



KBC Group Extended Quarterly Report

2Q2015

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Management certification of financial statements and quarterly report

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

Forward-looking statements

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

Glossary of ratios used

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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KBC Group

Report for 2Q2015 and 1H2015



This report contains information that is subject to
transparency regulations for listed companies.
Date of release: 6 August 2015

Summary:

First half of 2015 generates a firm 1.2 billion euros of profit. Liquidity and capital bases remain strong.

Thanks to increasing client confidence, lending and deposit volumes went up in almost all of the countries where we operate. Income generated by our investment and asset management activities remained firm, as well. Against an economic background of low interest rates, a gradual economic recovery and political challenges for Europe, KBC ended the second quarter of 2015 with an exceptionally good net profit of 666 million euros, considerably higher than the 510 million euros recorded in the previous quarter and the 334 million euros recorded in the year-earlier quarter. The total result for the first half year of 2015 stands at 1 176 million euros. Moreover, our liquidity position remains strong and our capital base has strengthened further.

Financial highlights for the second quarter of 2015, compared with the first quarter of 2015

- Both the banking and insurance franchises in our core markets and core activities turned in a strong performance.
- We granted again more loans in Belgium (+1%), the Czech Republic (+2%), Slovakia (+3%) and Bulgaria (+2%), while clients further increased their deposits with us in all our countries: Belgium (+2%), the Czech Republic (+1%), Hungary (+4%), Slovakia (+3%), Bulgaria (+3%) and Ireland (+7%)
- Our net interest income remained firm, but the net interest margin narrowed from 2.10% to 2.06%
- Sales of non-life insurance products across all our markets were robust year-on-year, and the non-life combined ratio stood at an excellent 86% year-to-date. Sales of life products decreased.
- Clients further increased their assets managed by KBC. Total assets under management of our group ended at 204 billion euros, notwithstanding a negative price performance. Our net fee and commission income remained strong, up by 1% quarter-on-quarter.
- Increasing interest rates had a beneficial effect on the valuation of the derivatives we use for asset/liability management purposes.
- Excluding special bank taxes, costs were flat. The cost/income ratio stood at a favourable 55% year-to-date or 52% on an adjusted basis.
- The cost of credit amounted to a low 0.30% of our loan portfolio year-to-date.
- Our liquidity position remains very good, and our capital base – with a common equity ratio of 16.7% (fully loaded, Danish compromise) – remains well above the regulator's target.



Johan Thijs, our group CEO, added...

'KBC is constantly seeking ways to better identify its clients' fast-changing needs and expectations in order to enhance the client experience. We put the clients centre stage in the projects and initiatives we undertake.

The increasing levels of satisfaction and confidence among both existing and new clients show that this approach is paying off. In the second quarter of 2015, we recorded an excellent net result of 666 million euros in what are challenging political and economic times. Clients continued to put their trust in us, as shown in the growth of our deposit base, our loan book and the net increase in sales of our investment products. However, the continuing low level of interest rates remained a challenge for the entire financial sector. This firm result endorses our belief in the strength of our core business of bank-insurance in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. Day in day out, our

employees do everything in their power to ensure that our clients, shareholders and other stakeholders benefit from our activities. We are truly grateful for the trust that our clients and stakeholders place in our company and employees.

An acquisition in Slovakia in the past quarter marks our renewed ambition to grow both externally and organically in our core markets. Indeed, the acquisition of Volksbank Leasing Slovakia forms an excellent business opportunity in terms of strengthening our Slovak franchise. At the same time, it is fully in line with our strategy to focus on our strong fundamentals. This means having a healthy client-driven bank-insurance business model and a strong risk profile. Next to this, it also implies a robust liquidity position supported by a very solid and loyal client deposit base in our core markets of Belgium and Central Europe, and a comfortable solvency position. This enables us to continue to increase lending to our clients and actively support the communities and economies in which we operate.'

Overview KBC Group (consolidated)	2Q2014	1Q2015 ¹	2Q2015	1H2014	1H2015
Net result, IFRS (in millions of EUR)	334	510	666	681	1 176
Basic earnings per share, IFRS (in EUR) ²	0.67	1.19	1.56	1.00	2.75
Breakdown of the net result, IFRS, by business unit (in millions of EUR)					
Belgium	398	330	528	703	858
Czech Republic	140	143	127	277	271
International Markets	-175	24	68	-203	92
Group Centre	-29	13	-57	-96	-44
Parent shareholders' equity per share (in EUR, end of period)	29.4	33.3	32.5	29.4	32.5

¹ Distorted on account of the largest part of the special bank taxes for the year being posted in the first quarter (IFRIC 21).

² Note: If a coupon is paid on the core-capital securities sold to the Flemish Regional Government and a coupon is paid on the additional tier-1 instruments included in equity, it will be deducted from the numerator (*pro rata*). If a penalty has to be paid on the core-capital securities, it will likewise be deducted.

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.
- In this context, we continued to work on achieving our strategic objectives. ČSOB Leasing increased its share of the Slovak market and its client base. On 1 July 2015, ČSOB Leasing and Volksbank Leasing International reached agreement for ČSOB Leasing to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovateľ'ska. Volksbank Leasing Slovakia is a universal leasing company ranked 7th on the Slovak leasing market with a market share of approximately 6% and a balance sheet total of approximately 170 million euros. KBC is the clear leader on the Slovak leasing market through ČSOB Leasing. The deal, which is expected to close in 3Q2015, will have no material impact on the KBC group's earnings and capital.
- On the macroeconomic front, recent economic indicators pointed to a gradual recovery of the global economy in the second quarter after the weak performance of the first quarter. Euro area confidence indicators extended their upward trajectory in the second quarter and exporters continued to enjoy the competitive advantage of the relatively weak euro that resulted from the ECB's accommodative monetary policy and the monetary divergence with the US.
- We have fine-tuned our guidance for impairment charges on loans and receivables for Ireland towards the lower end of the previously stated range of 50 to 100 million euros for both 2015 and 2016.
- On the corporate sustainability and responsibility front, we again took a number of initiatives. Given the importance we attach to our role in society, KBC in Belgium organised a stakeholder debate on 27 May 2015, when it presented the KBC Report to Society for 2014. In June, ČSOB likewise organised a stakeholder debate and had the unique opportunity to discuss CSR and its approach to socially responsible products and services with a variety of relevant stakeholders. It also published its Sustainability Report for 2014 at the beginning of May. CIBANK and DZI presented their report at a round-table event entitled 'What Makes Financial Institutions Socially Responsible', which was organised jointly with a number of other organisations, including the United Nations Global Compact Network Bulgaria.

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)

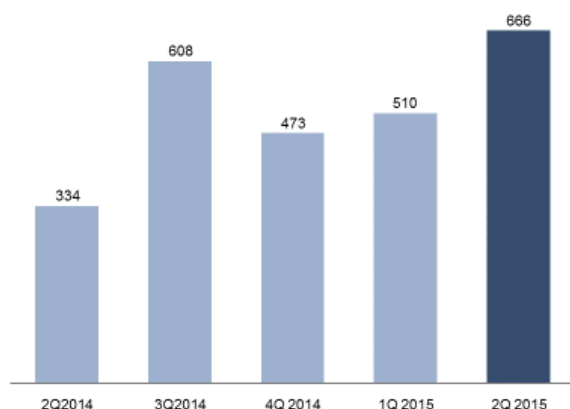
	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Net interest income	1 056	1 120	1 123	1 091	1 092	2 065	2 183
Interest income	1 971	2 010	1 982	1 850	1 804	3 901	3 654
Interest expense	-915	-890	-860	-759	-712	-1 835	-1 471
Non-life insurance (before reinsurance)	102	139	123	167	155	251	322
Earned premiums	315	321	322	320	326	623	646
Technical charges	-214	-183	-200	-153	-172	-372	-324
Life insurance (before reinsurance)	-56	-57	-45	-48	-51	-114	-99
Earned premiums	297	299	343	302	265	606	567
Technical charges	-353	-355	-388	-350	-316	-720	-666
Ceded reinsurance result	19	4	10	-11	-7	3	-18
Dividend income	24	9	9	12	39	38	51
Net result from financial instruments at fair value through P&L	44	34	109	57	179	84	236
Net realised result from available-for-sale assets	49	28	22	80	36	100	116
Net fee and commission income	387	402	410	459	465	761	924
Fee and commission income	533	579	577	632	634	1 090	1 267
Fee and commission expense	-147	-177	-167	-174	-169	-329	-343
Other net income	-99	73	68	49	105	-47	154
Total income	1 526	1 752	1 827	1 855	2 013	3 141	3 868
Operating expenses	-908	-897	-964	-1 125	-941	-1 957	-2 066
Impairment	-142	-58	-193	-77	-149	-255	-226
on loans and receivables	-136	-190	-158	-73	-138	-238	-211
on available-for-sale assets	-3	-6	-14	-3	-7	-8	-9
on goodwill	0	0	0	0	0	0	0
other	-3	139	-21	-1	-5	-9	-6
Share in results of associated companies and joint ventures	7	6	6	6	8	13	14
Result before tax	483	803	675	659	930	942	1 589
Income tax expense	-149	-194	-202	-149	-264	-261	-413
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	334	608	473	510	666	681	1 176
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	334	608	473	510	666	681	1 176
of which legacy activities and own credit risk	29	114	-20	-	-	39	-
Basic earnings per share (EUR)	0.67	1.32	1.00	1.19	1.56	1.00	2.75
Diluted earnings per share (EUR)	0.67	1.32	1.00	1.19	1.56	1.00	2.75

IFRIC 21 (Leases) 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 leases 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.

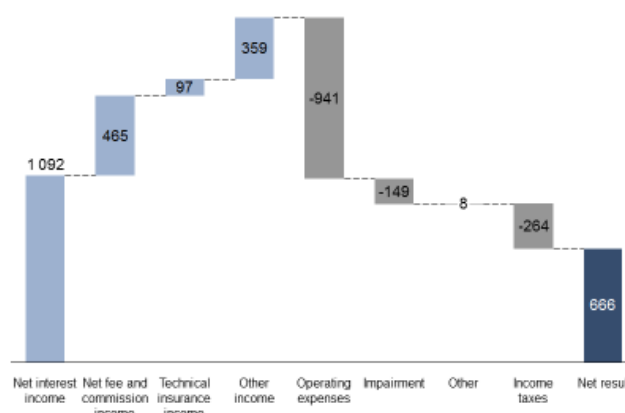
Highlights of consolidated balance sheet KBC Group (in millions of EUR)

	30-06-2014	30-09-2014	31-12-2014	31-03-2015	30-06-2015
Total assets	252 768	251 612	245 174	258 396	256 654
Loans and advances to customers	124 661	125 898	124 551	124 632	126 093
Securities (equity and debt instruments)	68 380	69 530	70 359	71 948	70 755
Deposits from customers and debt certificates	166 407	166 843	161 783	167 922	170 159
Technical provisions, before reinsurance	19 007	19 065	18 934	19 181	19 198
Liabilities under investment contracts, insurance	12 322	12 540	12 553	13 263	12 937
Parent shareholders' equity	12 318	12 840	13 125	13 928	13 576
Non-voting core-capital securities	2 000	2 000	2 000	2 000	2 000

Net result (in millions of EUR)



Breakdown of net result for 2Q2015 (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 no longer any exposure to CDOs) – and in order to simplify reporting – we have now stopped providing adjusted results.

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').

Analysis of the quarter (2Q2015)

The net result for the quarter under review amounted to 666 million euros, compared to 510 million euros quarter-on-quarter and 334 million euros year-on-year.

Total income up by 9% quarter-on-quarter, with resilient net interest income, increased net fee and commission income, higher valuations of ALM derivatives and increased net other income.

- Net interest income stood at 1 092 million euros in the second quarter of 2015. In the current environment of low yields, our net interest income held up well, exhibiting a stable trend quarter-on-quarter and even up 5% year-on-year, on a comparable basis. The quarter-on-quarter trend was driven by higher income generated by our lending activities and the lower cost of funding, but was partly offset by lower dealing room-related interest income and hedging losses related to mortgage loan refinancing in Belgium in recent quarters. The trend in mortgage loan refinancing in Belgium continued in the second quarter, although it did slow down. Compared to a year ago, the 5% rise in net interest income was driven by sound commercial margins, volume increases, lower funding cost and higher prepayment fees, but was also impacted by a negative hedging result relating to mortgage loans in Belgium. As a result, the net interest margin came to 2.06% for the quarter under review, 4 basis points lower than the level of the previous quarter, but 2 basis points higher than the level of the year-earlier quarter. Interest income continued to be supported by volume growth: loans and deposit volumes went up both quarter-on-quarter (by 1% and 2%, respectively) and year-on-year (by 3% and 8%, respectively).
- Technical income from our non-life and life insurance activities went up year-on-year, but fell quarter-on-quarter. Gross earned premiums less gross technical charges and the ceded reinsurance result contributed 97 million euros to total income, 10% less than in the previous quarter due essentially to higher non-life claims. However, it was up almost 50% year-on-year, driven chiefly by lower non-life claims.

Earned premiums from our non-life insurance activities increased by 2% quarter-on-quarter and by 3% year-on-year. Claims during the second quarter were up 12% on the previous quarter but down 20% on their level in the second quarter of 2014. As a consequence, the combined ratio came to an excellent 86% year-to-date.

Sales of life insurance products (including unit-linked products not included in premium income) were down 11% quarter-on-quarter and 8% year-on-year, due essentially to lower sales of guaranteed-interest life products.

It should be noted that, during the second quarter, investment income derived from insurance activities was down 3% on its level of the previous quarter, and down 4% on the year-earlier quarter. The quarter-on-quarter change was driven chiefly by the lower level of net realised result from available-for-sale assets more than offsetting higher dividend income.

- The investment climate for clients remained buoyant in the quarter under review, as reflected in increased sales of our mutual funds, among other things. Despite these new entries, a negative price performance reduced total assets under management (204 billion euros) by 2% in the quarter under review. Compared to a year ago, however, they have increased by a splendid 18%. The related rise in entry fees on these investment products, as well as the higher level of management fees for mutual funds, were the main reasons for the significant increase in our net fee and commission income, which came to 465 million euros, up 21% year-on-year and 1% quarter-on-quarter on a comparable basis.
- All other income items combined amounted to 359 million euros. They comprised the net result from financial instruments at fair value (a high 179 million euros in the quarter under review, including a positive 90 million euros arising from valuation changes in respect of ALM derivative instruments), realised gains on the sale of available-for-sale assets (36 million euros for the quarter under review), seasonally high dividend income (39 million euros) and other net income (105 million euros, benefiting from a number of positive one-off items in the quarter under review).

Continued solid cost management: operating expenses flat quarter-on-quarter and year-on-year, when special bank taxes are excluded

- We continue to focus on strict cost control. Our operating expenses amounted to 941 million euros for the second quarter of 2015, significantly down (-16%) on their level of the previous quarter, when the bulk of the special bank taxes had been posted for the full year. Disregarding all of these bank taxes (264 million in the first quarter, 83 million euros in the second quarter and 48 million euros in the year-earlier quarter), our operating expenses still remained flat quarter-on-quarter and year-on-year.
- Effective cost containment combined with the increase in income helped the cost/income ratio of our banking activities to improve to 55% year-to-date (from 58% for 2014 as a whole). Adjusted for specific items (mainly the special bank tax, but also excluding some other non-operational items such as tax adjustments and divestments), the cost/income ratio stood at a comfortable 52% year-to-date, compared to 54% for 2014 as a whole.

Impairment charges up on the low level of the previous quarter

- Loan losses (138 million) were in line with the level recorded in the year-earlier quarter and up on the relatively benign first quarter. This quarter-on-quarter increase was due mostly to the Group Centre (an increase of 33 million euros, primarily related to the legacy portfolio of Antwerp Diamond Bank) and the Czech Republic (an increase of 14 million euros compared to an unsustainably low level in the first quarter of 2015). In general, 34 million euros extra provisions are due to parameter adjustments to the IBNR-models. Loan loss impairments in the first half of 2015 accounted for some 0.30% the total loan portfolio.

Results per business unit

- Our quarterly profit of 666 million euros breaks down into 528 million euros for the Belgium Business Unit, 127 million euros for the Czech Republic Business Unit, 68 million euros for the International Markets Business Unit and -57 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: equity, solvency and liquidity

- At the end of June 2015, our total equity stood at 17.0 billion, up 0.5 billion euros on its level at the start of the year. The figure at the end of June resulted from the inclusion of the half-year profit (+1.2 billion euros), the payment of dividends for 2014 and the related coupon on the remaining state aid (an aggregate -1.0 billion euros) and a number of smaller items (an aggregate +0.3 billion euros).
- Our solvency ratios comfortably surpassed the regulator's double solvency test (a minimum 10.5%). At 30 June 2015, the group's common equity ratio (Basel III, fully loaded, under the Danish compromise, including the remaining aid from the Flemish Regional Government) stood at a strong 16.7%. Under the Financial Conglomerates Directive (FICOD), the group's common equity ratio stood at 16.4% (fully loaded, including the remaining aid from the Flemish Regional Government). The leverage ratio for the group (Basel III, fully loaded) stood at 6.7%. The solvency ratio for KBC Insurance was an excellent 281% at 30 June 2015.
- The group's liquidity position remained excellent, as reflected in an LCR ratio of 130% and an NSFR ratio of 126% at the end of the second quarter of 2015.

Analysis of the year-to-date period (1H2015)

Our aggregate result for the first six months of the year now stands at 1 176 million euros, compared to 681 million euros a year earlier.

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

- Higher net interest income (+8% on a comparable basis to 2 183 million euros), thanks to substantially lower (subordinated) funding costs, as well as wider margins on loans and lower rates on deposits, all of which somewhat mitigated by losses on prepaid mortgages in Belgium. Volumes increased for deposits (+8%) and lending (+3%).
- A higher contribution by technical insurance results (gross earned premiums less gross technical charges and the ceded reinsurance result: +46% to 205 million euros). In non-life insurance, the year-to-date combined ratio stood at an excellent 86%. In life insurance, sales were roughly flat, with the increase in sales of unit-linked life products offset by lower sales of guaranteed-interest life products.
- A strong increase in asset management activity lead to higher net fee and commission income (+22% on a comparable basis to 924 million euros). As at the end of June 2015, assets under management were 204 billion euros, a year-on-year increase of 18%, half of which was due to net entries and half to the price performance.
- An increase in other income items. The net result from financial instruments at fair value amounted to 236 million euros in the first half of 2015 (an increase of almost threefold, thanks mainly to the valuation of ALM derivatives), net realised gains from available-for-sale assets stood at 116 million euros (+15%) and other net income came to 154 million euros (up 201 million euros on the first half of 2014, which had been affected by 231 million euros of provisioning for the new Hungarian act on consumer loans).
- Higher operating expenses (+7% on a comparable basis to 2 066 million euros), owing essentially to higher special bank taxes. Excluding these taxes, operating expenses were only slightly up (+2%), primarily because of staff expenses (more staff, wage drift, higher variable remuneration). As a result, the year-to-date cost/income ratio stood at 55%, or 52% when adjusted for specific items (such as the bank tax).
- Lower loan losses (-12% to 211 million euros). The improvement occurred mainly in Ireland (87 million euros less), but was partially offset by an increase in Belgium (an increase of 62 million euros). In general, 34 million euros extra provisions are due to parameter adjustments to the IBNR-models. As a result, the annualised credit cost ratio for the whole group stood at a satisfying 0.30%.

Selected ratios for the KBC Group (consolidated)	FY2014	1H2015
Profitability and efficiency		
Return on equity*	14%	20%
Cost/income ratio, banking	58%	55%
Combined ratio, non-life insurance	94%	86%
Solvency		
Common equity ratio according to Basel III (fully loaded, incl. remaining state aid)	14.3%	16.7%
Common equity ratio according to FICOD method (incl. remaining state aid)	14.6%	16.4%
Leverage ratio according to Basel III (fully loaded, incl. remaining state aid)	6.4%	6.7%
Credit risk		
Credit cost ratio	0.42%	0.30%
Impaired loans ratio	9.9%	9.3%
for loans more than 90 days overdue	5.5%	5.3%
Liquidity		
Net stable funding ratio (NSFR)	123%	126%
Liquidity coverage ratio (LCR)	120%	130%

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

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, we consider a number of items 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 financial markets have been characterised by relatively low levels of liquidity for fixed income investments and the potential threat of asset bubbles, given the low interest rate environment. The latter also remains a challenge in itself, as illustrated in part by substantial prepayments of mortgages, particularly in Belgium, although this has abated somewhat recently. 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 overall.
- 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.
- As regards macroeconomic trends, in the absence of a negative economic shock, the world economy is expected to grow above its potential pace in the coming quarters. There is a potential risk that the Fed's rate hike expected later this year will negatively impact international capital flows to emerging markets, particularly those with severe macroeconomic imbalances, such as large external deficits. In addition, the rate hike will most likely push up bond yields in the US and Europe. However, we believe this movement will probably be more subdued than in 1994 because of the extremely accommodative monetary policies in the rest of the world. Moreover, we expect the ECB's Extended Asset Purchase Programme to last until at least September 2016, exerting more downward pressure on government bond yields and the euro exchange rate. For the time being, the immediate threat of a Grexit to the European economic recovery has been reduced, but we expect the Greek debt issues to emerge again in the longer term.

KBC Group

2Q2015 results by business unit



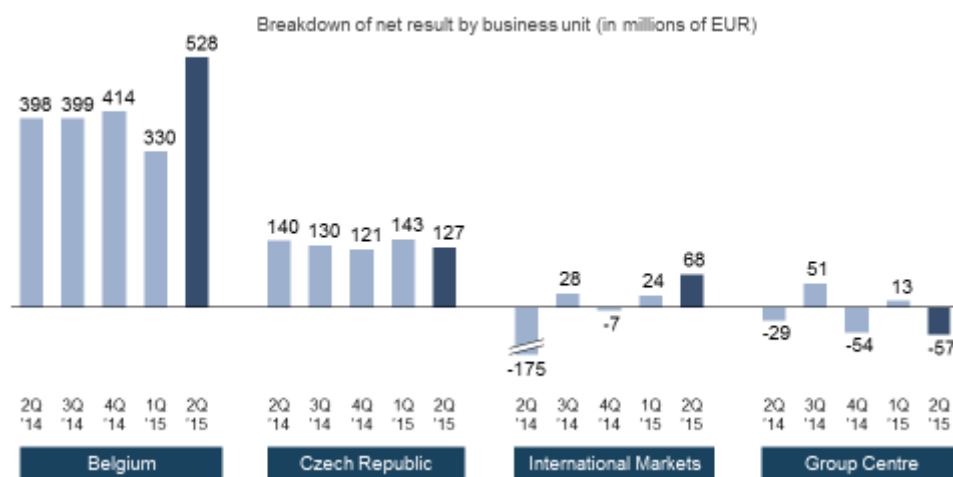
Unless otherwise stated, all amounts are given in euros.

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 Poist'ovňa 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.



Basis of our business units results

In the past, our business unit results were based on so-called 'adjusted results', i.e. the IFRS results adjusted for the impact of legacy activities (CDOs and divestments) and own credit risk, as well as after rearranging some capital-market income into a single line item. With effect this quarter, the 'adjusted results' scheme will no longer be used, since the delta between the IFRS results and the adjusted results has become immaterial following the completion of the divestment programme and the full scale-down of the CDO portfolio. Hence, we will only present IFRS figures from now on for KBC Group and the business units. This implies that, compared to previous reports, some figures have changed for both the Belgium Business Unit and the Group Centre:

- for the Belgium Business Unit (and to a minor extent the Group Centre too), capital-market income used to be recognised differently. In the adjusted accounts, the bulk of trading results used to be recorded under 'Net result from financial instruments at fair value', whereas in the IFRS accounts, income related to trading activities is split across different items. The main differences have occurred due to a shift between 'Net result from financial instruments at fair value' and 'Net interest income'.
- for the Group Centre, the impact of the legacy activities (the CDO-related impact and the impact of the divestment programme) and own credit risk used to be separated from the income statement lines and summarised at the bottom of the scheme. In the IFRS scheme, these items are included in the usual income statement lines.

From now on (with retroactive application for the reference quarters), the above-mentioned adjustments will therefore no longer be made. However, to be as transparent as possible, we have added a number of sub-lines to the IFRS income statement to provide a link with the previous results scheme, i.e.:

- for all the business units, we have provided the sub-line 'of which dealing room income' for 'Net interest income'.
- for the Group Centre, we have provided the sub-line 'of which related to legacy activities & own credit risk' under 'Result after tax, attributable to the equity holders of the parent'. As mentioned above, this impact is immaterial from 2015 onwards (and as a result is now not presented separately).

An income statement scheme and short analysis (focused on a comparison with the previous quarter) is provided on the following pages. For a more detailed quarter-on-quarter and additional year-on-year analysis, please refer to the *Presentation for the analysts* (available at www.kbc.com).

Belgium Business Unit

- The net result amounted to an excellent 528 million in 2Q2015, significantly exceeding the 330 million recorded in the previous quarter and the 398 million in the year-earlier quarter.
- Compared to the previous quarter, 2Q2015 total income went up strongly (+157 million or +12%). The most important component of income, net interest income, was higher (+6 million or +1% quarter-on-quarter) notwithstanding the low yield reinvestment climate, thanks to higher lending-related interest income, lower funding costs on term deposits and lower interest rates on savings accounts, which outweighed the negative effect of reduced dealing room-related interest income and lower (but still high) prepayment fees for refinancing home loans combined with a larger pro-rata loss on previously refinanced home loans. Net fee and commission income remained strong, increasing further on its already high level of 1Q2015 (+3 million or +1% versus 1Q2015) due to a rise in management fees related to asset management services and higher fee income at KBC Securities. Moreover, dividend income hit its seasonal peak (+23 million versus 1Q2015), increasing IRS interest rates boosted the mark-to-market valuation of ALM derivatives, leading to a significant rise in the net result from financial instruments at fair value (+128 million on 1Q2015) and other net income benefited from a number of positive one-off items (+21 million versus 1Q2015). On the other hand, gains realised on the sale of bonds and shares were down (-14 million or -27% versus a high 1Q2015), higher claims impacted non-life technical insurance income (earned premiums minus technical charges: -10 million or -8% versus 1Q2015) and life insurance sales fell (sales of interest-guaranteed and unit-linked products combined: -13% versus 1Q2015).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter were down significantly (-112 million or -16% quarter-on-quarter). Excluding these bank taxes, costs remained in line with the previous quarter, with various items cancelling each other out (lower ICT costs, but higher marketing and staff costs, etc.). The resulting cost/income ratio for 1H2015 stood at a very good 50% (or even 49% excluding some exceptional and non-operating items) and the combined ratio of the non-life insurance activities for the same period amounted to an excellent 84%.
- Loan loss impairment was up slightly (+5 million or +8% versus 1Q2015), caused by IBNR parameter changes, which more than offset lower specific loan loss impairment charges. This resulted in a fine credit cost ratio of 0.29% year-to-date. Impaired loans accounted for some 4.1% of the loan book at the end of June 2015.
- Generally speaking, 2Q2015 was a quarter of good volume growth. The loan book expanded by 1% quarter-on-quarter (to 86 billion), and deposits increased almost 2% (to 113 billion). There was also a 1% net inflow of assets under management (thanks to CPPI products, among other things), but this was offset by a negative price effect (aggregate net impact of -2%, to 189 billion). Life reserves in Belgium stood at 27 billion, down 1% on the previous quarter's level.

Belgium Business Unit (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	707	744	762	714	720
<i>of which dealing room income</i>	13	12	16	23	19
Non-life insurance (before reinsurance)	66	113	77	131	121
<i>Earned premiums</i>	240	244	243	243	247
<i>Technical charges</i>	-174	-132	-166	-111	-126
Life insurance (before reinsurance)	-65	-66	-56	-58	-60
<i>Earned premiums</i>	234	228	287	248	206
<i>Technical charges</i>	-299	-293	-343	-306	-266
Ceded reinsurance result	22	-2	16	-7	-6
Dividend income	21	8	8	11	34
Net result from financial instr. at fair value through P/L	-15	17	70	7	136
Net realised result from available-for-sale assets	33	19	20	52	38
Net fee and commission income	282	294	301	360	363
Other net income	104	58	65	45	67
Total income	1 154	1 185	1 263	1 255	1 412
Operating expenses	-544	-539	-573	-695	-584
Impairment	-36	-81	-96	-65	-77
<i>on loans and receivables</i>	-34	-64	-73	-62	-67
<i>on available-for-sale assets</i>	-3	-5	-14	-3	-3
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	1	-12	-8	0	-6
Share in results of associated companies & joint ventures	0	0	0	-1	0
Result before tax	574	565	594	494	751
Income tax expense	-176	-165	-179	-164	-223
Result after tax	398	399	415	330	528
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	398	399	414	330	528
<i>Banking</i>	312	322	356	212	429
<i>Insurance</i>	86	78	58	117	99
Risk-weighted assets, banking (end of period, Basel III)*	41 032	42 235	42 919	44 310	40 262
Required capital, insurance (end of period, Solvency I)	854	859	868	866	872
Allocated capital (end of period)	5 803	5 939	6 026	6 168	5 753
Return on allocated capital (ROAC)	27%	27%	28%	22%	35%
Cost/income ratio, banking	49%	47%	46%	61%	42%
Combined ratio, non-life insurance	97%	92%	100%	79%	89%
Net interest margin, banking	1.93%	2.01%	2.07%	1.96%	1.96%

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).

* The decrease in 2Q2015 related primarily to the decision taken by the NBB to lift regulatory add-ons and LGD floors related to KBC's IRB advanced models. The impact was felt most in the Belgium Business Unit.

Czech Republic Business Unit

- The net result amounted to a good 127 million in 2Q2015, down at first sight on the 143 million recorded in the previous quarter and on the 140 million in the year-earlier quarter. It should be noted, however, that both reference quarters had benefited from very low loan impairment levels (see below).
- Compared to the previous quarter, total income in 2Q2015 continued to be supported by a strong level of net fee and commission income, which was on a par with the level of 1Q2015, by a slightly higher contribution made by (technical) non-life insurance income (premiums minus charges and the effect of reinsurance: +2 million or +13% versus 1Q2015) and by higher life insurance sales (+35% quarter-on-quarter, thanks to increased sales of unit-linked insurance products). On the other hand, net interest income was down somewhat (- 4 million or -2% versus 1Q2015), due to a climate of low reinvestment yields and pressure on (mortgage) lending margins, though partly offset by lower interest rates on saving accounts and volume growth. The net result from financial instruments (-5 million or -20% versus 1Q2015) was partly impacted by weaker dealing room income, which more than offset the positive effect of rising IRS interest rates on the valuation of derivatives used for asset/liability management purposes. Finally, no bonds or shares were sold in the quarter under review, which – compared to the high level in the previous quarter – also clearly had a negative effect on total income (-12 million).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter were significantly down (-11 million, or -7% versus 1Q2015). Excluding these bank taxes, however, costs remained more or less in line with the previous quarter, with the effect of lower ICT costs and staff expenses (following an FTE decrease) offsetting the somewhat higher marketing, facilities and severance-related expenses. The resulting cost/income ratio for 1H2015 stood at a good 48%, while the non-life insurance combined ratio for the same period amounted to 95%.
- Compared to the very low level in 1Q2015, loan loss impairment in 2Q2015 went up (+14 million), for the largest part caused by changes made to IBNR parameters in 2Q2015 (disregarding the impact of these parameter changes, loan loss impairment still stood at a very low level). The credit cost ratio for 1H2015 hence amounted to 0.18%. Impaired loans accounted for some 3.5% of the loan book at end June 2015.
- 2Q2015 was another quarter of good volume growth. The loan book expanded by 2% quarter-on-quarter (to 17 billion), and deposits increased by 1% (to 23 billion). Assets under management went up too, rising by 2% to 8.3 billion, thanks entirely to net inflows (especially CPPI and balanced funds). Life reserves stood at 0.9 billion, down 2% on their level of the previous quarter.

Czech Republic Business Unit (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	220	211	211	212	208
<i>of which dealing room income</i>	4	3	3	4	3
Non-life insurance (before reinsurance)	19	19	21	18	19
<i>Earned premiums</i>	41	42	43	41	44
<i>Technical charges</i>	-21	-23	-22	-23	-25
Life insurance (before reinsurance)	6	6	7	6	6
<i>Earned premiums</i>	41	51	37	30	41
<i>Technical charges</i>	-35	-45	-30	-25	-34
Ceded reinsurance result	-3	-2	-2	-2	-1
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	13	20	18	26	20
Net realised result from available-for-sale assets	0	0	1	12	0
Net fee and commission income	48	50	51	50	50
Other net income	8	3	6	5	7
Total income	312	307	313	325	310
Operating expenses	-148	-144	-156	-161	-150
Impairment	-2	-14	-19	-2	-15
<i>on loans and receivables</i>	-2	-14	-16	-2	-16
<i>on available-for-sale assets</i>	0	0	0	0	0
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	0	0	-2	0	0
Share in results of associated companies & joint ventures	6	5	5	6	7
Result before tax	167	154	143	169	151
Income tax expense	-28	-24	-23	-25	-24
Result after tax	140	130	121	143	127
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	140	130	121	143	127
<i>Banking</i>	133	123	113	138	121
<i>Insurance</i>	7	7	8	6	6
Risk-weighted assets, banking (end of period, Basel III)	12 453	12 148	12 345	13 120	13 032
Required capital, insurance (end of period, Solvency I)	68	67	67	62	69
Allocated capital (end of period)	1 426	1 393	1 414	1 486	1 489
Return on allocated capital (ROAC)	39%	36%	34%	40%	35%
Cost/income ratio, banking	47%	46%	49%	49%	48%
Combined ratio, non-life insurance	92%	95%	94%	96%	94%
Net interest margin, banking	3.20%	3.12%	3.11%	3.16%	3.00%

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 68 million in 2Q2015, exceeding the 24 million recorded in the previous quarter and clearly beating the -175 million posted in the year-earlier quarter, which had been impacted by a large provision related to the new Hungarian act on retail loans (Curia provision).
- Compared to the previous quarter, total income fell in 2Q2015 (-14 million or -5%). Although there was an increase in net interest income (+6 million or 3% quarter-on-quarter) thanks mainly to Ireland (lower funding and liquidity costs), and growth in net fee and commission income (+3 million or +6% versus 1Q2015) owing to Hungary, these positive items were offset by decreases in trading and fair value income (-15 million or -55% versus 1Q2015), in other net income (-7 million or -40% versus 1Q2015) and in the technical non-life insurance result (earned premiums minus technical charges, including the impact of ceded reinsurance: -3 million versus 1Q2015). Sales of life insurance products also dropped (interest-guaranteed and unit-linked products combined were down 24% on the level of sales in 1Q2015, with sales of unit-linked products falling in Hungary and Slovakia).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter were down significantly on the previous quarter (-56 million, or -25%). However, excluding these bank taxes, costs still decreased slightly (-2 million, or -1% versus 1Q2015) due mainly to Ireland. The resulting cost/income ratio for the entire business unit stood at 70% for 1H2015 (or 64% excluding some exceptional and non-operating items), while the combined ratio of the non-life insurance activities amounted to 95% for the same period.
- Loan loss impairment remained relatively low in the quarter under review, though it was up on the quite low level of the previous quarter (+13 million or +85% versus 1Q2015) due primarily to Ireland. For the business unit as a whole, this resulted in a good credit cost ratio of 0.35% for 1H2015. Impaired loans accounted for a high 33% of the loan book at the end of June 2015 (due to Ireland).
- The overall loan book contracted by 1% quarter-on-quarter (to 21 billion; growth in Slovakia and Bulgaria offset by a contraction in Ireland and Hungary), whereas deposits increased by almost 5% (to 16 billion, with growth in all countries). Net entries in assets under management went up too (expanding by 2%), but were offset by a 4% price decrease. Consequently, total assets under management fell by 2% to 6.7 billion. Life reserves stood at 0.5 billion, down 3% on the previous quarter.
- The net result of the International Markets Business Unit breaks down as follows: 17 million for Slovakia, 41 million for Hungary, 7 million for Bulgaria and 2 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)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	173	175	169	172	178
<i>of which dealing room income</i>	6	3	2	4	0
Non-life insurance (before reinsurance)	19	8	22	20	17
<i>Earned premiums</i>	38	39	39	39	41
<i>Technical charges</i>	-19	-31	-18	-20	-24
Life insurance (before reinsurance)	4	4	4	4	3
<i>Earned premiums</i>	22	21	19	23	19
<i>Technical charges</i>	-19	-17	-15	-19	-16
Ceded reinsurance result	-2	7	-2	-2	-2
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	17	17	14	27	12
Net realised result from available-for-sale assets	7	6	1	2	4
Net fee and commission income	51	54	54	50	53
Other net income	-227	3	-3	17	10
Total income	44	273	258	291	277
Operating expenses	-165	-165	-191	-226	-170
Impairment	-84	-63	-72	-16	-28
on loans and receivables	-84	-63	-62	-16	-29
on available-for-sale assets	0	0	0	0	0
on goodwill	0	0	0	0	0
other	-1	0	-10	0	1
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-206	44	-5	49	79
Income tax expense	31	-16	-2	-25	-11
Result after tax	-175	28	-7	24	68
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	-175	28	-7	24	68
<i>Banking</i>	<i>-181</i>	<i>24</i>	<i>-12</i>	<i>18</i>	<i>63</i>
<i>Insurance</i>	<i>6</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>5</i>
Risk-weighted assets, banking (end of period, Basel III)	17 506	18 342	18 425	18 833	18 467
Required capital, insurance (end of period, Solvency I)	44	44	44	44	45
Allocated capital (end of period)	1 915	2 003	2 011	2 054	2 018
Return on allocated capital (ROAC)	-35%	6%	-1%	5%	13%
Cost/income ratio, banking	-	60%	74%	79%	61%
Combined ratio, non-life insurance	98%	105%	94%	88%	103%
Net interest margin, banking	2.46%	2.50%	2.44%	2.53%	2.60%

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 a positive 2 million in 2Q2015, up on the -2 million recorded in the previous quarter and the -56 million in the year-earlier quarter.
- Compared to the previous quarter, income in 2Q2015 went up (+3 million or +7%), as the positive effect of increased net interest income (+7 million or +15% versus 1Q2015, thanks to lower allocated liquidity and funding costs and favourable mortgage margin income, among other things) more than offset the lower result from financial instruments at fair value (-5 million versus 1Q2015, due to the first time application of certain market value adjustments in respect of derivatives).
- Costs in the second quarter were down (-4 million or -10% versus 1Q2015). Even excluding the special bank taxes, costs still fell (-2 million or -5%) thanks to lower marketing costs, professional fees, etc. The resulting cost/income ratio for 1H2015 stood at 80% (or 76% excluding some exceptional and non-operating items).
- Loan loss impairment was up (+8 million versus 1Q2015), with an increase in both the retail and corporate loan books. Consequently, the credit cost ratio for 1H2015 amounted to 0.32%. Impaired loans still accounted for a high 50% of the loan book at the end of June 2015.
- The Irish loan book contracted by 1% quarter-on-quarter (to 11.5 billion), but deposits continued to increase, rising by 7% compared to the previous quarter (to 5.0 billion) thanks to the ongoing retail campaign.

Ireland (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	38	39	41	46	53
<i>of which dealing room income</i>	0	0	0	0	0
Non-life insurance (before reinsurance)	0	0	0	0	0
<i>Earned premiums</i>	0	0	0	0	0
<i>Technical charges</i>	0	0	0	0	0
Life insurance (before reinsurance)	0	0	0	0	0
<i>Earned premiums</i>	0	0	0	0	0
<i>Technical charges</i>	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	-6	-2	2	0	-6
Net realised result from available-for-sale assets	0	0	0	0	1
Net fee and commission income	-1	0	-1	-1	0
Other net income	0	0	-2	0	0
Total income	31	37	40	44	48
Operating expenses	-32	-32	-37	-39	-35
Impairment	-62	-47	-51	-7	-16
<i>on loans and receivables</i>	-62	-47	-41	-7	-16
<i>on available-for-sale assets</i>	0	0	0	0	0
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	0	0	-9	0	0
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-62	-42	-48	-2	-3
Income tax expense	6	7	3	0	5
Result after tax	-56	-35	-45	-2	2
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	-56	-35	-45	-2	2
<i>Banking</i>	-56	-35	-45	-2	2
<i>Insurance</i>	0	0	0	0	0
Risk-weighted assets, banking (end of period, Basel III)	5 650	5 641	6 931	6 800	6 727
Required capital, insurance (end of period, Solvency I)	-	-	-	-	-
Allocated capital (end of period)	593	592	728	714	706
Return on allocated capital (ROAC)	-33%	-24%	-30%	-1%	1%
Cost/income ratio, banking	102%	85%	94%	87%	74%
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 41 million in 2Q2015, compared to -6 million recorded in the previous quarter and -139 million in the year-earlier quarter (which included a large provision related to the new Hungarian act on retail loans – the co-called 'Curia provision').
- Compared to the previous quarter, total income in 2Q2015 fell slightly, since net interest income decreased somewhat (-2 million or -3% versus 1Q2015, following lower income generated by lending activities, among other things), trading income was down (-2 million or -10% versus 1Q2015), non-life insurance claims were higher (-2 million versus 1Q2015) and other net income decreased (-7 million versus 1Q2015; in both quarters, there were limited releases from the Curia provision, but its pre-tax impact was smaller in 2Q2015 than in 1Q2015). On the other hand, net fee and commission income remained quite strong (+3 million or +8% versus 1Q2015) and sales of Hungarian government bonds boosted the net result from available-for-sale assets (+3 million versus 1Q2015).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter fell significantly (-52 million or -41% versus 1Q2015). However, excluding all these bank taxes, costs still decreased by 2% quarter-on-quarter. The resulting cost/income ratio for 1H2015 stood at 73% (or 63% excluding some exceptional and non-operating items), while the non-life combined ratio for the same period amounted to 94%.
- Loan loss impairment was at the same low level as the previous quarter. As a result, the credit cost ratio for 1H2015 stood at 0.47%. Impaired loans accounted for some 14% of the loan book at the end of June 2015.
- The Hungarian loan book contracted by 4% quarter-on-quarter (to 3.6 billion) while deposits increased by 4% (to 5.4 billion). Assets under management fell by 7% (to 3.9 billion) due primarily to a price decrease. Life reserves stood at 0.3 billion, down 5% on the previous quarter.

Hungary (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	72	72	63	63	61
<i>of which dealing room income</i>	5	3	2	4	1
Non-life insurance (before reinsurance)	6	6	7	8	5
<i>Earned premiums</i>	14	14	14	15	15
<i>Technical charges</i>	-8	-8	-7	-8	-10
Life insurance (before reinsurance)	-1	0	1	1	-1
<i>Earned premiums</i>	4	3	4	4	4
<i>Technical charges</i>	-5	-3	-3	-3	-4
Ceded reinsurance result	-1	0	-1	0	0
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	20	14	8	18	16
Net realised result from available-for-sale assets	7	6	0	0	3
Net fee and commission income	40	41	41	38	41
Other net income	-228	1	0	16	9
Total income	-84	140	119	143	135
Operating expenses	-74	-73	-92	-127	-75
Impairment	-13	-11	-13	-6	-5
<i>on loans and receivables</i>	-13	-11	-13	-6	-6
<i>on available-for-sale assets</i>	0	0	0	0	0
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	-1	0	0	0	1
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	-171	56	14	10	55
Income tax expense	32	-17	1	-17	-14
Result after tax	-139	39	15	-6	41
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	-139	39	15	-6	41
<i>Banking</i>	-141	37	13	-9	40
<i>Insurance</i>	2	2	2	3	1
Risk-weighted assets, banking (end of period, Basel III)	7 440	8 263	6 996	7 372	6 927
Required capital, insurance (end of period, Solvency I)	14	14	14	15	15
Allocated capital (end of period)	806	892	759	801	754
Return on allocated capital (ROAC)	-69%	18%	7%	-3%	22%
Cost/income ratio, banking	-	52%	77%	90%	54%
Combined ratio, non-life insurance	102%	100%	105%	80%	112%

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 17 million in 2Q2015, down on the exceptionally high 27 million recorded in the previous quarter but in line with the 17 million in the year-earlier quarter.
- Compared to the previous quarter, total income in 2Q2015 was hit by lower trading income (-8 million, or -80% versus 1Q2015) following the strong performance in the first quarter, while all other major income items remained more or less stable.
- Costs in the second quarter were down somewhat (-1 million or -2% versus 1Q2015). However, excluding the effect of the special bank tax, costs rose slightly (+1 million or +1% versus 1Q2015), as higher staff, marketing and consultancy expenses outweighed lower ICT and facilities costs. The resulting cost/income ratio for 1H2015 stood at 59%, while the non-life combined ratio for the same period amounted to an excellent 88%.
- Following its very low level in 1Q2015, loan loss impairment went up in 1Q2015 (+3 million quarter-on-quarter). The credit cost ratio for 1H2015 remained at a favourable level of just 0.19%. Impaired loans accounted for some 4% of the loan book at the end of June 2015.
- The Slovak loan book grew by 3% quarter-on-quarter (to 4.8 billion), as did deposits (to 5.0 billion). Assets under management also went up (by 7% to 0.6 billion) thanks to net entries. Life reserves stood at 0.2 billion, more or less in line with the previous quarter.

Slovakia (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	53	53	53	52	52
<i>of which dealing room income</i>	1	0	0	0	-1
Non-life insurance (before reinsurance)	5	5	6	5	4
<i>Earned premiums</i>	7	7	7	7	7
<i>Technical charges</i>	-2	-3	0	-2	-3
Life insurance (before reinsurance)	3	3	1	3	3
<i>Earned premiums</i>	15	14	10	14	10
<i>Technical charges</i>	-12	-11	-9	-11	-8
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	3	3	4	9	2
Net realised result from available-for-sale assets	0	0	1	2	0
Net fee and commission income	11	12	12	12	12
Other net income	1	1	0	1	1
Total income	76	76	77	83	74
Operating expenses	-45	-47	-47	-47	-46
Impairment	-6	-3	-5	-1	-4
<i>on loans and receivables</i>	-6	-3	-5	-1	-4
<i>on available-for-sale assets</i>	0	0	0	0	0
<i>on goodwill</i>	0	0	0	0	0
<i>other</i>	0	0	0	0	0
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	24	26	25	35	23
Income tax expense	-7	-6	-6	-9	-6
Result after tax	17	20	19	27	17
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	17	20	19	27	17
<i>Banking</i>	15	18	17	25	15
<i>Insurance</i>	2	2	2	2	2
Risk-weighted assets, banking (end of period, Basel III)	3 772	3 745	3 815	3 953	4 085
Required capital, insurance (end of period, Solvency I)	15	15	15	14	15
Allocated capital (end of period)	422	419	426	440	454
Return on allocated capital (ROAC)	17%	19%	18%	25%	16%
Cost/income ratio, banking	60%	62%	61%	56%	63%
Combined ratio, non-life insurance	89%	97%	66%	84%	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).

Bulgaria

- The net result amounted to 7 million in 2Q2015, up on both the previous quarter and the year-earlier quarter.
- Compared to the previous quarter, total income in 2Q2015 increased (+1 million or +5%), benefiting from higher net interest income (+1 million or +6% versus 1Q2015), higher technical insurance results (earned premiums minus technical charges, and the ceded reinsurance result: +1 million versus 1Q2015) and increased realised gains on bonds in the quarter under review (+1 million versus 1Q2015), while net fee and commission income decreased somewhat (-1 million versus 1Q2015).
- Costs in the second quarter edged up (+2% versus 1Q2015). The resulting cost/income ratio for 1H2015 stood at 63%, while the combined ratio of the non-life insurance activities for the same period amounted to 100%.
- Loan loss impairment went up somewhat (+2 million versus 1Q2015). The credit cost ratio for 1H2015 stood at 1.19%. Impaired loans accounted for some 27% of the loan book at the end of June 2015.
- The Bulgarian loan book grew by 2% quarter-on-quarter (to 0.7 billion), and deposits increased by 3% (to 0.6 billion). Life reserves stood at 0.04 billion, up 2% on the previous quarter.

Bulgaria (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	10	11	12	11	12
<i>of which dealing room income</i>	0	0	0	0	0
Non-life insurance (before reinsurance)	8	-3	8	8	8
<i>Earned premiums</i>	18	18	18	17	19
<i>Technical charges</i>	-10	-20	-10	-10	-11
Life insurance (before reinsurance)	1	1	1	1	1
<i>Earned premiums</i>	4	3	5	6	5
<i>Technical charges</i>	-2	-2	-4	-5	-4
Ceded reinsurance result	-1	8	0	-1	-1
Dividend income	0	0	0	0	0
Net result from financial instr. at fair value through P/L	0	1	0	1	0
Net realised result from available-for-sale assets	0	0	0	0	1
Net fee and commission income	0	1	0	0	-1
Other net income	0	0	0	0	0
Total income	19	19	21	19	20
Operating expenses	-13	-13	-14	-13	-13
Impairment	-3	-2	-3	-1	-3
<i>on loans and receivables</i>	-3	-2	-3	-1	-3
<i>on available-for-sale assets</i>	0	0	0	0	0
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	0	0	0	0	0
Share in results of associated companies & joint ventures	0	0	0	0	0
Result before tax	3	3	4	5	4
Income tax expense	0	0	0	0	4
Result after tax	3	3	4	5	7
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	3	3	4	5	7
<i>Banking</i>	1	3	3	4	6
<i>Insurance</i>	2	0	1	1	1
Risk-weighted assets, banking (end of period, Basel III)	632	680	671	690	710
Required capital, insurance (end of period, Solvency I)	15	15	15	14	15
Allocated capital (end of period)	92	98	96	98	101
Return on allocated capital (ROAC)	13%	15%	17%	19%	29%
Cost/income ratio, banking	65%	60%	61%	63%	62%
Combined ratio, non-life insurance	99%	112%	95%	101%	100%

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 2Q2015 stood at -57 million and can be broken down as follows (also see the table at the bottom of this page):

- The operating expenses of the group's activities: -15 million in total, a slight improvement on the previous quarter (-19 million).
- Certain capital and treasury management-related costs: 7 million in total, a small improvement on the previous quarter (5 million).
- Costs related to the holding of participations (mainly funding and hedging costs and related tax effects): -26 million in total, down on the previous quarter (-17 million) due mainly to tax effects.
- The results of the remaining companies in run-down (Antwerp Diamond Bank, KBC Finance Ireland, etc.): -22 million in total, compared to 2 million in the previous quarter, accounted for mainly by higher loan impairment charges at Antwerp Diamond Bank and to a lesser extent by KBC Finance Ireland.
- -2 million in other items (compared to +41 million in 1Q2015, which had benefited from the impact of deferred tax assets).

Group Centre (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Net interest income	-44	-10	-19	-7	-15
Non-life insurance (before reinsurance)	-3	-1	3	-2	-3
<i>Earned premiums</i>	-4	-4	-3	-3	-5
<i>Technical charges</i>	0	3	6	2	3
Life insurance (before reinsurance)	0	0	0	0	0
<i>Earned premiums</i>	0	0	0	0	0
<i>Technical charges</i>	0	0	0	0	0
Ceded reinsurance result	2	0	-3	0	2
Dividend income	3	1	1	1	5
Net result from financial instr. at fair value through P/L	29	-19	7	-4	11
Net realised result from available-for-sale assets	9	3	0	14	-6
Net fee and commission income	5	4	4	-1	-1
Other net income	16	9	0	-18	21
Total income	17	-13	-7	-17	15
Operating expenses	-51	-49	-44	-43	-37
Impairment	-20	101	-7	6	-29
<i>on loans and receivables</i>	-17	-49	-7	6	-26
<i>on available-for-sale assets</i>	-1	-1	0	0	-3
<i>on goodwill</i>	0	0	0	0	0
<i>Other</i>	-2	151	0	0	0
Share in results of associated companies & joint ventures	1	1	1	1	1
Result before tax	-53	39	-56	-53	-51
Income tax expense	24	11	2	66	-6
Result after tax	-29	51	-54	13	-57
attributable to minority interests	0	0	0	0	0
attributable to equity holders of the parent	-29	51	-54	13	-57
<i>of which related to legacy activities & own credit risk</i>	29	114	-20	-	-
Banking	-3	63	-37	44	-49
Insurance	6	9	-1	-8	11
Group	-32	-21	-17	-23	-19
Risk-weighted assets, banking (end of period, Basel III)	11 814	7 256	6 650	6 728	5 712
Risk-weighted assets, insurance (end of period, Basel III Danish compromise)	11 068	11 068	10 897	9 047	9 133
Required capital, insurance (end of period, Solvency I)	2	2	1	1	1
Allocated capital (end of period)	1 244	766	701	709	602

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: breakdown of net result (in millions of EUR)	2Q2014	3Q2014	4Q2014	1Q2015	2Q2015
Operating expenses of group activities	-19	-7	-26	-19	-15
Capital and treasury management-related costs	-11	-1	4	5	7
Costs related to the holding of participations	-25	-34	-17	-17	-26
Results of remaining companies earmarked for divestments or in run-down	-8	-17	-4	2	-22
Other items	4	-4	8	41	-2
Legacy and own credit risk	29	114	-20	-	-
Total net result for the Group Centre	-29	51	-54	13	-57

KBC Group
Consolidated
financial statements
according to IFRS
2Q 2015 and
1H 2015



This section is reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Net interest income	3	1 056	1 091	1 092	2 065	2 183
Interest income		1 971	1 850	1 804	3 901	3 654
Interest expense		- 915	- 759	- 712	- 1 835	- 1 471
Non-life insurance before reinsurance	9	102	167	155	251	322
Earned premiums Non-life		315	320	326	623	646
Technical charges Non-life		- 214	- 153	- 172	- 372	- 324
Life insurance before reinsurance	9	- 56	- 48	- 51	- 114	- 99
Earned premiums Life		297	302	265	606	567
Technical charges Life		- 353	- 350	- 316	- 720	- 666
Ceded reinsurance result	9	19	- 11	- 7	3	- 18
Dividend income		24	12	39	38	51
Net result from financial instruments at fair value through profit or loss	5	44	57	179	84	236
Net realised result from available-for-sale assets	6	49	80	36	100	116
Net fee and commission income	7	387	459	465	761	924
Fee and commission income		533	632	634	1 090	1 267
Fee and commission expense		- 147	- 174	- 169	- 329	- 343
Net other income	8	- 99	49	105	- 47	154
TOTAL INCOME		1 526	1 855	2 013	3 141	3 868
Operating expenses	12	- 908	- 1 125	- 941	- 1 957	- 2 066
Staff expenses		- 559	- 561	- 570	- 1 115	- 1 131
General administrative expenses		- 285	- 502	- 309	- 714	- 811
Depreciation and amortisation of fixed assets		- 63	- 62	- 62	- 128	- 125
Impairment	14	- 142	- 77	- 149	- 255	- 226
on loans and receivables		- 136	- 73	- 138	- 238	- 211
on available-for-sale assets		- 3	- 3	- 7	- 8	- 9
on goodwill		0	0	0	0	0
on other		- 3	- 1	- 5	- 9	- 6
Share in results of associated companies and joint ventures		7	6	8	13	14
RESULT BEFORE TAX		483	659	930	942	1 589
Income tax expense	16	- 149	- 149	- 264	- 261	- 413
RESULT AFTER TAX		334	510	666	681	1 176
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		334	510	666	681	1 176
Earnings per share (in EUR)						
Basic		0.67	1.19	1.56	1.00	2.75
Diluted		0.67	1.19	1.56	1.00	2.75

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	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
RESULT AFTER TAX	334	510	666	681	1 176
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	334	510	666	681	1 176
Other comprehensive income - to be recycled to P&L					
Net change in revaluation reserve (AFS assets) - Equity	18	197	- 96	- 19	100
Net change in revaluation reserve (AFS assets) - Bonds	234	265	- 601	401	- 336
Net change in revaluation reserve (AFS assets) - Other	- 1	0	0	- 1	0
Net change in hedging reserve (cash flow hedge)	- 192	- 269	571	- 372	302
Net change in translation differences	13	122	- 31	0	92
Other movements	0	0	1	0	1
Other comprehensive income - not to be recycled to P&L					
Net change in defined benefit plans	- 23	- 9	159	- 43	150
TOTAL COMPREHENSIVE INCOME	382	817	668	646	1 485
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	382	816	668	646	1 485

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2014	30-06-2015
Cash and cash balances with central banks		5 771	4 453
Financial assets	18 - 26	231 421	244 104
Held for trading		12 182	11 311
Designated at fair value through profit or loss		18 163	25 204
Available for sale		32 390	32 240
Loans and receivables		135 784	141 510
Held to maturity		31 799	33 007
Hedging derivatives		1 104	832
Reinsurers' share in technical provisions		194	132
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		168	115
Tax assets		1 814	1 652
Current tax assets		88	117
Deferred tax assets		1 726	1 535
Non-current assets held for sale and assets associated with disposal groups		18	36
Investments in associated companies and joint ventures		204	197
Investment property		568	481
Property and equipment		2 278	2 248
Goodwill and other intangible assets		1 258	1 272
Other assets		1 480	1 965
TOTAL ASSETS		245 174	256 654
LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	30-06-2015
Financial liabilities	18 - 26	205 644	216 642
Held for trading		8 449	7 816
Designated at fair value through profit or loss		23 908	25 257
Measured at amortised cost		169 796	180 572
Hedging derivatives		3 491	2 996
Technical provisions, before reinsurance		18 934	19 198
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		189	121
Tax liabilities		697	687
Current tax liabilities		98	143
Deferred tax liabilities		599	544
Provisions for risks and charges		560	471
Other liabilities		2 629	2 560
TOTAL LIABILITIES		228 652	239 679
Total equity	39	16 521	16 976
Parent shareholders' equity	39	13 125	13 576
Non-voting core-capital securities	39	2 000	2 000
Additional Tier-1 instruments included in equity	39	1 400	1 400
Minority interests		- 3	0
TOTAL LIABILITIES AND EQUITY		245 174	256 654

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent share-holders' equity	Non-voting core-capital securities	Additional Tier-1 instruments included in equity	Minority interests	Total equity
30-06-2014													
Balance at the beginning of the period (31-12-2013)	1 452	5 404	0	1 094	- 497	65	4 648	- 340	11 826	2 333	0	354	14 514
Net result for the period	0	0	0	0	0	0	681	0	681	0	0	0	681
Other comprehensive income for the period	0	0	0	381	- 372	- 43	0	0	- 35	0	0	0	- 35
Total comprehensive income	0	0	0	381	- 372	- 43	681	0	646	0	0	0	646
Dividends	0	0	0	0	0	0	- 14	0	- 14	0	0	0	- 14
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	- 1	0	- 1	0	0	0	- 1
Change in scope	0	0	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	0	0	0	381	- 372	- 43	493	0	458	- 333	1 400	- 358	1 167
Balance at the end of the period	1 452	5 404	0	1 474	- 869	23	5 141	- 340	12 285	2 000	1 400	- 3	15 681
of which revaluation reserve for shares				304									
of which revaluation reserve for bonds				1 171									
of which revaluation reserve for other assets than bonds and shares				- 1									
of which relating to equity method				17	0	0		1	18				18
30-06-2015													
Balance at the beginning of the period (31-12-2014)	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	1 176	0	1 176	0	0	0	1 176
Other comprehensive income for the period	0	0	0	- 236	302	150	1	92	309	0	0	0	309
Total comprehensive income	0	0	0	- 236	302	150	1 177	92	1 485	0	0	0	1 485
Dividends	0	0	0	0	0	0	- 836	0	- 836	0	0	0	- 836
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	- 26	0	- 26	0	0	0	- 26
Purchases of treasury shares	0	0	- 1	0	0	0	0	0	- 1	0	0	0	- 1
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	3	3
Total change	0	0	- 1	- 236	302	150	144	92	451	0	0	3	455
Balance at the end of the period	1 453	5 421	- 1	1 580	- 1 066	18	6 341	- 169	13 576	2 000	1 400	0	16 976
of which revaluation reserve for shares				470									
of which revaluation reserve for bonds				1 109									
of which revaluation reserve for other assets than bonds and shares				0									
of which relating to equity method				23	0	0		2	25				25

In 1H 2015, revaluation reserves (AFS assets) decreased by 236 million euros (in 2Q 2015 a decrease of 698 million euros) of which -336 million euros related to bonds (related to increasing interest rates; -601 million euros in 2Q 2015) and +100 million euros related to shares (thanks to higher equity markets; -96 million euros in 2Q 2015). A positive effect, also for a large part linked to increasing interest rates, of +302 million euros was noted on hedging reserves (cashflow hedges) (+571 million euros in 2Q 2015) and on defined benefit plans for an amount of +150 million euros (+159 million euros in 2Q 2015).

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 are deducted from reserves and are accounted for in 2Q 2015.

Condensed consolidated cash flow statement

In millions of EUR	1H 2014	1H 2015
Net cash from (used in) operating activities	6 476	11 055
Net cash from (used in) investing activities	931	- 1 128
Net cash from (used in) financing activities	- 4 916	- 411
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	2 491	9 517
Cash and cash equivalents at the beginning of the period	8 691	6 518
Effects of exchange rate changes on opening cash and cash equivalents	- 28	75
Cash and cash equivalents at the end of the period	11 154	16 110

Notes on statement of compliance and changes in accounting policies

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

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

Due to the application of IFRIC 21 (Levies) as from 1 January 2015, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The main consequence of the application of IFRIC 21 is that certain levies are taken upfront which has negatively impacted the 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 financial statements as at 31 December 2014.

Notes on segment reporting

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

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

In 1H 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).

	Business unit							Group Centre	Inter-	KBC
	Business unit Belgium	Business unit Czech Republic	International Markets	of which: Hungary	of which: Slovakia	of which: Bulgaria	of which: Ireland	excl inter-segment eliminations	segment eliminations	Group
In millions of EUR 1H 2014										
Net interest income	1 410	438	333	139	104	21	69	- 119	3	2 065
Non-life insurance before reinsurance	185	35	38	13	9	15	0	2	- 10	251
Earned premiums Non-life	476	79	75	27	13	35	0	1	- 10	623
Technical charges Non-life	- 292	- 44	- 37	- 14	- 4	- 19	0	1	0	- 372
Life insurance before reinsurance	- 130	11	5	- 3	6	2	0	1	- 1	- 114
Earned premiums Life	489	73	44	7	28	9	0	1	- 1	606
Technical charges Life	- 619	- 61	- 39	- 10	- 22	- 7	0	0	0	- 720
Ceded reinsurance result	5	- 4	- 3	- 1	- 1	- 2	0	5	0	3
Dividend income	33	0	0	0	0	0	0	5	0	38
Net result from financial instruments at fair value through profit or loss	- 42	23	42	40	8	1	- 6	61	0	84
Net realised result from available-for-sale assets	76	8	9	8	1	0	0	7	0	100
Net fee and commission income	557	93	100	78	22	0	- 2	13	- 2	761
Net other income	146	9	- 227	- 227	0	0	0	20	5	- 47
TOTAL INCOME	2 240	615	297	48	149	37	61	- 5	- 6	3 141
Operating expenses	- 1 170	- 293	- 384	- 203	- 91	- 25	- 63	- 116	6	- 1 957
Impairment	- 74	- 4	- 149	- 25	- 10	- 4	- 110	- 29	0	- 255
on loans and receivables	- 67	- 3	- 148	- 24	- 10	- 4	- 110	- 20	0	- 238
on available-for-sale assets	- 7	0	0	0	0	0	0	- 1	0	- 8
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	1	0	- 1	- 1	0	0	0	- 9	0	- 9
Share in results of associated companies and joint ventures	- 1	13	0	0	0	0	0	1	0	13
RESULT BEFORE TAX	996	330	- 235	- 179	48	8	- 112	- 149	0	942
Income tax expense	- 293	- 53	33	32	- 13	0	14	52	0	- 261
RESULT AFTER TAX	703	277	- 203	- 148	35	8	- 99	- 96	0	681
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
NET RESULT	703	277	- 203	- 148	35	8	- 99	- 96	0	681
1H 2015										
Net interest income	1 434	419	351	125	104	23	99	- 21	0	2 183
Non-life insurance before reinsurance	253	36	37	13	9	16	0	6	- 10	322
Earned premiums Non-life	490	85	80	30	14	36	0	2	- 10	646
Technical charges Non-life	- 237	- 48	- 43	- 18	- 5	- 21	0	4	0	- 324
Life insurance before reinsurance	- 118	12	7	0	5	2	0	1	- 1	- 99
Earned premiums Life	454	71	42	7	24	11	0	1	- 1	567
Technical charges Life	- 572	- 59	- 35	- 7	- 19	- 9	0	0	0	- 666
Ceded reinsurance result	- 14	- 3	- 3	- 1	- 1	- 2	0	2	0	- 18
Dividend income	45	0	0	0	0	0	0	6	0	51
Net result from financial instruments at fair value through profit or loss	143	46	40	34	11	1	- 6	7	0	236
Net realised result from available-for-sale assets	89	12	7	3	2	0	1	8	0	116
Net fee and commission income	723	101	103	79	24	- 1	- 1	- 4	1	924
Net other income	112	12	27	26	1	0	0	- 1	5	154
TOTAL INCOME	2 667	635	568	278	157	39	92	4	- 6	3 868
Operating expenses	- 1 279	- 311	- 396	- 202	- 93	- 26	- 74	- 86	6	- 2 066
Impairment	- 142	- 17	- 43	- 11	- 5	- 5	- 23	- 23	0	- 226
on loans and receivables	- 129	- 18	- 44	- 12	- 5	- 5	- 23	- 20	0	- 211
on available-for-sale assets	- 6	0	0	0	0	0	0	- 3	0	- 9
on goodwill	0	0	0	0	0	0	0	0	0	0
on other	- 7	0	1	1	0	0	0	0	0	- 6
Share in results of associated companies and joint ventures	- 1	13	0	0	0	0	0	1	0	14
RESULT BEFORE TAX	1 246	320	128	65	59	8	- 5	- 104	0	1 589
Income tax expense	- 387	- 49	- 37	- 30	- 15	4	5	60	0	- 413
RESULT AFTER TAX	858	271	92	35	44	12	0	- 44	0	1 176
Attributable to minority interests	0	0	0	0	0	0	0	0	0	0
NET RESULT	858	271	92	35	44	12	0	- 44	0	1 176

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 International 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
30-06-2015									
Deposits from customers & debt certificates excl. repos	113 219	22 765	16 052	5 403	4 982	643	5 024	9 706	161 743
Loans & advances to customers excluding reverse repos	85 767	17 188	20 673	3 632	4 838	679	11 523	1 705	125 332
Term loans excl. Reverse repos	42 151	6 739	5 096	1 719	1 669	288	1 420	1 523	55 510
Mortgage loans	32 790	7 634	13 597	1 353	1 900	245	10 098	28	54 048
Current accounts advances	2 535	1 076	691	323	361	5	2	123	4 425
Finance leases	3 211	480	574	112	462	0	0	0	4 266
Consumer credit	1 281	1 009	626	67	415	142	2	0	2 916
Other	3 799	250	89	59	30	0	0	30	4 168

Other notes

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

In millions of EUR	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Total	1 056	1 091	1 092	2 065	2 183
Interest income	1 971	1 850	1 804	3 901	3 654
Available-for-sale assets	185	185	177	380	362
Loans and receivables	1 143	1 059	1 034	2 211	2 093
Held-to-maturity investments	262	227	242	494	469
Other assets not at fair value	1	10	11	5	21
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>1 592</i>	<i>1 481</i>	<i>1 464</i>	<i>3 089</i>	<i>2 945</i>
Financial assets held for trading	198	215	210	423	425
Hedging derivatives	132	97	91	271	188
Other financial assets at fair value through profit or loss	49	57	39	118	96
Interest expense	- 915	- 759	- 712	-1 835	-1 471
Financial liabilities measured at amortised cost	- 462	- 340	- 303	- 893	- 642
Other	- 1	- 1	- 1	- 2	- 2
<i>Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss</i>	<i>- 463</i>	<i>- 340</i>	<i>- 304</i>	<i>- 895</i>	<i>- 644</i>
Financial liabilities held for trading	- 259	- 240	- 238	- 530	- 478
Hedging derivatives	- 151	- 151	- 142	- 331	- 294
Other financial liabilities at fair value through profit or loss	- 40	- 24	- 27	- 77	- 51
Net interest expense on defined benefit plans	- 1	- 3	- 1	- 3	- 4

Note: restated figures for 1Q 2015 (shift between trading and hedging)

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

In the first half-year of 2015, the result from financial instruments at fair value through profit or loss was influenced by MtM ALM derivatives, where fair value changes (due to marked-to-market accounting) of 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 1H 2015, the net result from these financial instruments at fair value through profit or loss amounted to +87 million euros pre-tax (+90 million euros pre-tax in 2Q 2015), as long-term interest rates increased during 1H 2015 (for 1H and 2Q 2014 respectively -149 and -62 million euros).

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

In millions of EUR	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Total	49	80	36	100	116
Breakdown by portfolio					
Fixed-income securities	23	39	4	39	43
Shares	26	41	33	62	73

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

In millions of EUR	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Total	387	459	465	761	924
Fee and commission income	533	632	634	1 090	1 267
Securities and asset management	290	346	363	568	708
Margin on deposit accounting (life insurance investment contracts without DPf)	22	37	28	42	65
Commitment credit	60	70	70	119	140
Payments	127	127	130	257	257
Other	34	52	44	104	96
Fee and commission expense	- 147	- 174	- 169	- 329	- 343
Commission paid to intermediaries	- 71	- 76	- 79	- 144	- 155
Other	- 76	- 97	- 90	- 184	- 188

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

In millions of EUR	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Total	- 99	49	105	- 47	154
The sale of loans and receivables	2	0	- 1	2	- 1
The sale of held-to-maturity investments	0	2	3	0	5
The repurchase of financial liabilities measured at amortised cost	0	- 8	0	0	- 8
Other: of which:	- 101	55	103	- 49	158
Income concerning leasing at the KBC Lease-group	16	21	22	40	43
Income from Group VAB	16	17	18	35	35
Realised gains or losses on divestments	16	- 14	16	14	2
Legal settlement in 2Q14 of an old credit file	31	0	0	31	0
New law on retail loans (Hungary)	- 231	17	8	- 231	25
Deconsolidation real estate companies	0	0	18	0	18

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

In millions of EUR 1H 2014	Life	Non-life	Non-technical account	TOTAL
Earned premiums, insurance (before reinsurance)	607	633		1 240
Technical charges, insurance (before reinsurance)	- 720	- 372		- 1 092
Net fee and commission income	- 6	- 114		- 120
Ceded reinsurance result	- 1	3		3
Operating expenses	- 61	- 119		- 180
Internal costs claim paid	- 4	- 29		- 33
Administration costs related to acquisitions	- 14	- 37		- 51
Administration costs	- 43	- 53		- 96
Management costs investments	0	0		0
Technical result	- 180	31	0	- 150
Net interest income			334	334
Dividend income			30	30
Net result from financial instruments at fair value			27	27
Net realised result from AFS assets			64	64
Net other income			1	1
Impairments			- 7	- 7
Allocation to the technical accounts	335	57	- 392	0
Technical-financial result	155	88	57	300
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	155	88	58	301
Income tax expense				- 78
RESULT AFTER TAX				223
attributable to minority interest				0
attributable to equity holders of the parent				223
1H 2015				
Earned premiums, insurance (before reinsurance)	568	656		1 225
Technical charges, insurance (before reinsurance)	- 666	- 324		- 990
Net fee and commission income	0	- 122		- 122
Ceded reinsurance result	- 1	- 17		- 18
Operating expenses	- 67	- 120		- 188
Internal costs claim paid	- 4	- 29		- 33
Administration costs related to acquisitions	- 15	- 40		- 54
Administration costs	- 49	- 51		- 100
Management costs investments	0	0		0
Technical result	- 167	73	0	- 94
Net interest income			325	325
Dividend income			36	36
Net result from financial instruments at fair value			- 2	- 2
Net realised result from AFS assets			64	64
Net other income			8	8
Impairments			- 7	- 7
Allocation to the technical accounts	314	62	- 376	0
Technical-financial result	147	135	47	329
Share in results of associated companies and joint ventures			1	1
RESULT BEFORE TAX	147	135	48	331
Income tax expense				- 88
RESULT AFTER TAX				243
attributable to minority interest				0
attributable to equity holders of the parent				242

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

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

The operating expenses of 1H 2015 include 347 million euros related to bank (and insurance) levies (of which 264 million euros in 1Q 2015 and 83 million euros in 2Q 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.

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 1H 2014 results after restatement include in total 247 million euros of bank (and insurance) levies (respectively 198 and 48 million euros in 1Q and 2Q 2014). The above mentioned excluded recognition in Belgium would add 28 million euros to the 1H 2014 restated results.

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

In millions of EUR	2Q 2014	1Q 2015	2Q 2015	1H 2014	1H 2015
Total	- 142	- 77	- 149	- 255	- 226
Impairment on loans and receivables	- 136	- 73	- 138	- 238	- 211
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 189	- 82	- 99	- 339	- 181
Provisions for off-balance-sheet credit commitments	20	9	- 4	18	5
Portfolio-based impairments	33	- 1	- 34	82	- 35
Breakdown by business unit					
Business unit Belgium	- 34	- 62	- 67	- 67	- 129
Business unit Czech Republic	- 2	- 2	- 16	- 3	- 18
Business unit International Markets	- 84	- 16	- 29	- 148	- 44
of which: Hungary	- 13	- 6	- 6	- 24	- 12
of which: Slovakia	- 6	- 1	- 4	- 10	- 5
of which: Bulgaria	- 3	- 1	- 3	- 4	- 5
of which: Ireland	- 62	- 7	- 16	- 110	- 23
Group Centre	- 17	6	- 26	- 20	- 20
Impairment on available-for-sale assets	- 3	- 3	- 7	- 8	- 9
Breakdown by type					
Shares	- 3	- 3	- 7	- 8	- 9
Other	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 3	- 1	- 5	- 9	- 6
Intangible assets, other than goodwill	0	0	- 1	0	- 1
Property and equipment and investment property	0	0	- 5	- 1	- 5
Held-to-maturity assets	0	0	0	1	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 2	0	1	- 9	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.

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

In 1H 2015, the income tax expenses were positively influenced by 49 million euros of Deferred Tax Assets (DTA) (fully booked in 1Q 2015). 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.

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
<i>Excluding reverse repos</i>	20	101	0	123 040	-	-	-	123 161
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 123	-	-	-	53 156
Term loans	7	1 303	0	55 446	-	-	-	56 755
Finance leasing	0	0	0	4 138	-	-	-	4 138
Current account advances	0	0	0	4 054	-	-	-	4 054
Securitised loans	0	0	0	0	-	-	-	0
Other	20	0	0	367	-	-	-	387
Equity instruments	303	3	1 826	-	-	-	-	2 132
Investment contracts (insurance)	-	13 425	-	-	-	-	-	13 425
Debt securities issued by	2 894	1 763	30 564	1 207	31 799	-	-	68 227
Public bodies	2 391	1 063	19 469	31	30 342	-	-	53 296
Credit institutions and investment firms	297	293	4 427	159	859	-	-	6 035
Corporates	206	407	6 667	1 018	598	-	-	8 896
Derivatives	8 814	-	-	-	-	1 104	-	9 918
Other	3	0	0	576	-	-	-	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, 30-06-2015								
Loans and advances to credit institutions and investment firms ^a	332	9 469	0	13 916	-	-	-	23 716
Loans and advances to customers ^b	82	740	0	125 270	-	-	-	126 093
<i>Excluding reverse repos</i>	15	220	0	125 098	-	-	-	125 332
Trade receivables	0	0	0	3 515	-	-	-	3 515
Consumer credit	0	0	0	2 916	-	-	-	2 916
Mortgage loans	0	29	0	54 019	-	-	-	54 048
Term loans	67	567	0	55 636	-	-	-	56 270
Finance leasing	0	0	0	4 266	-	-	-	4 266
Current account advances	0	0	0	4 425	-	-	-	4 425
Securitised loans	0	0	0	0	-	-	-	0
Other	15	145	0	493	-	-	-	653
Equity instruments	353	3	1 896	-	-	-	-	2 251
Investment contracts (insurance)	-	13 815	-	-	-	-	-	13 815
Debt securities issued by	2 822	1 177	30 344	1 154	33 007	-	-	68 504
Public bodies	2 328	566	18 913	29	31 465	-	-	53 301
Credit institutions and investment firms	257	198	4 797	156	928	-	-	6 336
Corporates	238	413	6 634	969	613	-	-	8 867
Derivatives	7 723	-	-	-	-	832	-	8 555
Other	0	0	0	1 170	0	0	0	1 170
Total carrying value	11 311	25 204	32 240	141 510	33 007	832	0	244 104
^a Of which reverse repos								14 047
^b Of which reverse repos								761

In 2Q 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
<i>Excluding repos</i>	367	3 058	-	-	-	-	150 554	153 979
Deposits from customers	69	8 077	-	-	-	-	128 091	136 237
Demand deposits	0	35	-	-	-	-	47 020	47 055
Time deposits	69	8 028	-	-	-	-	41 638	49 735
Savings deposits	0	0	-	-	-	-	37 163	37 163
Special deposits	0	0	-	-	-	-	1 715	1 715
Other deposits	0	14	-	-	-	-	555	569
Debt certificates	298	2 275	-	-	-	-	22 973	25 546
Certificates of deposit	9	3	-	-	-	-	5 922	5 935
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 741	14 761
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	540	-	-	-	-	3 549	4 088
Liabilities under investment contracts	-	12 553	-	-	-	-	0	12 553
Derivatives	7 697	-	-	-	-	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, 30-06-2015								
Deposits from credit institutions and investment firms ^a	148	2 797	-	-	-	-	17 645	20 591
Deposits from customers and debt certificates ^b	557	9 523	-	-	-	-	160 080	170 159
<i>Excluding repos</i>	402	2 973	-	-	-	-	158 368	161 743
Deposits from customers	258	7 526	-	-	-	-	136 587	144 372
Demand deposits	0	100	-	-	-	-	55 705	55 805
Time deposits	258	7 426	-	-	-	-	39 897	47 581
Savings deposits	0	0	-	-	-	-	38 289	38 289
Special deposits	0	0	-	-	-	-	2 183	2 183
Other deposits	0	0	-	-	-	-	512	512
Debt certificates	299	1 997	-	-	-	-	23 492	25 788
Certificates of deposit	1	2	-	-	-	-	5 667	5 670
Customer savings certificates	0	0	-	-	-	-	684	684
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	298	1 697	-	-	-	-	13 491	15 486
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	298	-	-	-	-	3 650	3 948
Liabilities under investment contracts	-	12 937	-	-	-	-	0	12 937
Derivatives	6 762	0	-	-	-	2 996	-	9 759
Short positions	348	0	-	-	-	-	-	348
in equity instruments	59	0	-	-	-	-	-	59
in debt instruments	289	0	-	-	-	-	-	289
Other	0	0	-	-	-	-	2 847	2 848
Total carrying value	7 816	25 257	-	-	-	2 996	180 572	216 642
^a Of which repos								3 240
^b Of which repos								8 416

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-06-2014	30-09-2014	31-12-2014	31-03-2015	30-06-2015
Total customer loans excluding reverse repo					
Business unit Belgium	83 542	84 086	84 165	84 782	85 767
Business unit Czech Republic	15 586	15 899	16 216	16 610	17 188
Business unit International Markets	21 038	21 059	20 790	20 974	20 673
<i>of which: Hungary</i>	3 916	4 023	3 771	3 934	3 632
<i>of which: Slovakia</i>	4 436	4 464	4 578	4 717	4 838
<i>of which: Bulgaria</i>	623	664	666	667	679
<i>of which: Ireland</i>	12 064	11 908	11 776	11 655	11 523
Group Centre	1 096	2 157	1 990	1 931	1 705
KBC Group	121 262	123 202	123 161	124 297	125 332
Mortgage loans					
Business unit Belgium	31 347	31 518	32 318	32 400	32 790
Business unit Czech Republic	6 747	7 142	7 251	7 405	7 634
Business unit International Markets	13 844	13 715	13 561	13 635	13 597
<i>of which: Hungary</i>	1 511	1 511	1 320	1 409	1 353
<i>of which: Slovakia</i>	1 862	1 740	1 807	1 844	1 900
<i>of which: Bulgaria</i>	235	243	239	241	245
<i>of which: Ireland</i>	10 236	10 221	10 195	10 141	10 098
Group Centre	24	26	26	29	28
KBC Group	51 963	52 400	53 156	53 468	54 048
Customer deposits and debt certificates excl. repos					
Business unit Belgium	100 910	103 984	105 885	111 218	113 219
Business unit Czech Republic	22 390	21 385	22 047	22 216	22 765
Business unit International Markets	14 248	14 581	14 860	15 621	16 052
<i>of which: Hungary</i>	5 175	5 298	5 220	5 475	5 403
<i>of which: Slovakia</i>	4 547	4 748	4 856	4 842	4 982
<i>of which: Bulgaria</i>	553	565	600	627	643
<i>of which: Ireland</i>	3 973	3 970	4 185	4 676	5 024
Group Centre	13 231	11 448	11 187	10 255	9 706
KBC Group	150 778	151 399	153 979	159 310	161 743

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance	30-06-2014		30-09-2014		31-12-2014		31-03-2015		30-06-2015	
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	13 630	12 402	13 724	12 623	13 831	12 637	13 770	13 359	13 832	13 030
Business unit Czech Republic	520	507	517	502	491	483	491	473	491	451
Business unit International Markets	219	292	218	300	214	305	214	346	208	333
<i>of which: Hungary</i>	53	199	53	203	52	209	56	242	54	228
<i>of which: Slovakia</i>	129	92	129	96	126	96	120	103	116	105
<i>of which: Bulgaria</i>	36	1	36	1	36	1	38	1	39	1
Group Centre	0	0	0	0	0	0	0	0	0	0
KBC Group	14 369	13 201	14 460	13 425	14 535	13 425	14 475	14 177	14 531	13 815

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 In millions of EUR	31-12-2014				30-06-2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	2 292	7 306	2 584	12 182	2 262	6 790	2 260	11 311
Designated at fair value	14 551	3 250	363	18 163	14 327	10 505	372	25 204
Available for sale	27 782	3 051	1 557	32 390	26 794	3 933	1 512	32 240
Hedging derivatives	0	1 104	0	1 104	0	832	0	832
Total	44 624	14 711	4 503	63 839	43 383	22 060	4 144	69 587
Financial liabilities measured at fair value								
Held for trading	327	5 746	2 376	8 449	351	5 497	1 968	7 816
Designated at fair value	12 552	10 932	424	23 908	12 936	11 662	659	25 257
Hedging derivatives	0	3 491	0	3 491	0	2 996	0	2 996
Total	12 879	20 170	2 800	35 848	13 288	20 155	2 627	36 069

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

In 1H 2015, an approximate total amount of 0.5 billion euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred around 0.2 billion euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of mainly corporate bonds (from financial as well as non-financial counterparties) and government bonds.

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

Movements table of assets and liabilities valued in level 3 of the fair value hierarchy – situation at 30-06-2015, in millions of EUR

LEVEL 3 FINANCIAL ASSETS

	Held for trading					Designated at fair value				Available for sale		Hedging derivatives
	Loans and advances	Equity instruments	Investment contracts	Debt securities	Derivatives	Loans and advances	Equity instruments	Investment contracts	Debt securities	Equity instruments	Debt securities	Derivatives
Opening balance	0	0	0	263	2 321	26	0	0	337	393	1 163	0
Total gains/losses	0	0	0	5	- 305	1	2	0	- 22	- 8	5	0
in profit and loss*	0	0	0	5	- 305	1	0	0	- 22	- 4	0	0
in other comprehensive income	0	0	0	0	0	0	2	0	0	- 4	5	0
Acquisitions	0	0	0	14	96	0	0	0	3	25	258	0
Sales	0	0	0	- 26	0	0	- 2	0	0	- 9	- 1	0
Settlements	0	0	0	0	- 123	- 1	0	0	0	0	- 28	0
Transfers into level 3	0	0	0	0	0	0	0	0	0	57	112	0
Transfers out of level 3	0	0	0	0	0	0	0	0	0	0	- 457	0
Transfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	0	11	4	2	0	0	26	1	0	0
Changes in scope	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0
Closing balance	0	0	0	267	1 993	28	0	0	344	459	1 053	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	6	- 299	1	0	0	- 22	- 4	- 1	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	1	0	- 353	0	0	0	- 9	0	0	0
in profit and loss*	0	1	0	- 353	0	0	0	- 9	0	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0	0	0
Issues	0	0	0	115	0	0	0	230	0	0	0
Repurchases	0	0	0	- 2	0	0	0	- 3	0	0	0
Settlements	0	- 26	0	- 147	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
Transfers from/to financial liabilities regarding disposal groups	0	0	0	0	0	0	0	0	0	0	0
Translation differences	0	3	0	0	0	0	0	16	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	0	0	0	0
Closing balance	0	19	0	1 949	0	0	0	659	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	0	- 293	0	0	0	- 9	0	0	0

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

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

in number of shares	31-12-2014	30-06-2015
Ordinary shares	417 780 658	417 780 658
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	417 780 658	417 780 658
<i>of which treasury shares</i>	488	15 280
Non-voting core-capital securities	67 796 608	67 796 608
Other information		
Par value per ordinary share (in EUR)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

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

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

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

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

A coupon on the core-capital securities to the Flemish Regional Government (171 million euros in total) 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.

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

In 3Q 2014:

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

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

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

Significant non-adjusting events between the balance sheet date (30 June 2015) and the publication of this report (6 August 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, which is expected to close in 3Q 2015, will have no material impact on KBC group's earnings and capital (balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros).

Report of the statutory auditor to the shareholders of KBC Group NV on the review of the interim condensed consolidated financial statements as of 30 June 2015 and for the six-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group and its subsidiaries (collectively referred to as "the Group") as at 30 June 2015 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed cash flow statement for the six-month period then ended, and explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements". These statements show a consolidated balance sheet total of € 256.654 million and a consolidated profit (share of the group) for the six-month period then ended of € 1.176 million. Management is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance the International Standard on Review Engagements 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

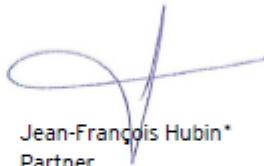
Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements does not present fairly, in all material respects, the financial position of the Group as at 30 June 2015, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Brussels, 5 August 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by



Christel Weymeersch*
Partner



Jean-François Hubin*
Partner

*Acting on behalf of a BVBA/SPRL

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KBC Group Risk and capital management 2Q 2015 and 1H 2015



This section is not reviewed by the auditors

Credit risk

Snapshot of the credit portfolio (banking activities)

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

Credit risk: loan portfolio overview

31-12-2014 30-06-2015

Total loan portfolio (in billions of EUR)		
Amount granted	166	171
Amount outstanding ¹	139	141
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	64%	64%
Czech Republic	14%	14%
International Markets	18%	18%
Group Centre	4%	4%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	13 692	13 155
of which: more than 90 days past due	7 676	7 493
Ratio of impaired loans, per business unit		
Belgium	4.3%	4.1%
Czech Republic	3.8%	3.5%
International Markets	34.1%	32.9%
Group Centre	8.6%	10.1%
Total	9.9%	9.3%
of which: more than 90 days past due	5.5%	5.3%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	5 709	5 640
of which: more than 90 days past due	4 384	4 332
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	42%	43%
of which: more than 90 days past due	57%	58%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	51%	52%
of which: more than 90 days past due	70%	66%
Credit cost, by business unit (%) ²		
Belgium	0.23%	0.29%
Czech Republic	0.18%	0.18%
International Markets	1.06%	0.35%
Slovakia	0.36%	0.19%
Hungary	0.94%	0.47%
Bulgaria	1.30%	1.19%
Ireland	1.33%	0.32%
Group Centre	1.17%	0.72%
Total	0.41%	0.30%

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

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

Credit portfolio per business unit (banking activities)

Legend:

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

Loan portfolio Business Unit Belgium

30-06-2015, in millions of EUR

	Belgium			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	85 243			5 482			90 726		
Counterparty break down	% outst.			% outst.			% outst.		
SME / corporate	23 736	27.8%		5 482	100.0%		29 218	32.2%	
retail	61 508	72.2%		0	0.0%		61 508	67.8%	
o/w private	33 877	39.7%		0	0.0%		33 877	37.3%	
o/w companies	27 630	32.4%		0	0.0%		27 630	30.5%	
Mortgage loans (1)	% outst. ind. LTV			% outst. ind. LTV			% outst.		
total	32 757	38.4%	58%	0	0.0%	-	32 757	36.1%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w vintage 2007 and 2008	1 157	1.4%	-	0	0.0%	-	1 157	1.3%	
o/w ind. LTV > 100%	1 375	1.6%	-	0	0.0%	-	1 375	1.5%	
Probability of default (PD)	% outst.			% outst.			% outst.		
low risk (pd 1-4; 0.00%-0.80%)	64 337	75.5%		3 263	59.5%		67 601	74.5%	
medium risk (pd 5-7; 0.80%-6.40%)	15 545	18.2%		1 525	27.8%		17 070	18.8%	
high risk (pd 8-9; 6.40%-100.00%)	2 201	2.6%		118	2.1%		2 319	2.6%	
impaired loans (pd 10 - 12)	3 144	3.7%		574	10.5%		3 719	4.1%	
unrated	15	0.0%		2	0.0%		18	0.0%	
Overall risk indicators	spec. imp. % cover			spec. imp. % cover			spec. imp. % cover		
outstanding impaired loans	3 144	1 349	42.9%	574	273	47.5%	3 719	1 621	43.6%
o/w pd 10 impaired loans	1 165	252	21.6%	385	121	31.4%	1 550	373	24.1%
o/w more than 90 days past due (pd 11+12)	1 979	1 097	55.4%	189	152	80.0%	2 168	1 249	57.6%
all impairments (specific + portfolio based)	n.a.			n.a.			1 699		
o/w portfolio based impairments	n.a.			n.a.			77		
o/w specific impairments	1 349			273			1 621		
2014 Credit cost ratio (CCR)	n.a.			n.a.			0.23%		
YTD 2015 CCR	n.a.			n.a.			0.29%		

Remarks

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

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

Loan portfolio Business Unit Czech Republic

30-06-2015, in millions of EUR

For information: ČMSS³ (consolidated
via equity-method since 1Q14)

Total outstanding amount	19 898			2 519		
Counterparty break down	% outst.			% outst.		
SME / corporate	7 221	36.3%		81	3.2%	
retail	12 677	63.7%		2 438	96.8%	
o/w private	8 861	44.5%		2 423	96.2%	
o/w companies	3 816	19.2%		15	0.6%	
Mortgage loans (1)	% outst. ind. LTV			% outst. ind. LTV		
total	8 079	40.6%	57%	1 888	74.9%	65%
o/w FX mortgages	0	0.0%	-	0	0.0%	-
o/w vintage 2007 and 2008	1 188	6.0%	-	230	9.1%	-
o/w ind. LTV > 100%	213	1.1%	-	150	6.0%	-
Probability of default (PD)	% outst.			% outst.		
low risk (pd 1-4; 0.00%-0.80%)	13 707	68.9%		1 667	66.2%	
medium risk (pd 5-7; 0.80%-6.40%)	4 907	24.7%		603	24.0%	
high risk (pd 8-9; 6.40%-100.00%)	492	2.5%		172	6.8%	
impaired loans (pd 10 - 12)	706	3.5%		77	3.0%	
unrated	86	0.4%		0	0.0%	
Overall risk indicators (2)	spec. imp. % cover			spec. imp. % cover		
outstanding impaired loans	706	377	53.4%	77	31	40.4%
o/w pd 10 impaired loans	196	37	19.1%	21	2	7.7%
o/w more than 90 days past due (pd 11+12)	510	339	66.6%	56	29	52.4%
all impairments (specific + portfolio based)	417			34		
o/w portfolio based impairments	40			3		
o/w specific impairments	377			31		
2014 Credit cost ratio (CCR)	0.18%			n/a		
YTD 2015 CCR	0.18%			n/a		

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

(2) individual CCR in local currency

(3) ČMSS: pro-rata figures, corresponding with KBC's 55%-participation in ČMSS

Loan portfolio Business Unit International Markets
30-06-2015, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria			Total Int Markets		
Total outstanding amount	14 182			5 366			4 613			799			24 960		
Counterparty break down	% outst.			% outst.			% outst.			% outst.			% outst.		
SME / corporate	2 371	16.7%		2 296	42.8%		2 388	51.8%		296	37.1%		7 351	29.4%	
retail	11 811	83.3%		3 071	57.2%		2 225	48.2%		502	62.9%		17 610	70.6%	
o/w private	11 795	83.2%		2 472	46.1%		1 731	37.5%		300	37.5%		16 297	65.3%	
o/w companies	16	0.1%		599	11.2%		495	10.7%		203	25.4%		1 312	5.3%	
Mortgage loans (1)	% outst. ind. LTV			% outst. ind. LTV			% outst. ind. LTV			% outst. ind. LTV			% outst.		
total	11 791	83.1%	95%	2 057	38.3%	64%	1 581	34.3%	87%	150	18.8%	69%	15 579	62.4%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	20	0.4%	127%	71	8.9%	68%	91	0.4%	
o/w vintage 2007 and 2008	4 054	28.6%	-	140	2.6%	-	774	16.8%	-	34	4.2%	-	5 003	20.0%	
o/w ind. LTV > 100%	4 777	33.7%	-	39	0.7%	-	514	11.1%	-	9	1.1%	-	5 338	21.4%	
Probability of default (PD)	% outst.			% outst.			% outst.			% outst.			% outst.		
low risk (pd 1-4; 0.00%-0.80%)	634	4.5%		3 606	67.2%		1 976	42.8%		115	14.4%		6 331	25.4%	
medium risk (pd 5-7; 0.80%-6.40%)	5 228	36.9%		1 216	22.7%		1 666	36.1%		372	46.6%		8 482	34.0%	
high risk (pd 8-9; 6.40%-100.00%)	1 187	8.4%		262	4.9%		337	7.3%		86	10.8%		1 873	7.5%	
impaired loans (pd 10 - 12)	7 133	50.3%		220	4.1%		634	13.7%		214	26.8%		8 201	32.9%	
unrated	0	0.0%		61	1.1%		0	0.0%		11	1.4%		73	0.3%	
Overall risk indicators (2)	spec. imp. % cover			spec. imp. % cover			spec. imp. % cover			spec. imp. % cover			spec. imp. % cover		
outstanding impaired loans	7 133	2 740	38.4%	220	109	49.6%	634	372	58.7%	214	88	41.0%	8 201	3 309	40.4%
o/w pd 10 impaired loans	3 552	777	21.9%	49	13	26.5%	107	51	47.9%	22	1	3.5%	3 730	842	22.6%
o/w more than 90 days past due (pd 11+12)	3 581	1 963	54.8%	171	96	56.3%	527	321	60.9%	192	87	45.3%	4 471	2 467	55.2%
all impairments (specific + portfolio based)	2 831			120			389			91			3 431		
o/w portfolio based impairments	91			11			17			3			122		
o/w specific impairments	2 740			109			372			88			3 309		
2014 Credit cost ratio (CCR)	1.33%			0.36%			0.94%			1.30%			1.06%		
YTD 2015 CCR	0.32%			0.19%			0.47%			1.19%			0.35%		

Remarks

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

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

(2) individual CCR in local currency

Loan portfolio Group Centre

Total Group Centre

(mainly KBC Finance Ireland, KBC Credit Investments and Antwerp Diamond Bank (in wind-down))

30-06-2015, in millions of EUR

Total outstanding amount	5 265		
Counterparty break down	% outst.		
SME / corporate	5 265	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%)	2 446	46.5%	
medium risk (pd 5-7; 0.80%-6.40%)	1 804	34.3%	
high risk (pd 8-9; 6.40%-100.00%)	485	9.2%	
impaired loans (pd 10 - 12)	530	10.1%	
unrated	1	0.0%	
Overall risk indicators (2)	spec. imp.		% cover
outstanding impaired loans	530	333	62.8%
o/w pd 10 impaired loans	186	56	29.9%
o/w more than 90 days past due (pd 11+12)	344	277	80.7%
all impairments (specific + portfolio based)	347		
o/w portfolio based impairments	14		
o/w specific impairments	333		
2014 Credit cost ratio (CCR)	1.17%		
YTD 2015 CCR	0.72%		

Remarks

Total Group Centre = KBC Finance Ireland, KBC Credit Investments (legacy & and part of non-legacy portfolio assigned to BU Group)

Antwerp Diamond Bank (in wind-down), KBC FP (ex-Atomium assets), KBC Lease UK, KBC Bank part Group

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

(2) individual CCR in local currency

Solvency

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

Solvency KBC Group

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

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

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

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

As at the end of June 2015, KBC's fully loaded common equity ratio (including latent gains on available-for-sale securities) under Basel III (CRDIV/CRR) stood at 16.7% which represents a capital buffer of 5.4 billion euros relative to the targeted 10.5%. At the same time, the fully loaded common equity ratio (under FICOD) was 16.4%, which represented a capital buffer of 5.3 billion euros relative to the targeted 10.5%.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 81% of the weighted credit risks, of which approx. 70% according to Advanced and approx. 11% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 19%) 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.

In millions of EUR

	31-12-2014		30-06-2015	
Danish compromise	Fully loaded	Phased-in	Fully loaded	Phased-in
Total regulatory capital, KBC Group (after profit appropriation)	16 688	16 723	18 217	18 362
Tier-1 capital	14 476	14 136	15 868	15 700
Common equity	13 076	12 684	14 468	14 248
Parent shareholders' equity (after deconsolidating KBC Insurance)	12 592	12 592	13 160	13 160
Non-voting core capital securities	2 000	2 000	2 000	2 000
Intangible fixed assets (incl deferred tax impact) (-)	- 334	- 334	- 336	- 336
Goodwill on consolidation (incl deferred tax impact) (-)	- 769	- 769	- 791	- 791
Minority interests	- 3	- 3	0	0
AFS revaluation reserve shares (-)		- 116		0
AFS revaluation reserve sovereign bonds (-)		- 613		- 419
AFS revaluation reserve other bonds(-)		50		16
AFS revaluation reserve other (-)		0		0
Hedging reserve (cash flow hedges) (-)	1 391	1 391	1 086	1 086
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 21	- 21	- 15	- 15
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 43	- 84	- 51
Equalization reserve (-)				
Dividend payout (-)	- 836	- 836	0	0
Remuneration of government securities (-)	- 171	- 171	0	0
Remuneration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 159	- 159	- 139	- 139
IRB provision shortfall (-)	- 225	- 225	- 161	- 161
Deferred tax assets on losses carried forward (-)	- 297	- 59	- 250	- 100
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	1 452
Grandfathered innovative hybrid tier-1 instruments	0	52	0	52
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	2 349	2 662
IRB provision excess (+)	375	357	354	341
Subordinated liabilities	1 837	2 230	1 995	2 321
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	86 607	84 375
Banking	80 232	77 379	77 275	75 043
Insurance ¹	10 897	10 897	9 133	9 133
Holding activities	191	191	238	238
Elimination of intercompany transactions	- 85	- 85	- 40	- 40
Solvency ratios				
Common equity ratio	14.33%	14.35%	16.71%	16.89%
Tier-1 ratio	15.87%	15.99%	18.32%	18.61%
CAD ratio	18.29%	18.92%	21.03%	21.76%
Capital buffer				
Common equity capital	13 076		14 468	
Required pillar 2 capital (10.5%)	9 580		9 094	
Capital buffer vs pillar 2 target	3 497		5 374	

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

In millions of EUR

FICOD - Fully loaded

31-12-2014

30-06-2015

Common Equity	13 528	14 754
IFRS Parent shareholders equity KBC Group (consolidated)	13 125	13 576
+ Yield Enhanced Securities (YES)	2 000	2 000
- Dividend, coupon YES, coupon AT1	-1 008	-2
+ Eligible own funds elements CRR/CRD IV (banking)	-508	-690
+ Eligible own funds elements Solvency I (Insurance)	-80	-130
Total weighted risk volume	92 596	89 811
Banking	80 232	77 275
Insurance	12 257	12 337
Holding activities	191	238
Elimination of intercompany transactions	-85	-40
Solvency ratio		
Common equity ratio	14.61%	16.43%
Capital buffer		
Buffer vs. 10.5% CET1	3 806	5 324

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 - 30-06-2015

		numerator (common equity)	denominator (Total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	14 248	84 375	16.89%
	Fully loaded	14 468	86 607	16.71%
Deduction Method	Fully loaded	13 446	81 090	16.58%
Financial Conglomerates Directive*				
	Fully loaded	14 754	89 811	16.43%

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

Solvency banking and insurance activities separately

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

Solvency, KBC Bank consolidated (in millions of EUR) - Fully loaded	31-12-2014	30-06-2015
Total regulatory capital, after profit appropriation	14 154	15 063
Tier-1 capital	11 132	11 323
Of which common equity	9 727	9 917
Tier-2 capital	3 021	3 740
Total weighted risks	80 232	77 275
Credit risk	67 197	63 983
Market risk	2 424	2 681
Operational risk	10 611	10 611
Solvency ratios		
Common equity ratio	12.1%	12.8%
Tier-1 ratio	13.9%	14.7%
CAD ratio	17.6%	19.5%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2014	30-06-2015
Available capital	3 166	2 770
Required solvency margin	981	987
Solvency ratio and surplus		
Solvency ratio (%)	323%	281%
Solvency surplus (in millions of EUR)	2 185	1 783