KBC Group
Extended Quarterly Report

4Q2015

Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Content

Report for 4Q2015 and FY2015

4Q2015 results by business unit

Consolidated financial statements according to IFRS

Risk and capital management

KBC Group

Report for 4Q2015 and FY2015

This report contains information that is subject to transparency regulations for listed companies.
Date of release: 18 February 2016

Summary: KBC returns profit of 2.6 billion euros for the full year, driven by strong business fundamentals and boosted by non-recurring items in the fourth quarter. Profit of 862 million euros posted for last quarter of 2015.

Our client-centric business model continued to thrive. We have lent more to clients and they have taken up more insurance products in almost all the countries we operate in. Clients entrusted more assets to us, leading to higher sales of investment products. The low cost of credit also underpinned the net result. Against a background of low interest rates, modest economic growth in Belgium and stronger growth in Central Europe, KBC ended the last quarter of 2015 with an exceptional net profit of 862 million euros, compared to 600 million euros in the preceding quarter and 473 million euros in the last quarter of 2014. Profit was boosted by the liquidation of KBC Financial Holding Inc., but tempered by impairment on goodwill. Excluding these two items, the net result amounted to 441 million euros in the fourth quarter. The result for full year 2015 came to 2 639 million euros (2 218 million euros excluding these two items), with all countries generating a profit.

Financial highlights for the fourth quarter of 2015, compared with the third quarter of 2015:

- Both the banking and insurance franchises in our core markets and core activities prospered.
- We again granted more loans in Belgium (+1% in just one quarter), the Czech Republic (+2%), Slovakia (+4%) and Bulgaria (+3%), while clients further increased their deposits in most of our countries: the Czech Republic (+3%), Hungary (+8%), Slovakia (+3%), Bulgaria (+4%) and Ireland (+1%).
- Net interest income was slightly higher despite the low interest rate environment and some pressure on lending margins. Our net interest margin narrowed from 1.99% to 1.95%.
- Sales of non-life insurance products across all our markets were up year-on-year, and the non-life combined ratio stood at an excellent 91% for the full year. Aggregate sales of life products increased, with the Czech Republic turning in a particularly impressive performance.
- Clients continued to entrust their assets to KBC. Total assets under management of our group ended higher at 209 billion euros, thanks to net entries and the market performing well. Our net fee and commission income dropped by 3%, due mainly to lower management fees stemming from a more cautious investment allocation.
- Excluding special bank taxes, end-of-year costs were seasonally up, primarily at the Group Centre. The cost/income ratio stood at a good 55% for the full year.
- The cost of credit for 2015 amounted to an excellent 0.23% of our loan portfolio.
- The previously announced liquidation of KBC Financial Holding Inc. resulted in a positive income tax figure and a negative net result from financial instruments at fair value of 765 million euros, combined.
- Impairment on goodwill came to 344 million euros in the fourth quarter, though it did not impact our capital ratios.
- Our liquidity position remains solid, and our capital base – with a common equity ratio of 15.2% (phased-in, Danish compromise) – remains well above the regulators' target, even after repayment of the final instalment of state aid.

Johan Thijs, our group CEO, added…

'Clients continue to entrust their assets to us and to rely on us for the realisation of their projects. We are genuinely grateful for that. It's all systems go at KBC and the results show that our client-centric approach is paying off. We posted an excellent result of 2.6 billion euros in 2015. Some 862 million euros of that figure came in the last quarter, thanks to the good performance of the underlying business and exceptional items.

The underlying business thrived as illustrated by the increase in lending, as well as growth in assets under management and insurance contracts. A continued focus on cost control and excellent cost of credit are adding to the prosperity of the business.

The announced liquidation of KBC Financial Holding has taken place, leading to a post-tax impact on the result of 765 million euros.

Besides that, higher local capital targets and a higher discount rate lay behind impaired goodwill totalling 344 million euros being recorded almost entirely on our businesses in Bulgaria and Slovakia. This had no impact on our capital ratios. The franchise, reputation and opportunity of these businesses are beyond dispute.

On the regulatory front, we were informed during the fourth quarter of 2015 of the new minimum capital requirements, i.e. a common equity tier-1 (CET1) ratio of at least 9.75%, phased in under the Danish compromise. At the end of October, the National Bank of Belgium also announced its new capital buffers for systemically important Belgian banks. For KBC, it means that an additional capital buffer of 0.5% of CET1 (phased in under the Danish compromise) is required for 2016. We feel comfortable with these targets, which we had already factored in to our capital management models.

That is also why we were able to pay back the last remaining tranche of 2 billion euros of state aid, along with a penalty of 50%, to the Flemish Regional Government at the end of 2015, five years ahead of schedule. In doing that, we have met all the remaining financial obligations imposed on us during and after the recent financial crisis, and have closed that chapter completely. We are extremely grateful to the government and our clients, employees and shareholders for their trust and support during that time.

In line with our previously announced intention, it will be proposed to the annual general meeting that no dividend be paid for 2015.

Our aim for 2016 is to build on the momentum of previous years and, in particular, to assume our role in society as a client-centric organisation. Our bank-insurance model, supported by solid liquidity and capital bases, allows us to generate sustainable results. However, the continuing low level of interest rates remains a challenge for the entire financial sector. And volatility on the financial markets presents a challenge for our fee business. Fundamentally, we are continuing to invest in the future and to pro-actively roll out our financial technology plans so we can serve our clients even better than today.'

Overview KBC Group (consolidated)	**4Q2014**	**3Q2015**	**4Q2015**	**FY2014**	**FY2015**
Net result, IFRS (in millions of EUR)	473	600	862	1 762	2 639
Basic earnings per share, IFRS (in EUR)*	1.00	1.41	-0.36	3.32	3.80
Breakdown of the net result, IFRS, by business unit (in millions of EUR)					
Belgium	414	358	348	1 516	1 564
Czech Republic	121	153	119	528	542
International Markets	-7	92	61	-182	245
Group Centre	-54	-2	334	-100	287
Parent shareholders' equity per share (in EUR, end of period)	31.4	33.6	34.5	31.4	34.5

* 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.

Business highlights in the quarter under review

- Our 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.
- KBC's comfortable capital position was reflected in the following:
  - We continued to work on achieving our strategic objectives within our strict risk and capital framework and under the supervision of the regulatory authorities. In this context, the European Central Bank informed KBC at the end of November 2015 of its new minimum capital requirements, i.e. a common equity tier-1 (CET1) ratio of at least 9.75%, phased in under the Danish compromise. At the end of October, the National Bank of Belgium also announced its new capital buffers for systemically important Belgian banks. For KBC, it means that an additional capital buffer of 0.5% of CET1 (phased in under the Danish compromise) is required for 2016, which is to be built up over three years on a straight-line basis to 1.5% in 2018.
  - At the end of 2015, KBC paid back the last remaining instalment of 2 billion euros of state aid to the Flemish Regional Government five years ahead of schedule, together with a penalty of 50%. In doing that, the group has met all the remaining financial obligations imposed on it during and after the recent financial crisis and has closed that chapter completely.
  - Under the new Solvency II framework, which came into force on 1 January 2016, insurers in Europe have to meet new requirements with regard to required capital, risk management and reporting standards. KBC's healthy insurance business and sound capital and risk management are reflected in a Solvency II ratio of 231% at the end of 2015, clearly ranking KBC Insurance amongst the better-capitalised companies in Europe's insurance industry.
- When KBC agreed its strategic refocus with the European Commission in 2009, it undertook to run down or divest the activities of its subsidiary KBC Financial Holding Inc. (US) in order to reduce KBC's risk profile. As a final step, KBC liquidated KBC Financial Holding Inc. This meant that the losses already booked in previous years (specifically 2008 and 2009) were tax deductible – and for which a deferred tax asset has now been booked – since losses in paid-up capital at KBC Bank are tax deductible for the parent company at the moment of liquidation. On balance, the post-tax impact on the result was 765 million euros. Initially, recognition of the deferred tax asset had only a limited positive impact of 0.2 percentage points (fully loaded CET1 ratio calculated under the Danish compromise method) on KBC's regulatory capital.

- In the fourth quarter of 2015, impairment on goodwill was recorded, mainly for ČSOB in Slovakia (-191 million euros) and for CIBANK (-117 million euros) and DZI Insurance (-34 million euros) in Bulgaria. These impairment charges came about primarily because of a lower recoverable value (calculated based on discounted cash flow analysis) due mainly to higher capital targets (resulting in a higher level of required capital, which reduces the free cash flows that can be paid as dividend in the valuation model) and a higher discount rate (higher beta and higher market premium). This impairment had no impact on our capital ratios.

- From a macroeconomic point of view, the clear difference in fourth-quarter growth between the emerging and developed markets remained in place. In particular, the sustainability of Chinese economic growth was questioned by the financial markets. However, the strong labour market reports in the US in the fourth quarter dampened the financial markets' fear of a strong negative spill-over from emerging markets to the developed markets. As a result, the Fed raised its policy rate by 25 basis points at its December meeting. Fourth-quarter growth in the US turned out to be weaker than expected, mainly driven by weaker consumption, investment and net exports. The euro area continued its recovery and the unemployment rate fell to 10.6% at the end of 2015. The low level of inflation in the euro area, however, led the ECB to ease its monetary policy stance again in December when it reduced its deposit rate further to -30 basis points. Headline inflation remained below the ECB's target of just below 2%. The main reasons for this remained the sharply falling oil price and continuing high levels of unemployment in the euro area, which prevents meaningful wage growth. The fourth quarter ended with a renewed increase in uncertainty on the financial markets after the depreciation of the Chinese renminbi against the US dollar. Although the result of a change of policy reference, from solely the US dollar towards a basket of currencies from China's main trading partners, the depreciation was enough to raise doubts again about the sustainability of China's economic growth model.

- On the corporate sustainability and responsibility front, we again took a number of initiatives. In Belgium, the Bolero crowd-funding platform won the EFMA & Accenture Innovation Award, the 'Ready Steady Money Program' run by K&H in Hungary received the Social Investment Award MAF (Hungarian Donors Forum), ČSOB Insurance Slovakia was crowned 'Insurer of the Year' by Magazine Trend and ČSOB Private Banking in the Czech Republic was named 'Best Private Bank' by The Banker. In Bulgaria, the Chief Executive Officer of CIBANK was named 'Banker of the Year' by The Banker. In Belgium, the EMAS (European Eco Management and Audit Scheme) environmental certification was reconfirmed and KBC Securities launched the 'Start it Fund' for start-up businesses. KBC also opened a new Start it @KBC centre in the city of Kortrijk, which brings the total number of 'Start it' locations to six.

Overview of our results and balance sheet

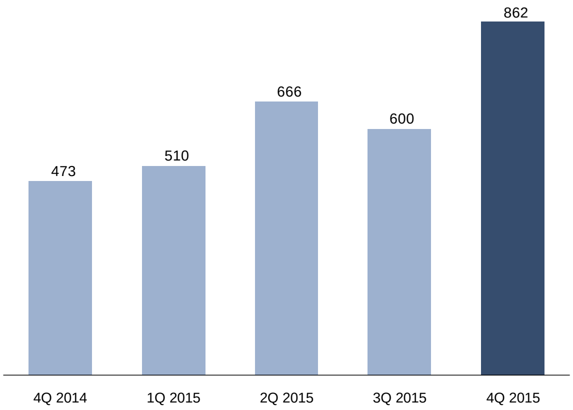
We provide a full overview of our IFRS consolidated income statement and balance sheet in the 'Consolidated financial statements' section of the quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity, as well as several notes to the accounts, are also available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

Consolidated income statement, IFRS KBC Group (in millions of EUR)	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015	FY 2014	FY 2015
Net interest income	1 123	1 091	1 092	1 062	1 066	4 308	4 311
Interest income	1 982	1 850	1 804	1 770	1 725	7 893	7 150
Interest expense	-860	-759	-712	-708	-659	-3 586	-2 839
Non-life insurance (before reinsurance)	123	167	155	142	147	512	611
Earned premiums	*322*	*320*	*326*	*335*	*338*	*1 266*	*1 319*
Technical charges	*-200*	*-153*	*-172*	*-193*	*-191*	*-754*	*-708*
Life insurance (before reinsurance)	-45	-48	-51	-51	-51	-216	-201
Earned premiums	*343*	*302*	*265*	*289*	*445*	*1 247*	*1 301*
Technical charges	*-388*	*-350*	*-316*	*-340*	*-496*	*-1 463*	*-1 502*
Ceded reinsurance result	10	-11	-7	0	-10	16	-29
Dividend income	9	12	39	13	12	56	75
Net result from financial instruments at fair value through P&L	109	57	179	47	-68	227	214
Net realised result from available-for-sale assets	22	80	36	44	30	150	190
Net fee and commission income	410	459	465	383	371	1 573	1 678
Fee and commission income	577	632	634	547	533	2 245	2 348
Fee and commission expense	-167	-174	-169	-164	-162	-672	-670
Other net income	68	49	105	96	47	94	297
Total income	1 827	1 855	2 013	1 736	1 543	6 720	7 148
Operating expenses	-964	-1 125	-941	-862	-962	-3 818	-3 890
Impairment	-193	-77	-149	-49	-472	-506	-747
on loans and receivables	-158	-73	-138	-34	-78	-587	-323
on available-for-sale assets	-14	-3	-7	-15	-21	-29	-45
on goodwill	0	0	0	0	-344	0	-344
other	-21	-1	-5	0	-29	109	-34
Share in results of associated companies and joint ventures	6	6	8	6	5	25	24
Result before tax	675	659	930	831	114	2 420	2 535
Income tax expense	-202	-149	-264	-231	749	-657	104
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	473	510	666	600	863	1 763	2 639
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**473**	**510**	**666**	**600**	**862**	**1 762**	**2 639**
of which legacy activities and own credit risk	*-20*	*-*	*-*	*-*	*-*	*134*	*-*
Basic earnings per share (EUR)	1.00	1.19	1.56	1.41	-0.36	3.32	3.80
Diluted earnings per share (EUR)	1.00	1.19	1.56	1.41	-0.36	3.32	3.80

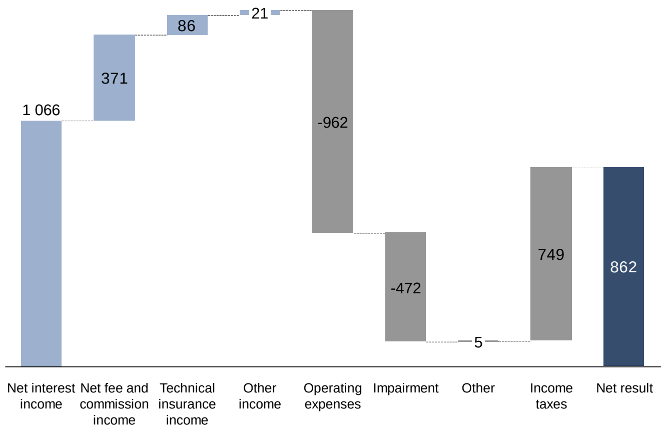
IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 in 2015 is that certain levies have to be recognised in advance, which adversely impacted the results for the first quarter of 2015. As IFRIC 21 needs to be applied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

Highlights of consolidated balance sheet KBC Group (in millions of EUR)	31-12-2014	31-03-2015	30-06-2015	30-09-2015	31-12-2015
Total assets	245 174	258 396	256 654	257 632	252 356
Loans and advances to customers	124 551	124 632	126 093	126 971	128 223
Securities (equity and debt instruments)	70 359	71 948	70 755	71 115	72 623
Deposits from customers and debt certificates	161 783	167 922	170 159	171 412	170 109
Technical provisions, before reinsurance	18 934	19 181	19 198	19 365	19 532
Liabilities under investment contracts, insurance	12 553	13 263	12 937	12 422	12 387
Parent shareholders' equity	13 125	13 928	13 576	14 022	14 411
Non-voting core-capital securities	2 000	2 000	2 000	2 000	0

Net result (in millions of EUR)



Breakdown of net result for 4Q2015 (in millions of EUR)



Up to 2014, we provided not only figures according to IFRS, but also so-called 'adjusted figures'. In these figures, we extracted the impact of legacy activities (remaining divestments and CDOs) as well as the impact of the valuation of own credit risk, and rearranged trading income under 'Net result from financial instruments at fair value'. As these legacy activities have become immaterial (divestments have been finalised and there is no longer any exposure to CDOs) – and in order to simplify reporting – we have now stopped providing adjusted results.

The inclusion of the acquisition of Volksbank Leasing in the results is covered in the International Markets Business Unit.

Analysis of the quarter (4Q2015)

The net result for the quarter under review amounted to 862 million euros, compared to 600 million euros quarter-on-quarter and 473 million euros year-on-year.

Total income down 11% quarter-on-quarter, given the liquidation of KBC Financial Holding Inc, but down just 2% excluding this item. Net interest income slightly higher and net fee and commission income down.

- Net interest income stood at 1 066 million euros in the last quarter of 2015. In the current environment of low yields, our net interest income was slightly higher quarter-on-quarter, but contracted by 5% year-on-year. The quarter-on-quarter increase was driven by lower funding costs in Ireland and by term deposits in Belgium, better lending income through volume growth and rate cuts on savings accounts. However, it was partly offset by lower reinvestment yields, the continued impact of mortgage prepayments in Belgium in previous quarters, some pressure on commercial lending margins and the weak level of dealing room income. Compared to a year ago, the 5% drop in net interest income was largely driven by a negative hedging result relating to mortgage loans in Belgium, despite sound commercial margins, volume increases and lower funding costs. As a result, the net interest margin came to 1.95% for the quarter under review, 4 basis points lower than the level of the previous quarter, and 20 basis points lower than the level of the year-earlier quarter. Interest income continued to be supported by volume growth: loans went up both quarter-on-quarter (by 1%) and year-on-year (by 3%) and deposit volumes stayed flat quarter-on-quarter but went up by 5% year-on-year.

- Technical income from our non-life and life insurance activities fell both quarter-on-quarter and year-on-year. Gross earned premiums less gross technical charges and the ceded reinsurance result contributed 86 million euros to total income, 5% less than in the previous quarter and 1% less than in the year-earlier quarter.

  Earned premiums from our non-life insurance activities increased by 1% quarter-on-quarter and by 5% year-on-year. Claims during the fourth quarter were down 1% on the previous quarter and 4% on their level in the fourth quarter of 2014. The combined ratio came to an excellent 91% for the full year.

  Sales of life insurance products (including unit-linked products not included in premium income) were up 40% quarter-on-quarter and 6% year-on-year. The result was partly seasonal owing to tax-deductible contracts with a regular premium, but it was also driven by the savings campaign.

It should be noted that, during the last quarter of 2015, investment income derived from insurance activities was down 4% on its level of the previous quarter, and down 5% on the year-earlier quarter. Both changes were driven by the lower level of net interest income caused by decreasing yields on the bond position and hedging instruments on the equity portfolio, somewhat offset by a higher realised result from available-for-sale assets.

- The investment climate has been volatile since the autumn. Despite this, new entries and a positive price performance boosted total assets under management by 4% (to 209 billion euros) in the quarter under review. Compared to a year ago, they have increased by as much as 12%, two-thirds of which through net entries. As regards net fee and commission income, it needs to be mentioned that the sales-related increase in entry fees on investment products was offset by a lower level of management fees for mutual funds, due to a different asset allocation. This was the main reason for the decrease in our net fee and commission income, which came to 371 million euros, down 9% year-on-year and 3% quarter-on-quarter.
- The net result from financial instruments at fair value was a negative 68 million euros in the fourth quarter of 2015, compared to a positive 47 million euros in the previous quarter and 109 million euros in the year-earlier quarter. This was triggered by the one-off translation difference on the liquidation of KBC Financial Holding Inc. (-156 million euros). Disregarding this impact, fair value income increased by 87% quarter-on-quarter. To a lesser extent, the trend was influenced by a marginally higher valuation of derivative instruments used for asset/liability management purposes, a higher level of income generated by the dealing rooms and a substantial positive impact of valuation adjustments (MVA/CVA/FVA) because of lower exposure and/or lower credit spreads.
- All other income items combined amounted to 89 million euros. They comprise realised gains on the sale of available-for-sale assets (30 million euros for the quarter under review), dividend income (12 million euros) and other net income (47 million euros).

Continued focus on cost management: excluding special bank taxes, end-of-year operating expenses up quarter-on-quarter but down year-on-year.

- Our operating expenses amounted to 963 million euros for the fourth quarter of 2015, significantly up (12%) on their level of the previous quarter, but flat year-on-year. Disregarding bank taxes (49 million euros in the fourth quarter of 2015, compared to 264 million in the first quarter of 2015, 83 million euros in the second quarter of 2015, 21 million in the third quarter of 2015 and 44 million euros in the fourth quarter of 2014), our operating expenses increased by 9% quarter-on-quarter but fell by 1% year-on-year. The quarter-on-quarter increase was accounted for by traditionally higher marketing expenses, professional fees and IT expenses at year end, as well as by higher pension expenses (lower interest rates) and expenses related to investments in financial technology. The year-on-year decrease resulted mainly from lower marketing expenses and staff expenses, somewhat mitigated by higher IT expenses.

  The cost/income ratio of our banking activities stood at 55% for the full year (down from 58% for 2014).

Loan impairment charges: low credit cost ratio of 0.23%

- Loan losses stood at 78 million euros, up on the quarter-earlier level of 34 million euros, but down on the level of 158 million euros in the fourth quarter of 2014. The quarter-on-quarter increase came about mainly because of Belgium (an increase of 21 million euros to 34 million euros, specific loan files). The Czech Republic stood at 14 million euros, Hungary at a positive 1 million euros, Slovakia at 9 million euros, Ireland at 16 million euros, Bulgaria at 2 million euros and the Group Centre at 4 million euros. Loan loss impairment in 2015 accounted for some 0.23% the total loan portfolio.

Goodwill impairment charges: exceptional item

- Impairment on goodwill stood at an exceptionally high 344 million euros for the last quarter of 2015. Due to higher local capital targets and a higher discount rate, an impairment on goodwill was recognised for CIBANK (117 million euros) and DZI in Bulgaria (34 million euros), for ČSOB Bank in Slovakia for the acquisition of Istrobanka in 2008 (191 million euros) and for Hypotečni Banka in the Czech Republic (2 million euros). This impairment had no impact on our capital ratios.

Tax: exceptional item

- Consequent on the liquidation of KBC Financial Holding Inc., the loss in paid-up capital at KBC Bank was tax-deductible for the parent company at the moment of liquidation, contributing largely to a total positive income tax figure of 749 million euros in the last quarter of 2015.

Results per business unit

- Our quarterly profit of 862 million euros breaks down into 348 million euros for the Belgium Business Unit, 119 million euros for the Czech Republic Business Unit, 61 million euros for the International Markets Business Unit and 334 million euros for the Group Centre. A full results table and a short analysis per business unit is provided in the ‘Results per business unit’ section of the quarterly report, while more information for each business unit is also given in the analyst presentation (both available at www.kbc.com).

Strong fundamentals even after repayment of remaining state aid: equity, solvency and liquidity

- At the end of 2015, our total equity stood at 15.8 billion euros, down 0.7 billion euros on its level at the start of the year. The change in total equity during the year resulted from the inclusion of the profit for 2015 (+2.6 billion euros), the payment of dividends for 2014 and the related coupon on the remaining state aid (an aggregate -1.0 billion euros), the repayment of the remaining state aid plus penalty (-3.0 billion euros) and a number of smaller items (an aggregate +0.7 billion euros, mainly translation differences and remeasurements of defined benefit plans).
- Our solvency ratios comfortably passed the newly installed regulators' joint solvency test for 2016 (a minimum 10.25%, Basel III, phased-in under the Danish compromise). At 31 December 2015, the group's common equity ratio (Basel III, phased-in under the Danish compromise) stood at a strong 15.2%. The fully loaded figure is 14.9%. The leverage ratio for the group (Basel III, fully loaded) stood at 6.3%. The solvency ratio for KBC Insurance was an excellent 289% under the Solvency I framework at 31 December 2015 and an equally excellent 231% under the Solvency II framework (which came into force on 1 January 2016).
- The group's liquidity position remained at an excellent level, as reflected in an LCR ratio of 127% and an NSFR ratio of 121% at the end of the fourth quarter of 2015.

Analysis of full year 2015

Note: the year-on-year performance was 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').

Note: the first-time inclusion of the acquisition of Volksbank Leasing in the results is covered in the International Markets Business Unit.

Our aggregate result for the year came to 2 639 million euros, compared to 1 762 million euros a year earlier.

Compared to 2014, the result for 2015 was characterised by:

- Higher net interest income of 4 311 million euros (+1% on a comparable basis), thanks to substantially lower (subordinated) funding costs, as well as wider margins on loans and lower rates on deposits, all of which was mitigated somewhat by losses on prepaid mortgages in Belgium. Volumes increased for deposits (+5%) and lending (+3%).
- A higher contribution by technical insurance results (gross earned premiums less gross technical charges and the ceded reinsurance result: up 22% to 381 million euros). In non-life insurance, earned premiums went up by 4% while the year-to-date combined ratio stood at an excellent 91%. In life insurance, earned premium fell by 7%
- A strong increase in asset management activity leading to higher net fee and commission income (+7% on a comparable basis, up to 1 678 million euros), especially in the first half of the year. At the end of December 2015, assets under management stood at 209 billion euros, a year-on-year increase of 12%, 8% due to net entries and 4% to the price performance.
- The net result from financial instruments at fair value amounted to 214 million euros in 2015, 5% lower than the 2014 figure on a comparable basis. This item was severely impacted by one-off translation differences on the liquidation of KBC Financial Holding Inc. (-156 million euros), as well as negative value adjustments on the MVA/CVA/FVA items, though mitigated by positive valuation differences on ALM derivatives (101 million euros, over 300 million euros more than the 2014 figure for this item).
- An increase in the following other income items: net realised gains from available-for-sale assets came to 190 million euros (+26%) on a comparable basis, dividend income to 75 million euros (+35%) and other net income to 297 million euros (up 180 million euros on 2014, which had been affected by 231 million euros of provisioning for the new Hungarian act on retail loans).
- Higher operating expenses (+3% on a comparable basis, up to 3 890 million euros), owing essentially to higher special bank taxes (+23%). Excluding these taxes, operating expenses were only slightly up (+2% on a comparable basis), primarily because of higher pension expenses and expenses related to investments in further digitalisation. As a result, the year-to-date cost/income ratio stood at 55%.
- Lower loan losses (-44% on a comparable basis, to 323 million euros). The improvement was most pronounced in Ireland (150 million euros less). As a result, the annualised credit cost ratio for the whole group stood at a satisfying 0.23%.
- The liquidation of KBC Financial Holding Inc., which meant the loss in paid-up capital at KBC Bank was tax-deductible for the parent company at the moment of liquidation, generated a total income tax figure under IFRS of +104 million euros for 2015, as opposed to -654 million euros for 2014, on a comparable basis.
- For impairment on other items, it is worth mentioning that, due to higher local capital targets and a higher discount rate, impairment on goodwill was recognised for a number of entities, including CIBANK in Bulgaria (117 million euros) and ČSOB Bank in Slovakia for the acquisition of Istrobanka in 2008 (191 million euros). This impairment had no impact on our capital.

Selected ratios for the KBC group (consolidated)	FY2014	FY2015
Profitability and efficiency		
Return on equity*	14%	22%
Cost/income ratio, banking	58%	55%
Combined ratio, non-life insurance	94%	91%
Solvency		
Common equity ratio according to Basel III (fully loaded)	14.3%	14.9%
Common equity ratio according to Basel III (phased-in))	14.4%	15.2%
Common equity ratio according to FICOD method (fully loaded)	14.6%	14.6%
Leverage ratio according to Basel III (fully loaded)	6.4%	6.3%
Credit risk		
Credit cost ratio	0.42%	0.23%
Impaired loans ratio	9.9%	8.6%
for loans more than 90 days overdue	5.5%	4.8%
Liquidity		
Net stable funding ratio (NSFR)	123%	121%
Liquidity coverage ratio (LCR)	120%	127%

* 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*).

Statement of risk

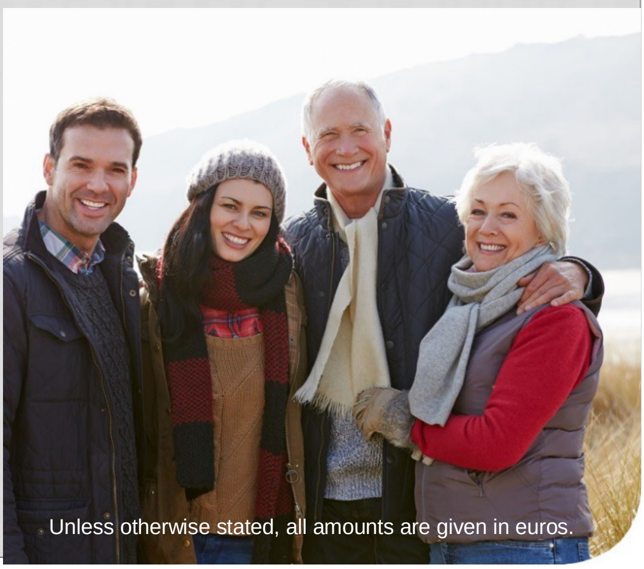
- As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. Although KBC closely monitors and manages each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.
- At present, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to KBC. Increasing capital requirements are a dominant theme for the sector and regulatory initiatives are expected on such topics as risk models, floors on risk weighted assets, systemic and other capital buffers and minimum requirement of eligible liabilities and own funds (MREL). Besides these factors, the low interest rate environment remains a continuing challenge. If low rates were to be sustained, this would put material pressure on the long-term profitability of banks and especially insurers. Finally, operational risk and particularly cyber risk have become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.
- Risk management data are provided in our annual reports, extended quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.
- So far in 2016, uncertainty on the financial markets, stock market corrections and falling benchmark bond yields have continued. In January, the price of Brent oil temporarily fell below 30 US dollar per barrel, driving inflation to lower-than-anticipated levels. The ECB is therefore likely to ease its policy stance further, most likely by cutting its deposit rate again. On the other hand, the Fed is likely to continue cautiously following its rate normalisation path in 2016. This divergence between Fed and ECB policy will probably weaken the euro somewhat against the US dollar in 2016.
- Low inflation, accommodating monetary policy and fears of a global slowdown in growth mean that bond yields will remain low during 2016. They will only rise very gradually once the unemployment rate in the euro area has fallen enough to generate sustainable wage increases and the effect of the sharp fall in oil prices starts to drop out of the annual inflation rate. We expect the oil price to gradually rise again in the second half of 2016. Despite the expected continued turbulence in emerging markets, we expect 2016 to be a year of sustained economic growth in both the euro area and the US, with a growth rate broadly similar to that in 2015. This growth will be driven mainly by domestic demand against the background of the expected weak contribution from international trade.

Additional information

- Our auditor has confirmed that its audit procedures for the consolidated financial statements, prepared in accordance with the International Financial Reporting Standards as adopted in the European Union, are substantially completed and that they have not revealed any material modification that would have to be made to the accounting information derived from the consolidated financial statements and included in this earnings statement.
- It will be proposed to the Annual General Meeting of Shareholders that no dividend for financial year 2015 be paid in 2016.
- Financial calendar for 2015:
    - 31 March 2016: 2015 Annual Report and 2015 Risk Report
    - 7 May 2016: Annual General Meeting
    - 12 May 2016: Publication of 1Q 2016 results
    - 11 August 2016: Publication of 2Q 2016 results
    - 17 November 2016: Publication of 3Q 2016 results
    - 9 February 2017: Publication of 4Q 2016 results

KBC Group

4Q2015 results by business unit



Unless otherwise stated, all amounts are given in euros.

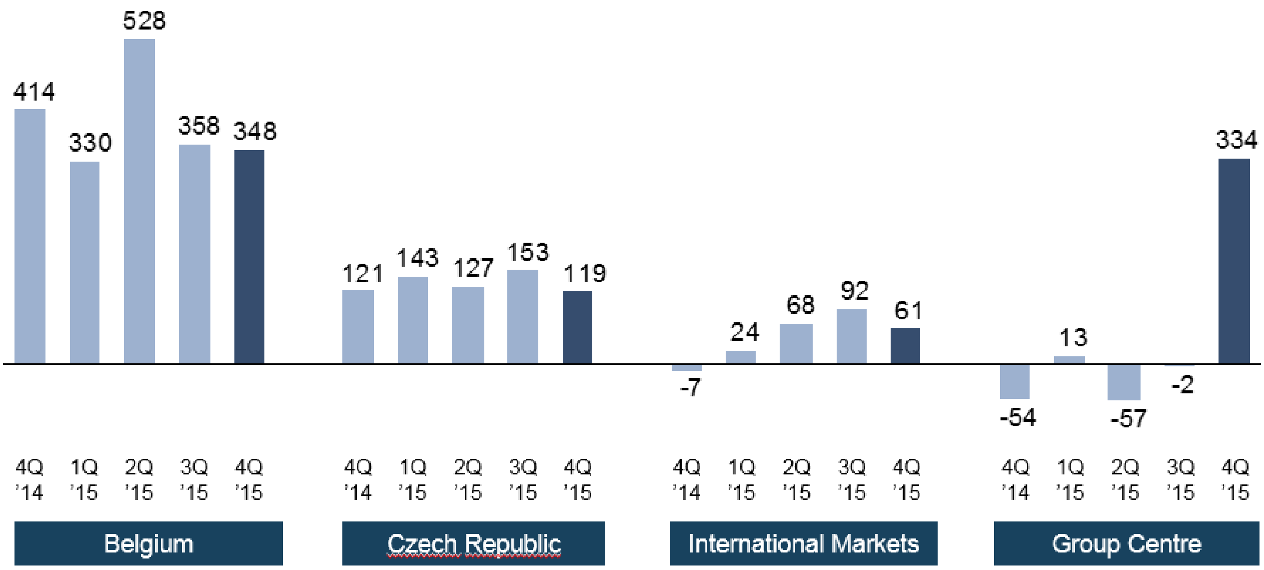
Business unit overview

Our segments or business units

In our segment reporting presentation, the segments (or business units) are:

- the Belgium Business Unit: this unit includes the activities of KBC Bank NV and KBC Insurance NV, as well as their Belgian subsidiaries (CBC Banque, KBC Asset Management, KBC Lease Group, KBC Securities, KBC Group Re, etc.).
- the Czech Republic Business Unit: this unit groups together all of KBC's activities in the Czech Republic. It encompasses the ČSOB group (operating mainly under the brands ČSOB, Era, Postal Savings Bank, Hypoteční banka and ČMSS), the insurance company ČSOB Pojišťovna, ČSOB Asset Management and Patria.
- the International Markets Business Unit: this unit includes primarily the activities in the other (i.e. non-Czech) Central and Eastern European core markets (ČSOB Bank and ČSOB Poisťovňa in Slovakia, K&H Bank and K&H Insurance in Hungary, and CIBANK and DZI Insurance in Bulgaria), plus KBC Bank Ireland.
- the Group Centre: this entity includes the operating expenses of the group's holding-company activities, certain capital and liquidity management-related costs, costs related to the holding of participations, the results of the companies or activities that are earmarked for divestment or are in run-down, and the elimination of inter-segment transactions. It also includes the results of legacy businesses (CDOs & divestment results – both immaterial as of 2015) and the valuation of own credit risk.

Breakdown of net result by business unit (in millions of EUR)



Belgium Business Unit

- The net result amounted to 348 million in 4Q2015, slightly below the 358 million recorded in the previous quarter (due mainly to lower net fee and commission income, lower net other income and higher impairment charges and operating expenses, but a higher net result from financial instruments at fair value and an almost flat net interest income). Net result was down on the 415 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 4Q2015 went up (+31 million or +3%). Net interest income stabilised, since decreasing transformation yields and increased hedging losses on previously refinanced mortgages were offset by an external rate cut and lower funding costs. As expected, net fee and commission income decreased (-17 million or by -6%) since management fees on mutual funds decreased on their level in 3Q2015 (due mainly to the impact of changes to the asset mix in the CPPI portfolio during 3Q2015) after the exceptionally strong 1Q2015 and 2Q2015. Trading and fair value income was up significantly (+83 million) due mainly to a positive CVA and FVA impact and a better dealing room performance, along with slightly positive valuation differences on ALM derivatives. Other net income was down somewhat (-14 million or -25%), returning to its normal run rate after higher levels in 2Q2015 and 3Q2015. Dividend income came to 9 million. Gains realised on the sale of bonds and shares dropped by 8 million (-22%) given the high level realisations at KBC Insurance and KBC Group Re in 1H2015. Finally, the lack of end-of-year storms meant that the technical income from our non-life insurance activities remained roughly at the previous quarter's level (earned premiums minus technical charges, excluding ceded reinsurance: +1 million compared to 3Q2015), while end-of-year seasonal effects enabled sales of life insurance products to recover from their low level in the previous quarter due to the low yield environment (sales up by 52% on their 3Q2015 level), offset by an increase in technical charges.
- Volume growth was a mixed bag in 4Q2015. The loan book on our balance sheet expanded by 1% quarter-on-quarter (to 88 billion), while customer deposits decreased by 1% (to 111 billion; further growth in current and saving accounts was more than offset by maturing expensive term deposits). There was a 2.6% net inflow of assets under management (due to balanced products and private mandates, among other things), and a positive price effect of 2% (aggregate net impact of +5%, to 194 billion). Life reserves in Belgium stood at 27 billion, up 0.5% on the previous quarter's level.
- Costs were up on the previous quarter (+14 million or +3%), due to increased bank taxes. Excluding bank taxes operational expenses were roughly flat with higher pension costs and seasonal effects (higher marketing expenses and professional fees offset by lower ICT and facility expenses). The resulting cost/income ratio for 4Q2015 stood at a very good 50% (FY2015: 50%) and the combined ratio for the non-life insurance activities at an excellent 98% (FY2015: 90%).
- Loan loss impairment remained structurally low in the quarter under review, though up (+21 million or +84%) on the extremely low figure recorded in the previous quarter, driven by higher impairment charges in foreign branches. Overall, this resulted in a fine credit cost ratio of 0.19% year-to-date. Impaired loans accounted for some 4% of the loan book at the end of December 2015.

Belgium Business Unit (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	762	714	720	694	691
Non-life insurance (before reinsurance)	77	131	121	103	104
Earned premiums	*243*	*243*	*247*	*250*	*250*
Technical charges	*-166*	*-111*	*-126*	*-146*	*-146*
Life insurance (before reinsurance)	-56	-58	-60	-62	-63
Earned premiums	*287*	*248*	*206*	*187*	*329*
Technical charges	*-343*	*-306*	*-266*	*-249*	*-391*
Ceded reinsurance result	16	-7	-6	1	-8
Dividend income	8	11	34	11	9
Net result from financial instr. at fair value through P/L	70	7	136	-32	51
Net realised result from available-for-sale assets	20	52	38	33	26
Net fee and commission income	301	360	363	287	270
Other net income	65	45	67	55	41
Total income	1 263	1 255	1 412	1 090	1 121
Operating expenses	-573	-695	-584	-540	-554
Impairment	-96	-65	-77	-28	-52
on loans and receivables	*-73*	*-62*	*-67*	*-13*	*-34*
on available-for-sale assets	*-14*	*-3*	*-3*	*-15*	*-18*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*-8*	*0*	*-6*	*0*	*0*
Share in results of associated companies & joint ventures	0	-1	0	0	0
Result before tax	594	494	751	522	515
Income tax expense	-179	-164	-223	-164	-166
Result after tax	415	330	528	358	349
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**414**	**330**	**528**	**358**	**348**
Banking	*356*	*212*	*429*	*300*	*288*
Insurance	*58*	*117*	*99*	*58*	*60*
Risk-weighted assets, banking (end of period, Basel III)	42 919	44 310	40 262	40 582	42 157
Required capital, insurance (end of period, Solvency I)	868	866	872	884	891
Allocated capital (end of period)	6 026	6 168	5 753	5 808	5985
Return on allocated capital (ROAC)	28%	22%	35%	25%	24%
Cost/income ratio, banking	46%	61%	42%	51%	50%
Combined ratio, non-life insurance	100%	79%	89%	95%	98%
Net interest margin, banking	2.07%	1.96%	1.96%	1.86%	1.85%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub-)totals and ratios) have been restated due to the application of IFRIC 21 (Levies).

Czech Republic Business Unit

- The net result amounted to 119 million in 4Q2015, down on the excellent 153 million recorded in the previous quarter and also slightly down on the 121 million in the year-earlier quarter.
- Compared to the previous quarter, total income remained more or less stable in 4Q2015 (-1 million). Quarter-on-quarter changes were very limited and mainly consisted of a higher net fee and commission income (+3 million or +6%) thanks to seasonal high payment service fees, which partially offset a decrease in net interest income (-5 million or -2%). Net interest income was down due to lower reinvestment yields, despite good loan growth, decreasing lending income (pressure on margins despite widening margins on new production mortgages) and lower dealing room income. Insurance activities slightly increased their contribution to income growth: the technical non-life insurance result went up (premiums minus charges and the effect of reinsurance: +1 million or +6% versus 3Q2015) and life insurance sales were also up on their 2Q2015 level (+19 million, +25%) thanks to the increased sales of unit-linked products.
- Generally speaking, 4Q2015 was another quarter of good volume growth. The loan book on our balance sheet expanded by 2% quarter-on-quarter (to 18 billion) primarily in the mortgage segment, while customer deposits also went up (+3% to 24 billion). Assets under management increased too, by 4% to 8.8 billion, thanks to net inflows (especially CPPI and balanced funds) and a positive price effect. Life reserves stood at 1.0 billion, up 7% on their level at the end of the previous quarter.
- Costs were up on the previous quarter (+26 million or +19%), due chiefly to the impact of two one-off items: a provision for restructuring charges and a software impairment file. Excluding these items, costs were typically high in 4Q2015 on account of marketing and ICT expenses, professional fees and bank tax. The resulting cost/income ratio for 4Q2015 stood at a good 52% (FY2015: 48%), while the non-life insurance combined ratio for the same quarter amounted to 92% (FY2015: 94%).
- Loan loss impairment in 4Q2015 remained at a low level, though it was up on the figure for 3Q2015 (+16 million) mainly in the SME book. The credit cost ratio for FY2015 accordingly amounted to an excellent 0.18%. Impaired loans accounted for some 3.4% of the loan book at the end of December 2015.

Czech Republic Business Unit (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	211	212	208	215	210
Non-life insurance (before reinsurance)	21	18	19	21	23
Earned premiums	*43*	*41*	*44*	*45*	*47*
Technical charges	*-22*	*-23*	*-25*	*-24*	*-24*
Life insurance (before reinsurance)	7	6	6	7	7
Earned premiums	*37*	*30*	*41*	*76*	*95*
Technical charges	*-30*	*-25*	*-34*	*-69*	*-88*
Ceded reinsurance result	-2	-2	-1	-2	-3
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	18	26	20	26	26
Net realised result from available-for-sale assets	1	12	0	0	0
Net fee and commission income	51	50	50	49	52
Other net income	6	5	7	5	6
Total income	313	325	310	322	320
Operating expenses	-156	-161	-150	-140	-166
Impairment	-19	-2	-15	-4	-20
on loans and receivables	*-16*	-2	-16	*-5*	*-14*
on available-for-sale assets	*0*	0	0	*0*	*-4*
on goodwill	*0*	0	0	*0*	*-2*
Other	*-2*	0	0	*0*	*0*
Share in results of associated companies & joint ventures	5	6	7	5	4
Result before tax	143	169	151	183	138
Income tax expense	-23	-25	-24	-30	-19
Result after tax	121	143	127	153	119
attributable to minority interests	0	0	0	0	000
attributable to equity holders of the parent	**121**	**143**	**127**	**153**	**119**
Banking	*113*	*138*	*121*	*144*	*113*
Insurance	*8*	*6*	*6*	*8*	*6*
Risk-weighted assets, banking (end of period, Basel III)	12 345	13 120	13 032	12 902	12 919
Required capital, insurance (end of period, Solvency I)	67	62	69	70	72
Allocated capital (end of period)	1 414	1 486	1 489	1 478	1482
Return on allocated capital (ROAC)	34%	40%	35%	40%	32%
Cost/income ratio, banking	49%	49%	48%	43%	52%
Combined ratio, non-life insurance	94%	96%	94%	93%	92%
Net interest margin, banking	3.11%	3.16%	3.00%	3.01%	2.95%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

International Markets Business Unit

- The net result amounted to 61 million in 4Q2015, down on the 92 million recorded in the previous quarter and up on the -7 million posted in the year-earlier quarter.
- Compared to the previous quarter, total income decreased (-15 million or -5%). Net interest income went up (+1 million), due to lower allocated liquidity and funding costs in Ireland. Net fee and commission income came in flat quarter-on-quarter (up on the back of transactional income and banking services in Hungary and increasing lending volumes in Slovakia, but down in Ireland, Bulgaria and Slovakia). The net result from financial instruments decreased (-3 million or -18% compared to 3Q2015) due to the negative movement in the marked-to-market value of derivatives used for asset/liability management purposes. The technical non-life insurance result (earned premiums minus technical charges, including the impact of ceded reinsurance) went up (+2 million on its 3Q2015 level, with the increase mainly in motor and household insurance in Bulgaria and Slovakia), whereas sales of life insurance products fell by 14% due to lower unit-linked single premiums in Slovakia and decreasing guaranteed-interest products in Bulgaria (after a strong performance in 3Q2015). Finally, other net income fell significantly (-14 million), since the previous quarter included a positive impact related to a settlement in the K&H Equities fraud case and a partial release of the Curia provision in Hungary, as well as the release of provisions for a legal case in Slovakia following a positive ruling.
- The overall loan book on our balance sheet was virtually unchanged quarter-on-quarter (with growth in Slovakia and Bulgaria, but a slight contraction in Ireland and Hungary), and customer deposits increased by 4% (to 17 billion, with growth in all countries). Assets under management fell (by 3% to 6.2 billion), due to a combination of a slight price increase and a decline in net entries. Life reserves stood at 0.6 billion, up 1% on the previous quarter.
- Costs in the fourth quarter were up on the previous quarter (+13 million, or +8%, due mainly to bank taxes, higher end-of-year staff and ICT expenses in Hungary and increased general administration expenses and bank levies in Ireland. The resulting cost/income ratio for the entire business unit stood at 65% for 4Q2015 (FY2015: 66%), while the combined ratio for the non-life insurance activities amounted to 97% for the same period (FY2015: 95%).
- Loan loss impairment increased somewhat in the quarter under review (+16 million) compared to 3Q2015, with impairments up in all countries (except Bulgaria) due to typical end-of-year seasonal effects. For the business unit as a whole, this resulted in a good credit cost ratio of 0.32% for FY2015. Impaired loans accounted for a high 30% of the loan book at the end of December 2015 (due to Ireland).
- The net result of the International Markets Business Unit breaks down as follows: 14 million for Slovakia, 42 million for Hungary, 3 million for Bulgaria and 3 million for Ireland. A results table and brief comments for each country are provided on the following pages.

International Markets Business Unit (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	169	172	178	180	181
Non-life insurance (before reinsurance)	22	20	17	21	23
Earned premiums	*39*	*39*	*41*	*43*	*46*
Technical charges	*-18*	*-20*	*-24*	*-22*	*-23*
Life insurance (before reinsurance)	4	4	3	5	5
Earned premiums	*19*	*23*	*19*	*27*	*21*
Technical charges	*-15*	*-19*	*-16*	*-22*	*-16*
Ceded reinsurance result	-2	-2	-2	-1	-2
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	14	27	12	20	16
Net realised result from available-for-sale assets	1	2	4	-1	0
Net fee and commission income	54	50	53	51	51
Other net income	-3	17	10	19	5
Total income	258	291	277	294	279
Operating expenses	-191	-226	-170	-171	-184
Impairment	-72	-16	-28	-12	-28
on loans and receivables	*-62*	-16	-29	*-12*	*-26*
on available-for-sale assets	*0*	0	0	*0*	*0*
on goodwill	*0*	0	0	*0*	*0*
other	*-10*	0	1	*0*	*-3*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-5	49	79	111	66
Income tax expense	-2	-25	-11	-18	-5
Result after tax	-7	24	68	92	61
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-7**	**24**	**68**	**92**	**61**
Banking	*-12*	*18*	*63*	*86*	*58*
Insurance	*5*	*6*	*5*	*6*	*3*
Risk-weighted assets, banking (end of period, Basel III)	18 425	18 833	18 467	18 627	19 424
Required capital, insurance (end of period, Solvency I)	44	44	45	46	48
Allocated capital (end of period)	2 011	2 054	2 018	2 037	2 123
Return on allocated capital (ROAC)	-1%	5%	13%	18%	11.9%
Cost/income ratio, banking	74%	79%	61%	58%	65%
Combined ratio, non-life insurance	94%	88%	103%	94%	97%
Net interest margin, banking	2.44%	2.53%	2.60%	2.56%	2.50%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Ireland

- The net result amounted to 3 million in 4Q2015, down from the 10 million recorded in the previous quarter and well up on the -45 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 4Q2015 remained flat. Higher net interest income, with continued lower allocated liquidity and funding costs being offset by slightly lower ALM derivatives and higher net fee and commission income paid.
- The deleveraging of the Irish loan book on our balance sheet continued. It declined by 1% quarter-on-quarter (to 11.3 billion), due to the further contraction of the corporate book and reduction of the impaired mortgage book, partly offset by new mortgage volumes. Customer deposits (retail and corporate) continued to rise, going up by 1% on their level in the previous quarter (to 5.1 billion).
- Costs in the fourth quarter were up due to higher professional fees and bank levies (+3 million or +8% versus 3Q2015). The resulting cost/income ratio for 4Q2015 stood at 76% (FY2015: 75%).
- Loan loss impairment was up (+6 million on its 3Q2015 level) driven by model adjustments. Nevertheless, the credit cost ratio for FY2015 remained low at 0.34%. Impaired loans still accounted for a high but decreasing 47% of the loan book at the end of December 2015.

Ireland (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	41	46	53	51	53
Non-life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	2	0	-6	3	1
Net realised result from available-for-sale assets	0	0	1	0	0
Net fee and commission income	-1	-1	0	0	-2
Other net income	-2	0	0	0	0
Total income	40	44	48	53	53
Operating expenses	-37	-39	-35	-36	-39
Impairment	-51	-7	-16	-9	-16
on loans and receivables	*-41*	*-7*	*-16*	*-9*	*-16*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*-9*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-48	-2	-3	8	-2
Income tax expense	3	0	5	2	5
Result after tax	-45	-2	2	10	3
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-45**	**-2**	**2**	**10**	**3**
Banking	*-45*	*-2*	*2*	*10*	*3*
Insurance	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets, banking (end of period, Basel III)	6 931	6 800	6 727	7 029	7 449
Required capital, insurance (end of period, Solvency I)	-	-	-	-	-
Allocated capital (end of period)	728	714	706	738	782
Return on allocated capital (ROAC)	-30%	-1%	1%	5%	1.7%
Cost/income ratio, banking	94%	87%	74%	68%	76.5%
Combined ratio, non-life insurance	-	-	-	-	-

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Hungary

- The net result amounted to 42 million in 4Q2015, down on the 54 million recorded in the previous quarter and up on the 15 million in the year-earlier quarter. The net result was positively influenced by higher fee and commission income and the one-off impact of deferred tax related to Curia, more than offset by lower fair value instruments, higher staff costs, lower net other income and a lower reversal of loan loss provisions.
- Compared to the previous quarter, total income in 4Q2015 declined (-11 million, or -8% compared to 3Q2015). This was the result of the combination of flat net interest income, stronger net fee and commission income (+3 million or +6%) due mainly to an increase in transactional income and in banking services, a flat technical result for the non-life insurance activities vs 3Q2015 (earned premiums minus technical charges, and the ceded insurance result: 6 million), stable sales of life products (compared to 3Q2015) and lower other net income (-11 million or -79%), since the previous quarter had been positively impacted by the last out-of-court settlement for the K&H Equities fraud case and a partial release of the previously booked Curia provision.
- The Hungarian loan book on our balance sheet contracted by 0.7% quarter-on-quarter (to 3.5 billion) while customer deposits increased by 8% (to 5.9 billion). Assets under management fell by 1% (to 3.6 billion), due to net outflows and despite a small price effect. Life reserves stood at 0.3 billion, up 2% on the previous quarter.
- Costs were up on their level in the previous quarter (+5 million or +7% compared to 3Q2015), due to a number of smaller items (including higher staff and ICT expenses). The resulting cost/income ratio for 4Q2015 stood at 61% (FY2015: 65%), while the non-life combined ratio for the same period amounted to 108% (FY2015: 97%).
- Loan loss impairment stood at +1 million in 4Q2015, compared to a positive contribution of 5 million in 3Q2015 (the latter figure was due to write-backs). As a result, the credit cost ratio for FY2015 stood at a very good 0.12%. Impaired loans accounted for some 13% of the loan book at the end of December 2015.

Hungary (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	63	63	61	61	61
Non-life insurance (before reinsurance)	7	8	5	7	7
Earned premiums	*14*	*15*	*15*	*17*	*18*
Technical charges	*-7*	*-8*	*-10*	*-9*	*-11*
Life insurance (before reinsurance)	1	1	-1	1	1
Earned premiums	*4*	*4*	*4*	*4*	*4*
Technical charges	*-3*	*-3*	*-4*	*-3*	*-2*
Ceded reinsurance result	-1	0	0	0	-1
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	8	18	16	15	12
Net realised result from available-for-sale assets	0	0	3	-1	0
Net fee and commission income	41	38	41	40	42
Other net income	0	16	9	13	3
Total income	119	143	135	136	125
Operating expenses	-92	-127	-75	-73	-78
Impairment	-13	-6	-5	4	-1
on loans and receivables	*-13*	*-6*	*-6*	*5*	*1*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*1*	*0*	*-2*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	14	10	55	68	46
Income tax expense	1	-17	-14	-13	-4
Result after tax	15	-6	41	54	42
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**15**	**-6**	**41**	**54**	**42**
Banking	*13*	*-9*	*40*	*52*	*42*
Insurance	*2*	*3*	*1*	*2*	*0*
Risk-weighted assets, banking (end of period, Basel III)	6 996	7 372	6 927	6 529	6 858
Required capital, insurance (end of period, Solvency I)	14	15	15	16	16
Allocated capital (end of period)	759	801	754	713	749
Return on allocated capital (ROAC)	7%	-3%	22%	29%	23%
Cost/income ratio, banking	77%	90%	54%	53%	61%
Combined ratio, non-life insurance	105%	80%	112%	95%	108%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Slovakia

- The net result amounted to 14 million in 4Q2015, down on the 24 million recorded in the previous quarter and on the 19 million in the year-earlier quarter.
- Compared to the previous quarter, total income in fell (-3 million or -4%) due primarily to lower other net income (-3 million or -60%, owing to a release of provisions for a legal case following a positive ruling in the previous quarter). Other determining factors were stable net interest income, a slight decrease in net fee and commission income (-4% compared to 3Q2015, mainly due to lower entry fees), a somewhat higher contribution made by the non-life insurance activities (earned premiums minus technical charges and the ceded reinsurance result: +1 million on their 3Q2015 level), and lower sales of life insurance products (-20% compared to 3Q2015), owing to falling sales of unit-linked products.
- The Slovak loan book on our balance sheet continued to grow, expanding by 4% quarter-on-quarter (to 5.5 billion), and customer deposits increased too, going up by 3% (to 5.3 billion). Assets under management edged up on their level in the previous quarter (+5% to 0.7 billion) (the 4% growth in net entries was underpinned by a 1% positive price effect). Life reserves stood at 0.2 billion, down 1% on the previous quarter.
- Costs in the second quarter were up (+2 million or +4% on their 3Q2015 level), due entirely to a negative correction of our contribution to the European Single Resolution Fund. The resulting cost/income ratio for 4Q2015 stood at 62% (FY2015: 60%), while the non-life combined ratio for the same period amounted to an excellent 87% (FY2015: 88%).
- Loan loss impairment was up from the low level recorded in the previous quarter (+5 million or 125%) due mainly to a few corporate files. The credit cost ratio for FY2015 remained at a favourable level of just 0.32%. Impaired loans accounted for some 4% of the loan book at the end of December 2015.

Slovakia (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	53	52	52	55	55
Non-life insurance (before reinsurance)	6	5	4	5	6
Earned premiums	*7*	*7*	*7*	*7*	*8*
Technical charges	*0*	*-2*	*-3*	*-3*	*-2*
Life insurance (before reinsurance)	1	3	3	3	2
Earned premiums	*10*	*14*	*10*	*15*	*12*
Technical charges	*-9*	*-11*	*-8*	*-12*	*-10*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	4	9	2	2	3
Net realised result from available-for-sale assets	1	2	0	0	0
Net fee and commission income	12	12	12	12	11
Other net income	0	1	1	5	2
Total income	77	83	74	81	78
Operating expenses	-47	-47	-46	-48	-50
Impairment	-5	-1	-4	-4	-9
on loans and receivables	*-5*	*-1*	*-4*	*-4*	*-9*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
other	*0*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	25	35	23	30	20
Income tax expense	-6	-9	-6	-6	-6
Result after tax	19	27	17	24	14
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**19**	**27**	**17**	**24**	**14**
Banking	*17*	*25*	*15*	*22*	*12*
Insurance	*2*	*2*	*2*	*2*	*1*
Risk-weighted assets, banking (end of period, Basel III)	3 815	3 953	4 085	4 313	4350
Required capital, insurance (end of period, Solvency I)	15	14	15	15	15
Allocated capital (end of period)	426	440	454	479	483
Return on allocated capital (ROAC)	18%	25%	16%	21%	11%
Cost/income ratio, banking	61%	56%	63%	59%	62%
Combined ratio, non-life insurance	66%	84%	92%	90%	87%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Bulgaria

- The net result amounted to 3 million in 4Q2015, down on the 4 million registered in the previous and year-earlier quarters.
- Compared to the previous quarter, total income in 4Q2015 was flat.
- The Bulgarian loan book on our balance sheet grew by 3% quarter-on-quarter (to 0.7 billion), and customer deposits increased by 4% (to 0.7 billion). Life reserves stood at 0.04 billion, down 3% on the previous quarter.
- Non-life insurance result went up (+1 million or +12%) whilst sales of life insurance products fell (-3 million or -37%).
- Costs in the fourth quarter edged up (+2 million or +18% on their 3Q2015 level) because of the bank tax and end-of-year costs. The resulting cost/income ratio for 4Q2015 stood at 74% (FY2015: 65%), while the combined ratio for the non-life insurance activities for the same period amounted to 92% (FY2015: 97%).
- Loan loss impairment in 4Q2015 was down on the level recorded in the previous quarter (-1 million or -31%). The credit cost ratio for FY2015 stood at 1.21%. Impaired loans accounted for some 23% of the loan book at the end of December 2015.

Bulgaria (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	12	11	12	12	12
Non-life insurance (before reinsurance)	8	8	8	9	10
Earned premiums	*18*	*17*	*19*	*19*	*20*
Technical charges	*-10*	*-10*	*-11*	*-10*	*-11*
Life insurance (before reinsurance)	1	1	1	1	1
Earned premiums	*5*	*6*	*5*	*8*	*5*
Technical charges	*-4*	*-5*	*-4*	*-7*	*-4*
Ceded reinsurance result	0	-1	-1	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	0	1	0	0	0
Net realised result from available-for-sale assets	0	0	1	0	0
Net fee and commission income	0	0	-1	0	-1
Other net income	0	0	0	0	0
Total income	21	19	20	22	22
Operating expenses	-14	-13	-13	-14	-16
Impairment	-3	-1	-3	-3	-2
on loans and receivables	*-3*	*-1*	*-3*	*-3*	*-2*
on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*0*
Other	*0*	*0*	*0*	*0*	*0*
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	4	5	4	5	3
Income tax expense	0	0	4	-1	0
Result after tax	4	5	7	4	3
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**4**	**5**	**7**	**4**	**3**
Banking	*3*	*4*	*6*	*2*	*1*
Insurance	*1*	*1*	*1*	*2*	*1*
Risk-weighted assets, banking (end of period, Basel III)	671	690	710	739	750
Required capital, insurance (end of period, Solvency I)	15	14	15	16	16
Allocated capital (end of period)	96	98	101	105	108
Return on allocated capital (ROAC)	17%	19%	29%	15%	10%
Cost/income ratio, banking	61%	63%	62%	61%	74%
Combined ratio, non-life insurance	95%	101%	100%	95%	92%

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

Group Centre

The Group Centre's net result in 4Q2015 stood at 334 million, compared to -2 million in the previous quarter. A breakdown of this result by activities is provided in the table below.

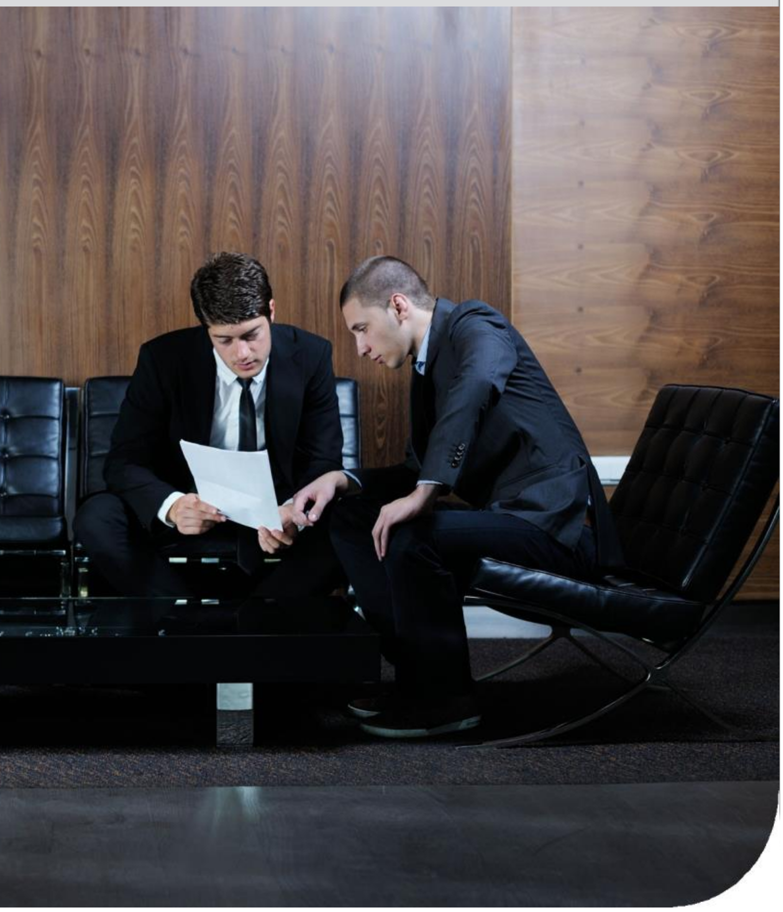
Compared to 3Q2015, the much better result was largely attributable to exceptional items, i.e. the liquidation of KBC Financial Holding (+765 million), impairment on goodwill (-341 million) and impairment on the Hungarian Data Centre (-20 million). Excluding these one-off items, the actual result was down on its level in 3Q2015 due to higher costs (owing to traditional higher end-of-year costs and the delayed partial shift of the benefit of low operational expenses in 3Q2015 at Group Centre to the business units) and higher impairment charges and lower ALM derivatives.

Group Centre: breakdown of net result (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Operating expenses of group activities	-26	-19	-15	0	-62
Capital and treasury management-related costs	4	5	7	0	0
Costs related to the holding of participations	-17	-17	-26	-18	-15
Results of remaining companies earmarked for divestments or in run-down	-4	2	-22	16	756
Other items	8	41	-2	0	-346
Legacy and own credit risk	-20	-	-	-	-
Total net result for the Group Centre	**-54**	**13**	**-57**	**-2**	**334**

Group Centre (in millions of EUR)	4Q2014	1Q2015	2Q2015	3Q2015	4Q2015
Net interest income	-19	-7	-15	-26	--16
Non-life insurance (before reinsurance)	3	-2	-3	-4	-2
Earned premiums	*-3*	*-3*	*-5*	*-4*	*-4*
Technical charges	*6*	*2*	*3*	*0*	*2*
Life insurance (before reinsurance)	0	0	0	0	0
Earned premiums	*0*	*0*	*0*	*0*	*0*
Technical charges	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	-3	0	2	1	3
Dividend income	1	1	5	1	2
Net result from financial instr. at fair value through P/L	7	-4	11	33	-161
Net realised result from available-for-sale assets	0	14	-6	11	4
Net fee and commission income	4	-1	-1	-4	-2
Other net income	0	-18	21	18	-5
Total income	-7	-17	15	30	-177
Operating expenses	-44	-43	-37	-10	-59
Impairment	-7	6	-29	-4	-371
on loans and receivables	*-7*	*6*	*-26*	*-4*	*-4*
on available-for-sale assets	*0*	*0*	*-3*	*0*	*0*
on goodwill	*0*	*0*	*0*	*0*	*-342*
Other	*0*	*0*	*0*	*0*	*-25*
Share in results of associated companies & joint ventures	1	1	1	1	1
Result before tax	-56	-53	-51	17	-606
Income tax expense	2	66	-6	-19	939
Result after tax	-54	13	-57	-2	334
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	**-54**	**13**	**-57**	**-2**	**334**
of which related to legacy activities & own credit risk	-20	-	-	-	-
Banking	-37	44	-49	-6	443
Insurance	-1	-8	11	7	-26
Group	-17	-23	-19	-4	-119
Risk-weighted assets, banking (end of period, Basel III)	6 650	6 728	5 712	5 280	5433
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	10 897	9 047	9 133	9 133	9133
Required capital, insurance (end of period, Solvency I)	1	1	1	1	0
Allocated capital (end of period)	701	709	602	556	571

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub)totals and ratios) have been adjusted due to the application of IFRIC 21 (Levies).

KBC Group Consolidated financial statements according to IFRS 4Q 2015 and FY 2015



Consolidated income statement

In millions of EUR	Note	4Q 2014	3Q 2015	4Q 2015	2014	2015
Net interest income	3	1 123	1 062	1 066	4 308	4 311
Interest income		1 982	1 770	1 725	7 893	7 150
Interest expense		- 860	- 708	- 659	- 3 586	- 2 839
Non-life insurance before reinsurance	9	123	142	147	512	611
Earned premiums Non-life		322	335	338	1 266	1 319
Technical charges Non-life		- 200	- 193	- 191	- 754	- 708
Life insurance before reinsurance	9	- 45	- 51	- 51	- 216	- 201
Earned premiums Life		343	289	445	1 247	1 301
Technical charges Life		- 388	- 340	- 496	- 1 463	- 1 502
Ceded reinsurance result	9	10	0	- 10	16	- 29
Dividend income		9	13	12	56	75
Net result from financial instruments at fair value through profit or loss	5	109	47	- 68	227	214
Net realised result from available-for-sale assets	6	22	44	30	150	190
Net fee and commission income	7	410	383	371	1 573	1 678
Fee and commission income		577	548	533	2 245	2 348
Fee and commission expense		- 167	- 165	- 162	- 672	- 670
Net other income	8	68	96	47	94	297
TOTAL INCOME		1 827	1 736	1 543	6 720	7 148
Operating expenses	12	- 964	- 862	- 962	- 3 818	- 3 890
Staff expenses		- 574	- 566	- 549	- 2 248	- 2 245
General administrative expenses		- 317	- 233	- 349	- 1 303	- 1 392
Depreciation and amortisation of fixed assets		- 74	- 63	- 65	- 266	- 253
Impairment	14	- 193	- 49	- 472	- 506	- 747
on loans and receivables		- 158	- 34	- 78	- 587	- 323
on available-for-sale assets		- 14	- 15	- 21	- 29	- 45
on goodwill		0	0	- 344	0	- 344
on other		- 21	0	- 29	109	- 34
Share in results of associated companies and joint ventures		6	6	5	25	24
RESULT BEFORE TAX		675	831	114	2 420	2 535
Income tax expense	16	- 202	- 231	749	- 657	104
RESULT AFTER TAX		473	600	863	1 763	2 639
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**473**	**600**	**862**	**1 762**	**2 639**
Earnings per share (in EUR)						
Basic		1.00	1.41	-0.36	3.32	3.80
Diluted		1.00	1.41	-0.36	3.32	3.80

Figures of 2014 have been restated due the application of IFRIC21: See note 1a for more information.

Consolidated statement of comprehensive income (condensed)

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
RESULT AFTER TAX	473	600	863	1 763	2 639
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	473	600	862	1 762	2 639
Other comprehensive income - to be recycled to P&L					
Net change in revaluation reserve (AFS assets) - Equity	60	- 107	183	47	176
Net change in revaluation reserve (AFS assets) - Bonds	123	150	- 24	675	- 210
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	- 289	- 140	61	- 871	222
Net change in translation differences	13	- 6	186	79	272
Other movements	1	2	- 1	1	2
Other comprehensive income - not to be recycled to P&L					
Net change in defined benefit plans	- 88	- 40	116	- 198	226
TOTAL COMPREHENSIVE INCOME	293	458	1 383	1 495	3 327
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	293	458	1 383	1 494	3 326

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	18 - 26	231 421	237 346
Held for trading		12 182	10 385
Designated at fair value through profit or loss		18 163	16 514
Available for sale		32 390	35 670
Loans and receivables		135 784	141 305
Held to maturity		31 799	32 958
Hedging derivatives		1 104	514
Reinsurers' share in technical provisions		194	127
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		168	105
Tax assets		1 814	2 336
Current tax assets		88	107
Deferred tax assets		1 726	2 228
Non-current assets held for sale and assets associated with disposal groups		18	15
Investments in associated companies and joint ventures		204	207
Investment property		568	438
Property and equipment		2 278	2 299
Goodwill and other intangible assets		1 258	959
Other assets		1 480	1 487
TOTAL ASSETS		245 174	252 356

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	31-12-2015
Financial liabilities	18 - 26	205 644	213 333
Held for trading		8 449	8 334
Designated at fair value through profit or loss		23 908	24 426
Measured at amortised cost		169 796	178 383
Hedging derivatives		3 491	2 191
Technical provisions, before reinsurance		18 934	19 532
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		189	171
Tax liabilities		697	658
Current tax liabilities		98	109
Deferred tax liabilies		599	549
Provisions for risks and charges	36	560	310
Other liabilities		2 629	2 541
TOTAL LIABILITIES		228 652	236 545
Total equity	39	16 521	15 811
Parent shareholders' equity	39	13 125	14 411
Non-voting core-capital securities	39	2 000	0
Additional Tier-1 instruments included in equity	39	1 400	1 400
Minority interests		- 3	0
TOTAL LIABILITIES AND EQUITY		245 174	252 356

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Retained earnings	Translation differences	Parent share-holders' equity	Non-voting core-capital securities	Additional Tier-1 instruments included in equity	Minority interests	Total equity
31-12-2014													
Balance at the beginning of the period (1-1-2014)	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
Net result for the period	0	0	0	0	0	0	1 762	0	1 762	0	0	0	1 763
Other comprehensive income for the period	0	0	0	722	- 871	- 198	1	79	- 268	0	0	0	- 268
Total comprehensive income	**0**	**0**	**0**	**722**	**- 871**	**- 198**	**1 763**	**79**	**1 494**	**0**	**0**	**0**	**1 495**
Coupon additional Tier-1 instruments	0	0	0	0	0	0	- 39	0	- 39	0	0	0	- 39
Capital increase	1	17	0	0	0	0	0	0	19	0	0	0	19
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 167	0	- 167	- 333	0	0	- 500
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	0	- 6	0	- 6	0	1 400	0	1 394
Impact business combinations	0	0	0	0	0	0	- 2	0	- 2	0	0	0	- 2
Change in scope	0	0	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	**1**	**17**	**0**	**722**	**- 871**	**- 198**	**1 548**	**79**	**1 298**	**- 333**	**1 400**	**- 358**	**2 007**
Balance at the end of the period	**1 453**	**5 421**	**0**	**1 815**	**- 1 368**	**- 133**	**6 197**	**- 261**	**13 125**	**2 000**	**1 400**	**- 3**	**16 521**
of which revaluation reserve for shares				370									
of which revaluation reserve for bonds				1 445									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to equity method				23	0	0	0	0	23				23
31-12-2015													
Balance at the beginning of the period (1-1-2015)	1 453	5 421	0	1 815	- 1 368	- 133	6 197	- 261	13 125	2 000	1 400	- 3	16 521
Net result for the period	0	0	0	0	0	0	2 639	0	2 639	0	0	0	2 639
Other comprehensive income for the period	0	0	0	- 34	222	226	2	272	688	0	0	0	688
Total comprehensive income	**0**	**0**	**0**	**- 34**	**222**	**226**	**2 640**	**272**	**3 326**	**0**	**0**	**0**	**3 327**
Dividends	0	0	0	0	0	0	- 835	0	- 835	0	0	0	- 835
Coupon non-voting core-capital securities	0	0	0	0	0	0	- 171	0	- 171	0	0	0	- 171
Coupon additional Tier-1 instruments	0	0	0	0	0	0	- 52	0	- 52	0	0	0	- 52
Capital increase	1	16	0	0	0	0	0	0	17	0	0	0	17
Repayment of non-voting core-capital securities	0	0	0	0	0	0	- 1 000	0	- 1 000	- 2 000	0	0	- 3 000
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in scope	0	0	0	1	0	0	0	0	1	0	0	3	4
Total change	**1**	**16**	**0**	**- 33**	**222**	**226**	**582**	**272**	**1 286**	**- 2 000**	**0**	**3**	**- 710**
Balance at the end of the period	**1 454**	**5 437**	**0**	**1 782**	**- 1 146**	**94**	**6 779**	**11**	**14 411**	**0**	**1 400**	**0**	**15 811**
of which revaluation reserve for shares				547									
of which revaluation reserve for bonds				1 235									
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	- 3	- 3				- 3
of which relating to equity method				22	0	0	0	7	28				28

In 2015, revaluation reserves (AFS assets) on shares increased with 177m euros (+184 million euros in 4Q 2015, partly related to Visa Europe Limited for an amount of +69 million euros because of the public offer of Visa Inc.; transfer to net profit expected in 2Q 2016 based on the market value at that moment).
Translation differences increased with 272 million euros in 2015 (+186 million euros in 4Q 2015) largely related to the liquidation of KBC Financial Holding Inc. in 4Q 2015 (outstanding translation differences were transferred to net profit) and also related to deferred taxes on hedges of a net investment in a foreign operation.
Non-voting core capital securities: at the end of 2015, KBC repaid fully the remaining state aid to the Flemish Regional Government (2 billion euro plus 50% penalty). More information: see Note 39.

For 2014, after approval by the general meeting of shareholders on 7 May 2015, a dividend of 2 euros was paid out per share entitled to dividend (836 million euros in total). This also triggered a payment of a coupon on the core-capital securities to the Flemish Regional Government (171 million euros in total). Both were deducted from retained earnings and were accounted for in 2Q 2015.

Consolidated cash flow statement

At the end of 2015, KBC repaid fully the remaining state aid to the Flemish Regional Government (2 billion euro plus 50% penalty). This had a negative impact on cash flows from financing activities in 4Q 2015. More information: see Note 39.

Notes on statement of compliance and changes in accounting policies

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

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

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

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

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

Notes on segment reporting

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

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

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

Moreover, up until 2Q 2015 an additional correction to the IFRS accounts was done and related to trading activities. In the IFRS accounts, income related to trading activities is split across different components: while trading gains are recognised under ‘net result from financial instruments at fair value’, the funding costs and commissions paid in order to realise these trading gains are recognised respectively under ‘net interest income’ and ‘net fee and commission income’. Moreover, part of the ‘dividend income’, ‘net realised result on available-for-sale assets’ and ‘other net income’ are also related to trading income. In the net result of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking were recognised under ‘net result from financial instruments at fair value’ until 2Q 2015, without any impact on net profit. This additional correction was, in 2Q 2015, also abolished (reference figures of 2014 restated accordingly).

Finally, the split of Group Centre between ‘Group Centre (excl. intersegment eliminations)’ and ‘Intersegment eliminations’ is no longer provided (with retroactive application for 2014), in accordance with the internal reporting to management.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
12M 2014									
Net interest income	2 917	860	677	274	210	43	149	- 146	4 308
Non-life insurance before reinsurance	374	75	68	27	20	21	0	- 6	512
Earned premiums Non-life	964	165	153	55	27	71	0	- 16	1 266
Technical charges Non-life	- 590	- 89	- 86	- 29	- 7	- 50	0	10	- 754
Life insurance before reinsurance	- 252	24	12	- 1	10	4	0	- 1	- 216
Earned premiums Life	1 004	160	84	15	53	16	0	0	1 247
Technical charges Life	- 1 256	- 136	- 71	- 16	- 43	- 12	0	0	- 1 463
Ceded reinsurance result	19	- 7	2	- 2	- 2	6	0	2	16
Dividend income	49	0	0	0	0	0	0	7	56
Net result from financial instruments at fair value through profit or loss	44	62	73	62	15	2	- 7	49	227
Net realised result from available-for-sale assets	115	9	16	14	2	0	0	10	150
Net fee and commission income	1 152	194	208	160	46	1	- 3	19	1 573
Net other income	269	18	- 227	- 225	0	0	- 2	34	94
TOTAL INCOME	4 688	1 235	828	307	301	77	138	- 31	6 720
Operating expenses	- 2 282	- 594	- 740	- 368	- 185	- 52	- 132	- 203	- 3 818
Impairment	- 251	- 36	- 284	- 49	- 18	- 10	- 207	65	- 506
on loans and receivables	- 205	- 34	- 273	- 47	- 17	- 10	- 198	- 75	- 587
on available-for-sale assets	- 27	0	0	0	0	0	0	- 1	- 29
on goodwill	0	0	0	0	0	0	0	0	0
on other	- 19	- 3	- 11	- 1	0	0	- 9	142	109
Share in results of associated companies and joint ventures	- 1	23	0	0	0	0	0	3	25
RESULT BEFORE TAX	2 154	628	- 196	- 109	98	15	- 202	- 166	2 420
Income tax expense	- 638	- 100	14	15	- 24	0	23	65	- 657
RESULT AFTER TAX	1 517	528	- 182	- 94	75	15	- 179	- 100	1 763
Attributable to minority interests	0	0	0	0	0	0	0	0	0
NET RESULT	1 516	528	- 182	- 94	75	15	- 179	- 100	1 762
12M 2015									
Net interest income	2 819	845	711	248	214	47	202	- 63	4 311
Non-life insurance before reinsurance	460	80	81	27	20	35	0	- 10	611
Earned premiums Non-life	989	177	169	65	29	76	0	- 16	1 319
Technical charges Non-life	- 530	- 96	- 88	- 38	- 9	- 41	0	6	- 708
Life insurance before reinsurance	- 243	26	16	2	10	4	0	0	- 201
Earned premiums Life	969	243	90	15	52	23	0	0	1 301
Technical charges Life	- 1 212	- 216	- 73	- 13	- 41	- 20	0	0	- 1 502
Ceded reinsurance result	- 20	- 8	- 6	- 3	- 1	- 2	0	6	- 29
Dividend income	65	0	0	0	0	0	0	10	75
Net result from financial instruments at fair value through profit or loss	162	98	76	60	16	2	- 2	- 121	214
Net realised result from available-for-sale assets	149	12	6	3	2	0	1	23	190
Net fee and commission income	1 280	201	206	160	47	- 2	- 3	- 9	1 678
Net other income	207	23	50	42	9	0	0	17	297
TOTAL INCOME	4 878	1 277	1 141	539	317	83	198	- 148	7 148
Operating expenses	- 2 373	- 617	- 752	- 353	- 190	- 56	- 149	- 149	- 3 890
Impairment	- 222	- 42	- 84	- 8	- 18	- 10	- 48	- 399	- 747
on loans and receivables	- 177	- 36	- 82	- 6	- 18	- 10	- 48	- 28	- 323
on available-for-sale assets	- 38	- 4	0	0	0	0	0	- 3	- 45
on goodwill	0	- 2	0	0	0	0	0	- 342	- 344
on other	- 7	0	- 2	- 2	0	0	0	- 25	- 34
Share in results of associated companies and joint ventures	- 1	23	0	0	0	0	0	3	24
RESULT BEFORE TAX	2 282	640	305	179	108	17	1	- 693	2 535
Income tax expense	- 717	- 98	- 60	- 47	- 26	2	12	980	104
RESULT AFTER TAX	1 565	542	245	131	82	18	13	287	2 639
Attributable to minority interests	0	0	0	0	0	0	0	0	0
NET RESULT	1 564	542	245	131	82	18	13	287	2 639

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

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
31-12-2014									
Deposits from customers & debt certificates excl. repos	105 885	22 047	14 860	*5 220*	*4 856*	*600*	*4 185*	11 187	153 979
Loans & advances to customers excluding reverse repos	84 165	16 216	20 790	*3 771*	*4 578*	*666*	*11 776*	1 990	123 161
Term loans excl. Reverse repos	41 926	6 360	5 289	*1 915*	*1 527*	*284*	*1 562*	1 792	55 366
Mortgage loans	32 318	7 251	13 561	*1 320*	*1 807*	*239*	*10 195*	26	53 156
Current accounts advances	2 318	922	653	*312*	*329*	*0*	*12*	161	4 054
Finance leases	3 172	442	523	*92*	*425*	*0*	*6*	0	4 138
Consumer credit	1 088	1 028	654	*59*	*452*	*142*	*0*	0	2 770
Other	3 343	213	111	*72*	*38*	*0*	*0*	12	3 678
31-12-2015									
Deposits from customers & debt certificates excl. repos	111 136	24 075	17 089	*5 862*	*5 263*	*692*	*5 272*	9 241	161 542
Loans & advances to customers excluding reverse repos	88 017	18 005	21 035	*3 552*	*5 462*	*725*	*11 295*	664	127 721
Term loans excl. Reverse repos	43 969	7 137	5 106	*1 647*	*1 944*	*204*	*1 311*	649	56 860
Mortgage loans	33 341	8 079	13 657	*1 369*	*2 072*	*242*	*9 975*	0	55 078
Current accounts advances	2 271	954	800	*284*	*374*	*139*	*4*	0	4 026
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	3 958	241	102	*69*	*33*	*0*	*0*	15	4 316

Other notes

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

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
Total	1 123	1 062	1 066	4 308	4 311
Interest income	1 982	1 770	1 725	7 893	7 150
Available-for-sale assets	201	177	178	763	717
Loans and receivables	1 129	993	999	4 510	4 085
Held-to-maturity investments	241	254	253	1 006	1 013
Other assets not at fair value	8	9	11	22	41
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*1 578*	*1 471*	*1 441*	*6 301*	*5 857*
Financial assets held for trading	243	199	183	926	807
Hedging derivatives	111	89	83	459	360
Other financial assets at fair value through profit or loss	50	48	19	208	127
Interest expense	- 860	- 708	- 659	-3 586	-2 839
Financial liabilities measured at amortised cost	- 360	- 290	- 270	-1 691	-1 202
Other	- 1	- 2	- 4	- 4	- 8
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 361*	*- 292*	*- 274*	*-1 695*	*-1 210*
Financial liabilities held for trading	- 299	- 232	- 216	-1 093	- 926
Hedging derivatives	- 148	- 149	- 147	- 639	- 590
Other financial liabilities at fair value through profit or loss	- 50	- 32	- 19	- 151	- 103
Net interest expense on defined benefit plans	- 3	- 2	- 4	- 7	- 10

The reference figures of 2015 have been adjusted relating to a reclassification of interest income from HTM bonds in repo transactions.

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

In 2015, the result from financial instruments at fair value through profit or loss was influenced by MtM ALM derivatives, where fair value changes (due to marked-to-market accounting) of ALM hedging instruments (that are treated as held for trading instruments) appear under ‘Net result from financial instruments at fair value’, whereas most of the related assets are not recognised at fair value. In 2015, the net result from these financial instruments at fair value through profit or loss amounted to +101 million euros pre-tax (+12 million euros pre-tax in 4Q 2015; for FY and 4Q 2014 respectively -201 and -7 million euros).

In 2015 (4Q), the result from financial instruments at fair value through profit or loss was also influenced by the liquidation of KBC Financial Holding Inc., whereby negative translation differences were transferred from equity to net profit (-156 million euro pre-tax, including the hedges of a net investment in a foreign operation).

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

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
Total	22	44	30	150	190
Breakdown by portfolio					
Fixed-income securities	8	6	5	64	54
Shares	14	38	25	86	136

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

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
Total	410	383	371	1 573	1 678
Fee and commission income	577	548	533	2 245	2 348
Securities and asset management	309	300	279	1 179	1 289
Margin on deposit accounting (life insurance investment contracts w ithout DPF)	22	9	6	89	81
Commitment credit	65	62	64	245	266
Payments	133	136	142	522	535
Other	48	41	42	209	178
Fee and commission expense	- 167	- 165	- 162	- 672	- 670

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

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
Total	68	96	47	94	297
Of which net realised result following					
The sale of loans and receivables	1	2	2	3	3
The sale of held-to-maturity investments	1	0	1	1	6
The repurchase of financial liabilities measured at amortised cost	0	0	- 1	0	- 9
Other: of which:	67	94	45	90	297
Income concerning leasing at the KBC Lease-group	26	18	20	87	81
Income from Group VAB	19	16	8	69	59
Realised gains or losses on divestments	- 3	9	0	21	11
Legal interests	13	0	0	15	0
Legal settlement in 2Q14 of an old credit file	0	0	0	31	0
New law on retail loans (Hungary)	0	7	2	- 231	34
Deconsolidation real estate companies	0	0	0	0	18

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
12M 2014				
Earned premiums, insurance (before reinsurance)	1 249	1 286		2 535
Technical charges, insurance (before reinsurance)	- 1 463	- 755		- 2 218
Net fee and commission income	- 13	- 234		- 247
Ceded reinsurance result	- 2	18		16
Operating expenses	- 121	- 240		- 362
Internal costs claim paid	- 7	- 58		- 66
Administration costs related to acquisitions	- 30	- 79		- 109
Administration costs	- 84	- 103		- 187
Management costs investments	0	0		- 1
Technical result	- 350	74		- 276
Net interest income			675	675
Dividend income			40	40
Net result from financial instruments at fair value			42	42
Net realised result from AFS assets			96	96
Net other income			2	2
Impairments			- 34	- 34
Allocation to the technical accounts	620	101	- 721	0
Technical-financial result	270	176	99	544
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	270	176	102	547
Income tax expense				- 156
RESULT AFTER TAX				392
attributable to minority interest				0
attributable to equity holders of the parent				391
12M 2015				
Earned premiums, insurance (before reinsurance)	1 303	1 338		2 642
Technical charges, insurance (before reinsurance)	- 1 502	- 708		- 2 210
Net fee and commission income	- 15	- 247		- 262
Ceded reinsurance result	- 2	- 27		- 29
Operating expenses	- 119	- 231	- 3	- 353
Internal costs claim paid	- 7	- 53		- 60
Administration costs related to acquisitions	- 29	- 77		- 107
Administration costs	- 82	- 101		- 183
Management costs investments	0	0	- 3	- 3
Technical result	- 334	125	- 3	- 212
Net interest income			636	636
Dividend income			53	53
Net result from financial instruments at fair value			- 9	- 9
Net realised result from AFS assets			108	108
Net other income			- 6	- 6
Impairments			- 69	- 69
Allocation to the technical accounts	574	104	- 678	0
Technical-financial result	240	228	31	499
Share in results of associated companies and joint ventures			3	3
RESULT BEFORE TAX	240	228	34	502
Income tax expense				- 148
RESULT AFTER TAX				355
attributable to minority interest				0
attributable to equity holders of the parent				354

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

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

The operating expenses of 2015 include 417 million euros related to bank (and insurance) levies (of which 264 million euros in 1Q 2015, 83 million euros in 2Q 2015, 21 million euros in 3Q 2015 and 49 million euros in 4Q 2015).

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

In 2Q 2015, the contribution to the ESRF for ČSOB (Slovakia) was also booked at 100% due to local legislation. Based on European market practice, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 2Q 2015. As a result, the second quarter figures of 2015 include a 29 million euros charge related to the upfront recognition in Belgium.

In 3Q 2015, the provision for the estimated contribution to the ESRF in ČSOB (Czech Republic), booked upfront in 1Q 2015 (-12 million euros), has been released in 3Q 2015, as the Czech law, implementing the resolution fund mechanism, is only expected to come into force in 2016.

In 4Q 2015, the contribution to the ESRF was updated, whereby the ESFR was also booked at 100%, and leading to an additional 12 million euros charge in Belgium.

Except for the 2Q 2015 upfront recognition in Belgium, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The 2014 results after restatement include in total 339 million euros of bank (and insurance) levies (respectively 198, 48, 48 and 44 million euros in 1Q, 2Q, 3Q and 4Q 2014).

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

In millions of EUR	4Q 2014	3Q 2015	4Q 2015	2014	2015
Total	- 193	- 49	- 472	- 506	- 747
Impairment on loans and receivables	- 158	- 34	- 78	- 587	- 323
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 147	- 63	- 77	- 676	- 322
Provisions for off-balance-sheet credit commitments	- 4	1	3	19	9
Portfolio-based impairments	- 7	28	- 3	70	- 10
Breakdown by business unit					
Business unit Belgium	- 73	- 13	- 34	- 205	- 177
Business unit Czech Republic	- 16	- 5	- 14	- 34	- 36
Business unit International Markets	- 62	- 12	- 26	- 273	- 82
of which: Hungary	*- 13*	*5*	*1*	*- 47*	*- 6*
of which: Slovakia	*- 5*	*- 4*	*- 9*	*- 17*	*- 18*
of which: Bulgaria	*- 3*	*- 3*	*- 2*	*- 10*	*- 10*
of which: Ireland	*- 41*	*- 9*	*- 16*	*- 198*	*- 48*
Group Centre	- 7	- 4	- 4	- 75	- 28
Impairment on available-for-sale assets	- 14	- 15	- 21	- 29	- 45
Breakdown by type					
Shares	- 14	- 15	- 18	- 29	- 43
Other	0	0	- 3	0	- 3
Impairment on goodwill	0	0	- 344	0	- 344
Impairment on other	- 21	0	- 29	109	- 34
Intangible assets, other than goodwill	- 23	0	- 5	- 23	- 7
Property and equipment and investment property	- 7	0	- 22	- 8	- 27
Held-to-maturity assets	0	0	0	1	0
Associated companies and joint ventures	0	0	0	0	0
Other	9	0	- 1	139	0

In 2Q 2015, adjustments to the emergence period were made to the IBNR-models based on annual back-testing. This resulted in an increase of portfolio-based impairments of approximately -34 million euros situated mainly in the Belgian and Czech Business Units.

Impairments on goodwill in 2015 (fully in 4Q) include impairments mainly on ČSOB a.s. (Slovak Republic) (-191 million euros), CIBANK EAD (-117 million euros) and DZI Insurance (-34 million euros). These impairments were largely caused by a lower recoverable value (calculated based on discounted cashflow analysis) mainly due to higher capital targets (resulting in a higher required capital, which reduces the free cashflows that can be paid out as dividend in the valuation model) and a higher discount rate (higher beta and higher market premium).

Impairments on property and equipment and investment property in 2015 includes in 4Q 2015 an impairment of 20 million euros on the Hungarian Data Center of KBC Group due to structural overcapacity.

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

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

Income taxes in 4Q 2015 also include a deferred tax impact of 921 million euros related to the liquidation of KBC Financial Holding Inc. When KBC agreed its strategic refocus with the European Commission in 2009 it undertook to run down or divest the activities of its subsidiary KBC Financial Holding Inc. (US) in order to reduce KBC's risk profile. That process has since been completed, with KBC collapsing the last two CDOs it held in portfolio in September 2014. As a final step, KBC has liquidated KBC Financial Holding Inc. in 4Q 2015. Belgian tax law provides that the loss in paid-up capital that KBC Bank sustains consequent on the liquidation of KBC Financial Holding Inc. is tax-deductible for the parent company at the moment of the liquidation, rather than at the time the losses were incurred (specifically 2008 and 2009). On balance, the post-tax impact on the result is estimated at 765 million euros (+921 million euros deferred income taxes, partly offset by -156 million euros translation differences – see also note 5).

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

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL ASSETS, 31-12-2014								
Loans and advances to credit institutions and investment firms [a]	141	1 636	0	10 812	-	-	-	12 590
Loans and advances to customers [b]	27	1 335	0	123 189	-	-	-	124 551
Excluding reverse repos	*20*	*101*	*0*	*123 040*	-	-	-	*123 161*
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 123	-	-	-	53 156
Term loans	7	1 303	0	55 446	-	-	-	56 755
Finance leasing	0	0	0	4 138	-	-	-	4 138
Current account advances	0	0	0	4 054	-	-	-	4 054
Securitised loans	0	0	0	0	-	-	-	0
Other	20	0	0	367	-	-	-	387
Equity instruments	303	3	1 826	-	-	-	-	2 132
Investment contracts (insurance)	-	13 425	-	-	-	-	-	13 425
Debt securities issued by	2 894	1 763	30 564	1 207	31 799	-	-	68 227
Public bodies	2 391	1 063	19 469	31	30 342	-	-	53 296
Credit institutions and investment firms	297	293	4 427	159	859	-	-	6 035
Corporates	206	407	6 667	1 018	598	-	-	8 896
Derivatives	8 814	-	-	-	-	1 104	-	9 918
Other	3	0	0	576	-	-	-	579
Total carrying value	12 182	18 163	32 390	135 784	31 799	1 104	0	231 421
[a] *Of which reverse repos*								*3 319*
[b] *Of which reverse repos*								*1 389*
FINANCIAL ASSETS, 31-12-2015								
Loans and advances to credit institutions and investment firms [a]	0	2 107	0	11 524	-	-	-	13 631
Loans and advances to customers [b]	0	394	0	127 829	-	-	-	128 223
Excluding reverse repos	*0*	*71*	*0*	*127 650*	-	-	-	*127 721*
Trade receivables	0	0	0	3 729	-	-	-	3 729
Consumer credit	0	0	0	2 928	-	-	-	2 928
Mortgage loans	0	28	0	55 050	-	-	-	55 078
Term loans	0	366	0	56 997	-	-	-	57 363
Finance leasing	0	0	0	4 512	-	-	-	4 512
Current account advances	0	0	0	4 026	-	-	-	4 026
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	587	-	-	-	587
Equity instruments	411	2	2 071	-	-	-	-	2 485
Investment contracts (insurance)	-	13 330	-	-	-	-	-	13 330
Debt securities issued by	1 785	681	33 598	1 117	32 958	-	-	70 138
Public bodies	1 408	120	21 892	22	31 353	-	-	54 796
Credit institutions and investment firms	192	104	4 893	158	984	-	-	6 330
Corporates	184	456	6 813	937	622	-	-	9 013
Derivatives	8 188	-	-	-	-	514	-	8 702
Other	1	0	0	835	0	0	-	836
Total carrying value	10 385	16 514	35 670	141 305	32 958	514	0	237 346
[a] *Of which reverse repos*								*5 012*
[b] *Of which reverse repos*								*502*

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.

(In millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2014								
Deposits from credit institutions and investment firms [a]	60	1 004	-	-	-	-	16 628	17 692
Deposits from customers and debt certificates [b]	367	10 352	-	-	-	-	151 064	161 783
Excluding repos	*367*	*3 058*	-	-	-	-	*150 554*	*153 979*
Deposits from customers	69	8 077	-	-	-	-	128 091	136 237
Demand deposits	0	35	-	-	-	-	47 011	47 046
Time deposits	69	8 028	-	-	-	-	31 425	39 523
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	-	-	-	-	22 973	25 546
Certificates of deposit	9	3	-	-	-	-	5 922	5 935
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 741	14 761
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	540	-	-	-	-	3 549	4 088
Liabilities under investment contracts	-	12 553	-	-	-	-	0	12 553
Derivatives	7 697	-	-	-	-	3 491	-	11 188
Short positions	325	0	-	-	-	-	-	325
in equity instruments	71	0	-	-	-	-	-	71
in debt instruments	254	0	-	-	-	-	-	254
Other	0	0	-	-	-	-	2 103	2 104
Total carrying value	8 449	23 908	-	-	-	3 491	169 796	205 644
[a] *Of which repos*								*1 315*
[b] *Of which repos*								*7 804*
FINANCIAL LIABILITIES, 31-12-2015								
Deposits from credit institutions and investment firms [a]	1	1 123	-	-	-	-	17 828	18 953
Deposits from customers and debt certificates [b]	431	10 916	-	-	-	-	158 762	170 109
Excluding repos	*431*	*2 349*	-	-	-	-	*158 762*	*161 542*
Deposits from customers	57	9 360	-	-	-	-	135 414	144 831
Demand deposits	0	0	-	-	-	-	55 148	55 148
Time deposits	57	9 360	-	-	-	-	27 724	37 141
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	-	-	-	-	23 349	25 278
Certificates of deposit	0	10	-	-	-	-	6 159	6 168
Customer savings certificates	0	0	-	-	-	-	1 092	1 092
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	374	1 253	-	-	-	-	12 576	14 203
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	293	-	-	-	-	3 522	3 815
Liabilities under investment contracts	-	12 387	-	-	-	-	0	12 387
Derivatives	7 487	0	-	-	-	2 191	-	9 677
Short positions	415	0	-	-	-	-	-	415
in equity instruments	58	0	-	-	-	-	-	58
in debt instruments	357	0	-	-	-	-	-	357
Other	0	0	-	-	-	-	1 792	1 792
Total carrying value	8 334	24 426	-	-	-	2 191	178 383	213 333
[a] *Of which repos*								*1 128*
[b] *Of which repos*								*8 567*

To make the breakdown by product more transparent, the saving deposits were renamed (as saving accounts) in 2015 and the definition was broadened (no longer limited to the Belgian regulatory saving deposits, but also including similar foreign products). The reference figures have been restated accordingly.

Additional information on quarterly time series

Loans and deposits

In millions of EUR	31-12-2014	31-03-2015	30-06-2015	30-09-2015	31-12-2015
Total customer loans excluding reverse repo					
Business unit Belgium	84 165	84 782	85 767	87 308	88 017
Business unit Czech Republic	16 216	16 610	17 188	17 618	18 005
Business unit International Markets	20 790	20 974	20 673	20 942	21 035
of which: Hungary	*3 771*	*3 934*	*3 632*	*3 577*	*3 552*
of which: Slovakia	*4 578*	*4 717*	*4 838*	*5 237*	*5 462*
of which: Bulgaria	*666*	*667*	*679*	*702*	*725*
of which: Ireland	*11 776*	*11 655*	*11 523*	*11 425*	*11 295*
Group Centre	1 990	1 931	1 705	764	664
KBC Group	123 161	124 297	125 332	126 633	127 721
Mortgage loans					
Business unit Belgium	32 318	32 400	32 790	33 092	33 341
Business unit Czech Republic	7 251	7 405	7 634	7 839	8 079
Business unit International Markets	13 561	13 635	13 597	13 649	13 657
of which: Hungary	*1 320*	*1 409*	*1 353*	*1 380*	*1 369*
of which: Slovakia	*1 807*	*1 844*	*1 900*	*1 976*	*2 072*
of which: Bulgaria	*239*	*241*	*245*	*241*	*242*
of which: Ireland	*10 195*	*10 141*	*10 098*	*10 052*	*9 975*
Group Centre	26	29	28	27	0
KBC Group	53 156	53 468	54 048	54 607	55 078
Customer deposits and debt certificates excl. repos					
Business unit Belgium	105 885	111 218	113 219	112 539	111 136
Business unit Czech Republic	22 047	22 216	22 765	23 323	24 075
Business unit International Markets	14 860	15 621	16 052	16 503	17 089
of which: Hungary	*5 220*	*5 475*	*5 403*	*5 474*	*5 862*
of which: Slovakia	*4 856*	*4 842*	*4 982*	*5 132*	*5 263*
of which: Bulgaria	*600*	*627*	*643*	*666*	*692*
of which: Ireland	*4 185*	*4 676*	*5 024*	*5 231*	*5 272*
Group Centre	11 187	10 255	9 706	9 540	9 241
KBC Group	153 979	159 310	161 743	161 906	161 542

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance	31-12-2014		31-03-2015		30-06-2015		30-09-2015		31-12-2015	
In millions of EUR	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Business unit Belgium	13 831	12 637	13 770	13 359	13 832	13 030	14 093	12 514	14 237	12 490
Business unit Czech Republic	491	483	491	473	491	451	492	423	495	480
Markets	214	305	214	346	208	333	209	346	200	360
of which: Hungary	*52*	*209*	*56*	*242*	*54*	*228*	*53*	*235*	*51*	*245*
of which: Slovakia	*126*	*96*	*120*	*103*	*116*	*105*	*113*	*111*	*107*	*115*
of which: Bulgaria	*36*	*1*	*38*	*1*	*39*	*1*	*43*	*0*	*42*	*0*
Group Centre	0	0	0	0	0	0	0	0	0	0
KBC Group	14 535	13 425	14 475	14 177	14 531	13 815	14 794	13 283	14 932	13 330

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

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

Fair value hierarchy	31-12-2014				31-12-2015			
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 292	7 306	2 584	12 182	1 510	6 532	2 342	10 385
Designated at fair value	14 551	3 250	363	18 163	13 305	2 797	411	16 514
Available for sale	27 782	3 051	1 557	32 390	30 456	3 505	1 709	35 670
Hedging derivatives	0	1 104	0	1 104	0	514	0	514
Total	44 624	14 711	4 503	63 839	45 271	13 348	4 462	63 082
Financial liabilities measured at fair value								
Held for trading	327	5 746	2 376	8 449	415	5 859	2 060	8 334
Designated at fair value	12 552	10 932	424	23 908	12 386	11 445	594	24 426
Hedging derivatives	0	3 491	0	3 491	0	2 191	0	2 191
Total	12 879	20 170	2 800	35 848	12 801	19 495	2 654	34 950

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

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

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

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt securities	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt securities	Equity instruments	Debt securities	Derivatives
Opening balance	0	0	0	263	2 321	26	0	0	337	393	1 163	0
Total gains/losses	0	0	0	2	- 195	2	2	0	- 42	73	30	0
in profit and loss*	0	0	0	2	- 195	2	2	0	- 42	- 12	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	85	30	0
Acquisitions	0	0	0	78	372	0	0	0	70	3	546	0
Sales	0	0	0	- 57	- 2	0	- 2	0	- 18	- 20	- 58	0
Settlements	0	0	0	- 13	- 446	0	0	0	0	0	- 28	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	14	211	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	- 44	- 568	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	15	5	0	0	0	35	- 8	1	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	- 1	0	0
Closing balance	0	0	0	287	2 055	28	0	0	383	411	1 298	0
Total gains (positive figures) or losses (negative figures) included in profit or loss for assets held at the end of the reporting period	0	0	0	2	- 57	2			- 34	- 3	0	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading						Designated at fair value				Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Liabilities under investment contracts	Other	
Opening balance	0	41	0	2 335	0	0	0	424	0	0	0
Total gains/losses	0	0	0	- 148	0	0	0	- 79	0	0	0
in profit and loss*	0	0	0	- 148	0	0	0	- 79	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	324	0	0	0	0	0	0	0
Repurchases	0	0	0	- 4	0	0	0	- 165	0	0	0
Settlements	0	- 43	0	- 449	0	0	0	0	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	0
Tranfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	4	0	0	0	0	0	21	0	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	394	0	0	0
Closing balance	0	2	0	2 058	0	0	0	594	0	0	0
Total gains (negative figures) or losses (positive figures) included in profit and loss for liabilities held at the end of the reporting period	0	0		- 57	0			- 28	0	0	0

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

Provisions for risks and charges (note 36 in the annual accounts 2014)

In 3Q 2015, KBC reached an agreement with regard to the cases on K&H Equities and Lehman Brothers (see note 36 annual accounts 2014 for more information), whereby the outstanding provisions were used to a large extent.

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

in number of shares	31-12-2014	31-12-2015
Ordinary shares	417 780 658	418 087 058
of which ordinary shares that entitle the holder to a dividend payment	*417 780 658*	*418 087 058*
of which treasury shares	*488*	*2*
Non-voting core-capital securities	67 796 608	0
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

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

On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (0.6 billion euros in total). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.
On 28 December 2015, KBC repaid the remaining 2 billion euros plus a penalty of 50% or an extra 1 billion euros to the Flemish Regional Government.

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

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

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

Non-voting core capital securities: at the end of 2015, KBC repaid fully the remaining state aid to the Flemish Regional Government (2 billion euro plus 50% penalty or 1 billion euros). More information: see Note 39. Consequently, the Flemish Regional Government is no longer a related party of KBC.

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

In 2014:

- KBC sold its fully owned subsidiary KBC Bank Deutschland AG (3Q 2014), and
- transformation fund Stabilita was deconsolidated (3Q 2014)

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

In 2015:

- Volksbank Leasing Slovakia was consolidated for the first time in 3Q 2015: at the beginning of July 2015, KBC reached an agreement to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovatel'ska. The deal has no material impact on KBC group's earnings and capital (balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros), and

- KBC Bank NV merged with Antwerpse Diamantbank NV and KBC Lease Holding NV in 3Q 2015 (no impact), and

- KBC Bank liquidated KBC Financial Holding Inc. in 4Q 2015 (more information: see note 16 Income tax expense)

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

Significant non-adjusting events between the balance sheet date (31 December 2015) and the publication of this report (18 February 2016):

On 8 October 2012, a number of investors in the 5-5-5 issuance of KBC Group and a number of investors in the 5-5-5 issuance of KBC Ifima launched proceedings before the court of first instance in Brussels. In the procedure regarding the issuance of KBC Group the court of first instance has issued a decision (20 January 2016) in which a plaintiff saw assigned his claim. KBC has thoroughly studied the judgment and is of the opinion that there are sufficient grounds to reform the judgment in degree of appeal. Therefore KBC has decided to lodge an appeal.
For more information on the events leading to this court procedure see the press release of 8 November 2011 or Note 8 'Other net income' of the annual reports of 2011 and 2012.

KBC Group Risk and capital management 4Q 2015 and FY 2015

Credit risk

Snapshot of the credit portfolio (banking activities)

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

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	31-12-2014	31-12-2015
Amount granted	166	174
Amount outstanding[1]	139	143
Total loan portfolio, 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%
Total outstanding loan portfolio sector breakdown		
Private persons	41.9%	42.0 %
Finance and insurance	5.7%	6.0%
Authorities	3.6%	3.4%
Corporates	48.8%	48.7%
services	*10.9%*	*11.2%*
distribution	*7.9%*	*7.6%*
real estate	*7.3%*	*7.1%*
building & construction	*4.1%*	*4.2%*
agriculture, farming, fishing	*2.8%*	*2.8%*
automotive	*2.0%*	*2.2%*
electricity	*1.7%*	*1.6%*
food producers	*1.3%*	*1.3%*
metals	*1.5%*	*1.3%*
shipping	*0.9%*	*1.1%*
chemicals	*1.1%*	*1.0%*
machinery & heavy equipment	*1.0%*	*1.0%*
traders	*1.0%*	*0.9%*
hotels, bars & restaurants	*0.9%*	*0.9%*
oil, gas & other fuels	*0.7%*	*0.8%*
electrotechnics	*0.5%*	*0.5%*
other[2]	*3.1%*	*3.0%*
Total outstanding loan portfolio geographical breakdown		
Home countries	87.2%	87.6%
Belgium	*56.7%*	*56.6%*
Czech Republic	*12.4%*	*13.3%*
Ireland	*10.3%*	*9.6%*
Slovakia	*3.8%*	*4.4%*
Hungary	*3.5%*	*3.1%*
Bulgaria	*0.6%*	*0.6%*
Rest of Western Europe	8.2%	7.7%
France	*1.9%*	*1.9%*
Netherlands	*1.7%*	*1.6%*
Great Britain	*1.3%*	*1.2%*
Spain	*0.9%*	*0.8%*
Luxemburg	*0.6%*	*0.7%*
Germany	*0.6%*	*0.5%*
other	*1.2%*	*1.1%*
Rest of Central Europe	0.9%	0.5%
Russia	*0.2%*	*0.2%*
other	*0.6%*	*0.4%*
North America	1.3%	1.5%
USA	*1.2%*	*1.3%*
Canada	*0.1%*	*0.2%*
Asia	1.0%	0.8%
China	*0.4%*	*0.3%*
Hong Kong	*0.3%*	*0.2%*
Singapore	*0.2%*	*0.2%*
other	*0.1%*	*0.1%*
Rest of the world	1.5%	1.8%

The total outstanding loan amount related to oil, gas & other fuels stands at 1 214 million EUR as at the end of 2015. Of this, 45 million EUR is considered impaired (PD10-12) and is covered by impairments for 64%.

Credit risk: loan portfolio overview Total loan portfolio (in billions of EUR)	31-12-2014	31-12-2015
Impaired loans (in millions of EUR or %)		
Amount outstanding	13 692	12 305
of which: more than 90 days past due	7 676	6 936
Ratio of impaired loans, per business unit		
Belgium	4.3%	3.8%
Czech Republic	3.8%	3.4%
International Markets	34.1%	29.8%
Group Centre	8.6%	10.0%
Total	9.9%	8.6%
of which: more than 90 days past due	5.5%	4.8%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 709	5 517
of which: more than 90 days past due	4 384	4 183
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	42%	45%
of which: more than 90 days past due	57%	60%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	51%	53%
of which: more than 90 days past due	70%	69%
Credit cost, by business unit (%)		
Belgium	0.23%	0.19%
Czech Republic	0.18%	0.18%
International Markets	1.06%	0.32%
Slovakia	0.36%	0.32%
Hungary	0.94%	0.12%
Bulgaria	1.30%	1.21%
Ireland	1.33%	0.34%
Group Centre	1.17%	0.54%
Total	0.41%	0.23%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees
2. Other includes corporate sectors not exceeding 0.5% concentration and unidentified sectors.

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10+11+12 (see annual accounts FY 2014 - section on credit risk for more information on PD classification). These impaired loans are equal to 'non-performing loans' under the definition used by EBA[1].

[1] Commission Implementing Regulation (EU) 2015/227 of 9 January 2015 amending Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Credit portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium

31-12-2015, in millions of EUR	**Belgium (1)**			**Foreign branches**			**Total Business Unit Belgium**		
Total outstanding amount	**87.416**			**5.398**			**92.813**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	25.008	28,6%		5.398	100,0%		30.406	32,8%	
retail	62.407	71,4%		0	0,0%		62.407	67,2%	
o/w private	34.382	39,3%		0	0,0%		34.382	37,0%	
o/w companies	28.025	32,1%		0	0,0%		28.025	30,2%	
Mortgage loans (2)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33.284	38,1%	59%	0	0,0%	-	33.284	35,9%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w vintage 2007 and 2008	908	1,0%	-	0	0,0%	-	908	1,0%	
o/w ind. LTV > 100%	1.398	1,6%	-	0	0,0%	-	1.398	1,5%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	66.917	76,6%		3.235	59,9%		70.153	75,6%	
medium risk (pd 5-7; 0.80%-6.40%)	15.376	17,6%		1.489	27,6%		16.865	18,2%	
high risk (pd 8-9; 6.40%-100.00%)	2.100	2,4%		133	2,5%		2.233	2,4%	
impaired loans (pd 10 - 12)	3.012	3,4%		536	9,9%		3.549	3,8%	
unrated	11	0,0%		3	0,1%		14	0,0%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	3.012	1.321	43,9%	536	263	49,1%	3.549	1.585	44,7%
o/w pd 10 impaired loans	1.140	229	20,1%	335	103	30,7%	1.475	332	22,5%
o/w more than 90 days past due (pd 11+12)	1.873	1.092	58,3%	201	160	79,9%	2.074	1.252	60,4%
all impairments (specific + portfolio based)	n.a.			n.a.			1.662		
o/w portfolio based impairments	n.a.			n.a.			78		
o/w specific impairments	1.321			263			1.585		
2014 Credit cost ratio (CCR)	n.a.			n.a.			0,23%		
2015 CCR	n.a.			n.a.			0,19%		

Remarks

(1) Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, KBC Commercial Finance,

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

Loan portfolio Business Unit Czech Republic

31-12-2015, in millions of EUR

				For information: ČMSS[3] *(consolidated via equity-method since 1Q14)*		
Total outstanding amount	**20 401**			**2 485**		
Counterparty break down		% outst.			% outst.	
SME / corporate	7 221	35.4%		43	1.7%	
retail	13 179	64.6%		2 442	98.3%	
o/w private	9 276	45.5%		2 428	97.7%	
o/w companies	3 903	19.1%		14	0.6%	
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV
total	8 479	41.6%	59%	1 914	77.1%	66%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w vintage 2007 and 2008	1 111	5.4%	-	197	7.9%	-
o/w ind. LTV > 100%	344	1.7%	-	165	6.6%	-
Probability of default (PD)		% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	14 285	70.0%		1 628	65.5%	
medium risk (pd 5-7; 0.80%-6.40%)	4 662	22.9%		611	24.6%	
high risk (pd 8-9; 6.40%-100.00%)	677	3.3%		169	6.8%	
impaired loans (pd 10 - 12)	701	3.4%		76	3.1%	
unrated	76	0.4%		0	0.0%	
Overall risk indicators (2)		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	701	376	53.6%	76	33	43.9%
o/w pd 10 impaired loans	194	46	23.8%	20	2	11.7%
o/w more than 90 days past due (pd 11+12)	507	330	65.1%	56	31	55.1%
all impairments (specific + portfolio based)	415			40		
o/w portfolio based impairments	39			7		
o/w specific impairments	376			33		
2014 Credit cost ratio (CCR)	0.18%			n/a		
2015 CCR	0.18%			n/a		

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

Loan portfolio Business Unit International Markets 31-12-2015, in millions of EUR	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	**13 927**			**6 045**			**4 542**			**858**			**25 378**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	2 233	16.0%		2 604	43.1%		2 297	50.6%		364	42.4%		7 504	29.6%	
retail	11 694	84.0%		3 441	56.9%		2 245	49.4%		494	57.6%		17 874	70.4%	
o/w private	11 676	83.8%		2 790	46.2%		1 715	37.8%		309	36.0%		16 489	65.0%	
o/w companies	18	0.1%		651	10.8%		530	11.7%		186	21.6%		1 385	5.5%	
Mortgage loans (1)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11 666	83.8%	91%	2 219	36.7%	66%	1 574	34.7%	80%	161	18.8%	70%	15 621	61.6%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	15	0.3%	140%	68	8.0%	71%	83	0.3%	
o/w vintage 2007 and 2008	3 896	28.0%	-	127	2.1%	-	707	15.6%	-	33	3.9%	-	4 763	18.8%	
o/w ind. LTV > 100%	3 869	27.8%	-	42	0.7%	-	438	9.6%	-	11	1.3%	-	4 360	17.2%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	553	4.0%		4 105	67.9%		2 067	45.5%		168	19.5%		6 891	27.2%	
medium risk (pd 5-7; 0.80%-6.40%)	5 472	39.3%		1 415	23.4%		1 631	35.9%		372	43.3%		8 911	35.1%	
high risk (pd 8-9; 6.40%-100.00%)	1 321	9.5%		262	4.3%		268	5.9%		117	13.6%		1 953	7.7%	
impaired loans (pd 10 - 12)	6 581	47.3%		221	3.7%		572	12.6%		199	23.2%		7 573	29.8%	
unrated	0	0.0%		43	0.7%		5	0.1%		2	0.3%		50	0.2%	
Overall risk indicators (2)		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	6 581	2 723	41.4%	221	123	55.8%	572	324	56.7%	199	89	44.6%	7 573	3 259	43.0%
o/w pd 10 impaired loans	3 294	830	25.2%	48	19	40.1%	149	49	33.0%	22	1	4.7%	3 512	900	25.6%
o/w more than 90 days past due (pd 11+12)	3288	1 893	57.6%	172	104	60.2%	423	275	65.1%	177	88	49.5%	4061	2 360	58.1%
all impairments (specific + portfolio based)	2799			135			337			92			3363		
o/w portfolio based impairments	76			11			12			3			104		
o/w specific impairments	2723			123			324			89			3259		
2014 Credit cost ratio (CCR)	1.33%			0.36%			0.94%			1.30%			1.06%		
2015 CCR	0.34%			0.32%			0.12%			1.21%			0.32%		

Remarks

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

Total Int Markets: total outstanding amount includes a small amount of KBC internal risk sharings which were eliminated at country level

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

(2) CCR at country level based on local currency

Loan portfolio Group Centre

31-12-2015, in millions of EUR	Total Group Centre (mainly KBC Finance Ireland, KBC Credit Investments and ex-Antwerp Diamond Bank (in wind-down))		
Total outstanding amount	**4.808**		
Counterparty break down		% outst.	
SME / corporate	4.808	100,0%	
retail	0	0,0%	
o/w private	0	0,0%	
o/w companies	0	0,0%	
Mortgage loans (1)		% outst.	ind. LTV
total	0	0,0%	-
o/w FX mortgages	0	0,0%	-
o/w vintage 2007 and 2008	0	0,0%	-
o/w ind. LTV > 100%	0	0,0%	-
Probability of default (PD)		% outst.	
low risk (pd 1-4; 0.00%-0.80%)	2.573	53,5%	
medium risk (pd 5-7; 0.80%-6.40%)	1.444	30,0%	
high risk (pd 8-9; 6.40%-100.00%)	308	6,4%	
impaired loans (pd 10 - 12)	482	10,0%	
unrated	1	0,0%	
Overall risk indicators		spec. Imp.	% cover
outstanding impaired loans	482	297	61,6%
o/w pd 10 impaired loans	188	56	29,7%
o/w more than 90 days past due (pd 11+12)	295	241	81,9%
all impairments (specific + portfolio based)	306		
o/w portfolio based impairments	9		
o/w specific impairments	297		
2014 Credit cost ratio (CCR)	1,17%		
2015 CCR	0,54%		

Remarks

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

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

Solvency

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

Solvency KBC Group

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

The NBB has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under CRDIV until the end of 2017. At the end of 2015, KBC repaid fully the remaining core capital securities, i.e. state aid to the Flemish Regional Government (2 billion euro plus 50% penalty or 1 billion euros). For more information, see Note 39.

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC’s risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 84% of the weighted credit risks, of which approx. 78% according to Advanced and approx. 6% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 16%) are calculated according to the Standardised approach. 12% of the latter, under the Danish Compromise, are the 370% risk-weighted holdings of own funds instruments of the insurance company.

In 2012 the NBB granted permission to KBC to use the IRB-Advanced approach to calculate own funds requirements for credit risk. This decision was accompanied with a set of terms and conditions imposed by NBB, including a number of additional margins of conservatism with impact on RWA. The NBB has now acknowledged the significant progress made and has concluded that these terms and conditions have been fulfilled by KBC. As a result the regulatory imposed additional levels of conservatism are not applicable anymore as of June 2015, resulting in a 3.8 billion euros decrease in credit RWA in 2Q 2015.

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

As at the end of December 2015 , KBC’s fully loaded common equity ratio (including latent gains on available-for-sale securities) under Basel III (CRDIV/CRR) stood at 14.9% which represents a capital buffer of 3.9 billion euros relative to the targeted 10.5%. At the same time, the fully loaded common equity ratio (under FICOD) was 14.6% , which represented a capital buffer of 3.8 billion euros relative to the targeted 10.5%.

On 26 October 2015, the National Bank of Belgium announced its new capital buffers for Belgian systemically important banks, including KBC’s. These new buffers will be introduced in phases starting from 2016 and are on top of the minimum capital requirements (Joint Capital Decision) that the ECB imposes every year. The additional buffer for KBC will be 0.5% CET1 (phased in, under the Danish compromise) in 2016, and will gradually increase over a 3-year period, reaching 1.5% in 2018.

On 27 November 2015, KBC disclosed its new ECB minimum capital requirement, i.e. for 2016. The 2016 minimum CET1 ratio to uphold was set at at least 9.75% (phased-in, Danish Compromise). For further information see press release of 26 October 2015 on www.kbc.com.
This combined with the by the NBB set buffer brings the total regulatory minimum CET1 at 10.25% (phased in, under Danish compromise).

In millions of EUR		31-12-2014		31-12-2015
Danish compromise - Fully loaded	Fully loaded	Phased-in	Fully loaded	Phased-in
Total regulatory capital, KBC Group (after profit appropriation)	16 688	16 723	16 936	17 305
Tier-1 capital	14 476	14 136	14 647	14 691
Common equity	13 076	12 684	13 247	13 242
Parent shareholders' equity (after deconsolidating KBC Insurance)	12 592	12 592	14 075	14 075
Non-voting core capital securities	2 000	2 000	0	0
Intangible fixed assets (incl deferred tax impact) (-)	- 334	- 334	- 366	- 366
Goodwill on consolidation (incl deferred tax impact) (-)	- 769	- 769	- 482	- 482
Minority interests	- 3	- 3	0	0
AFS revaluation reserve shares (-)		- 116		0
AFS revaluation reserve sovereign bonds (-)		- 613		- 402
AFS revaluation reserve other bonds(-)		50		- 64
AFS revaluation reserve other (-)		0		0
Hedging reserve (cash flow hedges) (-)	1 391	1 391	1 163	1 163
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 21	- 21	- 20	- 20
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 43	- 94	- 53
Equalization reserve (-)				
Dividend payout (-)	- 836	- 836	0	0
Renumeration of government securities (-)	- 171	- 171	0	0
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 159	- 159	- 91	- 91
IRB provision shortfall (-)	- 225	- 225	- 171	- 171
Deferred tax assets on losses carried forward (-)	- 297	- 59	- 765	- 345
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	1 400	1 452	1 400	1 450
Grandfathered innovative hybrid tier-1 instruments	0	52	0	50
Grandfathered non-innovative hybrid tier-1 instruments	0	0	0	0
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	2 212	2 587	2 289	2 614
IRB provision excess (+)	375	357	369	359
Subordinated liabilities	1 837	2 230	1 920	2 255
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier 2 capital	0	0	0	0
Capital requirement				
Total weighted risk volume	91 236	88 382	89 067	87 343
Banking	80 232	77 379	79 758	78 034
Insurance*	10 897	10 897	9 133	9 133
Holding activities	191	191	208	208
Elimination of intercompany transactions	- 85	- 85	- 33	- 33
Solvency ratios				
Common equity ratio	14.33%	14.35%	14.87%	15.16%
Tier-1 ratio	15.87%	15.99%	16.44%	16.82%
CAD ratio	18.29%	18.92%	19.01%	19.81%
Capital buffer				
Common equity capital	13 076		13 247	
Required pillar 2 capital (10.5%)	9 580		9 352	
Capital buffer vs pillar 2 target	3 497		3 895	

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

In millions of EUR FICOD - Fully loaded	31-12-2014	31-12-2015
Common Equity	13 528	13 508
IFRS Parent shareholders equity KBC Group (consolidated)	13 125	14 411
+ Yield Enhanced Securities (YES)	2 000	0
- Dividend, coupon YES, coupon AT1	-1 008	-2
+ Eligible own funds elements CRR/CRD IV (banking)	-508	-826
+ Eligible own funds elements Solvency I (Insurance)	-80	-75
Total weighted risk volume	92 596	92 565
Banking	80 232	79 758
Insurance	12 257	12 632
Holding activities	191	208
Elimination of intercompany transactions	-85	-33
Solvency ratio		
Common equity ratio	14.61%	14.59%
Capital buffer		
Buffer vs. 10.5% CET1	3 806	3 789

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

Overview of KBC Group's capital ratios - In millions of EUR - 31-12-2015

		numerator (common equity)	denominator (Total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	13 242	87 343	15.16%
	Fully loaded	13 247	89 067	14.87%
Deduction Method	Fully loaded	12 103	83 245	14.54%
Financial Conglomerates Directive*				
	Fully loaded	13 508	92 565	14.59%

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

Leverage ratio KBC Group

In millions of EUR Leverage ratio KBC Group (Basel III fully loaded)	31-12-2014	31-12-2015
Tier-1 capital (Danish compromise)	14 476	14 647
Total exposures	226 669	233 675
Total Assets	245 174	252 355
Deconsolidation KBC Insurance	-27 708	-31 545
Adjustment for derivatives	-3 246	-3 282
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-1 559	- 806
Adjustment for securities financing transaction exposures	266	1 057
Off-balance sheet exposures	13 742	15 897
Leverage ratio	6.39%	6.27%

The leverage ratio remained almost stable compared to the end of 2014 thanks to the higher Tier-1 capital (an overview of Tier-1 capital can be found above), more than offset by higher total exposures.

Solvency banking and insurance activities separately

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

Solvency, KBC Bank consolidated (in millions of EUR) - Fully loaded	31-12-2014	31-12-2015
Total regulatory capital, after profit appropriation	14 154	16 045
Tier-1 capital	11 132	12 346
Of which common equity	9 727	10 941
Tier-2 capital	3 021	3 699
Total weighted risks	80 232	79 758
Credit risk	67 197	66 387
Market risk	2 424	3 100
Operational risk	10 611	10 272
Solvency ratios		
Common equity ratio	12.1%	13.7%
Tier-1 ratio	13.9%	15.5%
CAD ratio	17.6%	20.1%
Solvency, KBC Insurance consolidated (in millions of EUR)	**31-12-2014**	**31-12-2015**
Available capital	3 166	2 922
Required solvency margin	981	1 011
Solvency ratio and surplus		
Solvency ratio (%)	323%	289%
Solvency surplus (in millions of EUR)	2 185	1 911

The solvency of KBC Insurance is currently calculated on the basis of Solvency I rules. As of the first of January 2016 Solvency II will enter into force. Solvency II is the new regulatory solvency regime for all EU insurance and reinsurance companies. Whereas current Solvency I requirements are volume-based, Solvency II pursues a risk-based approach. It aims to implement solvency requirements that better reflect the risks that companies face and deliver a supervisory system that is consistent across all EU Member States.

Solvency II, KBC Insurance consolidated (in millions of EUR)	31-12-2015
Own Funds	3 683
Tier 1	3 180
IFRS Parent shareholders equity	2 815
Dividend payout	-71
Deduction intangible assets and goodwill (after tax)	-123
Valuation differences (after tax)	416
Volatility adjustment	195
Other	-53
Tier 2	503
Subordinated liabilities	503
Solvency Capital Requirement (SCR)	1 592
Market risk	1 472
Non-life	498
Life	594
Health	173
Counterparty	83
Diversification	-840
Other	-389
Solvency II ratio	231%
Solvency surplus vs 100%	2 091