marathon was broadcast live on Slovak national television for the first time, and 526 employees of ČSOB and their relatives and 527 clients of ČSOB Financial Group participated.
- ČSOB Foundation donated one euro for every registered participant at the event to Konto Bariery (Barrier´s Account) to purchase special medical devices and chairs and to pay for helpers for disabled children. To meet ČSOB's slogan 'ČSOB. For you personally.', several members of staff participated in a small internal campaign 'I am running personally for...', in which they devoted their run to disabled and handicapped children.
- Client centricity is at the heart of KBC Ireland and its Voice of the Customer Programme. The bank runs this extensive programme to ensure that client initiatives are at the centre of the 'Bank of You'. The bank measures net easy (how easy is it to do business with KBC), client satisfaction and net promoter scores to get accurate feedback on how it is performing in terms of client ratings.
- In the Czech Republic, ČSOB's 'Era Helps the Regions' won the Grand Prix Internet Effectiveness Award for the 2014 campaign supporting the grant programme and related activities focusing on support to individual fundraising.
- On 4 March, ČSOB launched another year of its grant programme 'Poštovní spořitelna Regional Development Fund'. In its spring round, up to 2 million Czech koruna will be distributed among projects focusing on good neighbourhoods and improving relations in the communities, and designed to involve local residents and governments. The programme is guaranteed by Czech Republic's VIA Foundation.
- At an official meeting of the Global Compact Network Bulgaria at the beginning of April, CIBANK received official accreditation for membership of the UN Global Compact to support sustainable development of the global economy.
- On 2 April, KBC published its Annual Report, with integrated non-financial data, and the fourth edition of its Report to Society.
- In the Czech Republic, ČSOB and Era developed Klikni a daruj (Click and Donate), an app allowing users to donate money safely and easily to a variety of transparent NGOs. Users can choose from 91 projects run by 77 NGOs.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, capital markets risk, currency risk, liquidity and funding risk, insurance underwriting risk, exposure to emerging markets, changes and/or increase in regulations, customer litigation, as well as the economy in general.
- One element of the business risk is that the macroeconomic environment may have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- Furthermore, KBC closely monitors the operational risks that it is exposed to, in particular cyber risk, which has become one of the challenges during the past years, not only in the financial sector.
- Risk management data are provided in KBC's annual reports, extended quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.
- Global economic growth dipped in the first quarter of 2015. In the US, real GDP grew at a disappointingly low annualised rate of 0.2%. The general weakness in the first quarter was also reflected by the decline in producer confidence in the manufacturing sector in the US and Japan and ambiguous data from China indicating a pause in the growth momentum. During the period under review, Chinese economic growth slowed to 1.3% from 1.5%

in the previous quarter. However, KBC expects that the soft patch in the US economy in the first quarter was temporary, since the data for that quarter were distorted by bad weather conditions and strikes in ports on the West Coast.

- The only region with overall accelerating growth in the first quarter was Europe. In the UK, the euro area and Central European economies, sentiment improved markedly and consumer confidence in particular increased to or close to post-crisis record levels. Private consumption was fuelled by real income growth, resulting from low oil prices, rising nominal wages and the introduction of minimum wages in Germany. Moreover, the labour market in the euro area continued its gradual improvement. Besides private consumption, the weaker euro exchange rate helped to improve the euro area's competitiveness, lending support to the export sector. The weakening of the euro exchange rate is to a large extent the result of the ECB's highly accommodating monetary policy. Moreover, the ECB's Bank Lending Survey for the first quarter indicates that credit conditions are further easing in the euro area. Last but not least, overall fiscal policy in 2015 is expected to be more growth-neutral.
- Since March, the downward 'deflationary' trend of the Consumer Price Index, particularly in the euro area, seems to be turning. In April, inflation reached 0% again, which is a small increase from -0.6% in January 2015. Inflation expectations for the euro area have been rising since the end of January, although they are still well below 2%. This suggests on the one hand that financial markets do not expect the ECB to reach its inflation target soon, but on the other hand also illustrates that deflationary worries are fading. The bottoming out of headline inflation and inflation expectations follows the rebound of the oil price from its bottom level at the end of 2014 and the depreciation of the euro, which together imply that the oil price in euros rose by more than 30% since year-end 2014. Another factor explaining higher inflation expectations was the announcement and start of the Expanded Asset Purchase Programme by the ECB.
- Global bond yields continued their downward trend in the first quarter. In the US, this was related to the Fed's dovish comments and latest economic projections, hinting that the start of its rate-hiking cycle may start somewhat later and be more moderate than previously expected. In the euro area, German 10-year government bond yields fell below 20 basis points at the end of the quarter, mainly as a result of the massive bond buying by the ECB that started in March. The yield on 10-year German bonds reached a record low level of 7 basis points in mid-April. In late April, however, it bottomed out and rose surprisingly quickly to its current level of 37 basis points. The further gradual rise of inflation expectations probably played a role in this.
- Monetary policy divergence between the Fed and the ECB led to a weakening of the euro against the US dollar in the first quarter from 1.21 to 1.07 US dollars per euro, with a temporary low of 1.05. After this, a more dovish tone of the Fed led again to a moderate depreciation of the US dollar to a current level of 1.12 US dollars per euro.
- Against the background of an improving European economic environment, the main risk for the European economy is the political situation in Greece. The most pressing problem is the bridge-financing of the Greek budget until the end of June, when the extension of the current programme ends. Moreover, negotiations about the inevitable third assistance programme need to start at some point. This programme, covering Greece's financial needs for the rest of this decade, will probably amount to around 50 billion euros. All things considered, KBC believes that the rational political will on both sides will ultimately avoid a Greek sovereign default. However, the probability of an accidental default or a change of the political mindset towards a Grexit is not negligible. Such a scenario would create uncertainty and volatility on markets, but not amount to the same existential threat to the euro as it did in 2010 or 2012. The underlying reasons for this are the decreased exposure of the euro-area financial sector to Greece, the creation of the European Banking Union and, no less importantly, the stabilising role of the ECB.

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