KBC Group
Quarterly Report
2Q2017

Report for 2Q2017 and 1H2017

Consolidated financial statements according to IFRS

Additional information

Management certification

'I, Rik Scheerlinck, 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.

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KBC Group

Report for 2Q2017 and 1H2017

Summary: exceptionally strong result of 855 million euros in the second quarter

Against the background of strong economic growth, low inflation, an appreciating euro and low interest rates, KBC delivered an exceptionally strong performance in the second quarter of 2017, posting a net profit of 855 million euros. The quarter under review included robust total income and significant loan loss impairment releases. This brought our net result for the first half of the year to 1 485 million euros, one-third higher than the 1 113 million euros recorded in the first half of 2016. Moreover, our lending and deposit volumes continued to grow in the second quarter of 2017, and our solvency and liquidity position remained strong. In line with our dividend policy, we will pay an interim dividend of 1 euro per share on 17 November 2017.

Financial highlights for the second quarter of 2017

- Both our banking and insurance franchises in our core markets and core activities continued to perform strongly.
- On a comparable basis, lending to and deposits received from our clients continued to increase in all business units. Lending and deposits each went up by 2% quarter-on-quarter and by a respective 4% and 8% year-on-year.
- Net interest income – our main source of income – was slightly higher (+0.3%) than in the previous quarter (even after a technical shift to trading and fair value income), but was down 4% on its year-earlier level. The net interest margin came to 1.86%, down 2 basis points quarter-on-quarter and 8 basis points year-on-year.
- Year-on-year, the premium income we earned on our non-life insurance products increased by 6% while claims fell by 9%. Consequently, our non-life combined ratio for the first half of 2017 ended up at an exceptional 84%. Sales of our life insurance products decreased by some 12% quarter-on-quarter and were down 26% on the high level recorded a year ago.
- Our net fee and commission income remained strong: it went up 19% year-on-year, thanks in the main to our asset management services. Compared to the previous quarter, net fee and commission income slightly decreased by 2%.
- Our other income items combined rose 15% quarter-on-quarter and 4% year-on-year, thanks primarily to high trading and fair value income.
- Our operating expenses were significantly down on their level in the first quarter, which had included the upfront booking of most of the bank taxes for the full year. Excluding these taxes, expenses increased by 3% quarter-on-quarter and 5% year-on-year. As a consequence, when the bank taxes are evenly spread throughout the year and certain non-operating items excluded, our adjusted cost/income ratio for the first half of 2017 stands at a comfortable 53%.
- The quarter under review included 78 million euros in net loan loss impairment releases. This was due essentially to 87 million euros in impairment releases in Ireland, combined with a generally very low level of impairment in all other countries. Consequently, our cost of credit amounted to a very favourable -0.10% in the first half of 2017 (a negative figure indicates a positive impact on profit).
- Our liquidity position remained strong, as did our capital base, with a common equity ratio of 15.7% (fully loaded, Danish compromise), despite the first-time consolidation of United Bulgarian Bank and Interlease.

Johan Thijs, our group CEO, says…

'We have continued where we left off in the first quarter, delivering another excellent performance in the second quarter on the back of robust revenues – including resilient net interest income, solid net fee and commission income and high trading and fair value results – and the release of loan loss provisions, especially in Ireland. This resulted in an exceptionally strong 855 million euros of net profit being posted in the quarter under review. Combined with the 630 million euros recorded in the first quarter, this brings our net result for the first half of 2017 to 1 485 million euros, a 33% increase on the figure for the comparable period of 2016.

The second quarter was also an important one on the strategic front. First of all, we finalised the acquisition of United Bulgarian Bank and Interlease, which has enabled us to take a quantum leap in Bulgaria, one of our six core countries. We have now become a strong market player in this core market and will be able to make a significant positive impact on the banking, insurance, asset management and leasing businesses that we will pursue there.

Secondly, we fleshed out our 'Digital First' strategy in Ireland at an Investor Visit event in Dublin on 21 June. We also provided an update of our group strategy, our capital deployment plan and our financial guidance. We have summarised our updated strategy *in the slogan 'more of the same but differently'. This means that we will leave our highly successful business model and strategy largely unchanged, but adapt it to the new digital reality. In all of this, our clients will drive the pace of action and change.*

Ultimately, our goal is to ensure that our clients, shareholders and other stakeholders benefit from our activities, something which all our employees are committed to working towards. In closing, I'd like to take this opportunity again to thank all the stakeholders who have put their trust in us to help them achieve their goals and dreams.'

Overview KBC Group (consolidated, IFRS)	2Q2017	1Q2017	2Q2016	1H2017	1H2016
Net result (in millions of EUR)	855	630	721	1 485	1 113
Basic earnings per share (in EUR)	2.01	1.47	1.69	3.49	2.60
Breakdown of the net result by business unit (in millions of EUR)					
Belgium	483	301	371	785	579
Czech Republic	183	181	191	364	320
International Markets	177	114	123	292	183
Group Centre	12	33	37	45	31
Parent shareholders' equity per share (in EUR, end of period)	39.8	39.4	35.5	39.8	35.5

The core of our strategy

Our core strategy remains focused on providing bank-insurance products and services to retail, SME and mid-cap clients in our core countries of Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia.

Our strategy consists of four interacting cornerstones:

- We put our clients' interests at the heart of what we do and strive to offer them high quality service and relevant solutions at all times.
- We strive to offer our clients a unique bank-insurance experience.
- We develop our group with a long-term perspective in order to achieve sustainable and profitable growth.

- We take our responsibility towards society and local economies very seriously and aim to reflect that in our everyday activities.

We are convinced that our strategy – powered by our culture and the efforts of our people – helps us earn, keep and grow trust day by day and, therefore, gives us the capacity to become the reference in our core markets.

Highlights in the quarter under review to date

- The quarter under review was marked by some important developments on the strategic front. First of all, we finalised the acquisition of United Bulgarian Bank (UBB) and Interlease in mid-June 2017 for a total consideration of 0.6 billion euros. The acquisition – which was announced on 30 December 2016 – was approved by the relevant regulatory authorities and received anti-trust approval. Together, UBB-CIBANK and DZI will seek to become the reference in bank-insurance in Bulgaria, one of KBC's core markets, boasting strong macroeconomic fundamentals offering attractive potential for further development of financial services. Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria, offering its clients a full range of financial services. The operational integration of the business entities will be gradually introduced in the coming 18 months.

- Secondly, we presented our detailed plans for Ireland at an Investor Visit event in Dublin in June 2017 and also provided an update of our group's strategy, capital deployment plans and financial guidance. As before, KBC will focus on strengthening its integrated bank-insurance business model in its core markets in a highly cost-efficient way. It will also concentrate on achieving sustainable and profitable growth within the framework of solid risk, capital and liquidity management and on creating superior client experience via a seamless, multi-channel, client-centric distribution approach. As we find ourselves in an ever changing environment and are faced with shifting client behaviour and expectations, changing technology and digitalisation and a challenging macroeconomic environment, we will adapt the way we implement this strategy. Client-centricity – the core of our strategy – will be further fine-tuned into 'think client, but design for a digital world'. However, it is the client who will drive the pace of action and change. We intend to invest a further 1.5 billion euros group-wide in digital transformation between 2017 and year-end 2020. We have translated this updated strategy into a new capital deployment plan and updated our guidance on certain financial parameters (see the press release and presentation of 21 June 2017 at www.kbc.com).

- We also redeveloped the strategy of our Irish bank and presented this on the Investor visit event. As Ireland has become one of the group's core markets recently, KBC Bank Ireland will now strive to achieve at least a 10% share of the retail and micro-SME markets and will plan to develop the bank-insurance model there too. In its 'Digital First' client-centric strategy, KBC Bank Ireland will accelerate its efforts and investments in expertise and resources to evolve fully into a digital-first client-centric bank, while continuing to carefully and efficiently manage its legacy portfolio for maximum recovery. It will facilitate 'always-on 24/7 accessibility' in terms of distribution and service. To digitalise and innovate faster, the bank will intensify its collaboration with KBC group entities and leverage proven innovations and learnings from other KBC core markets. Moreover, its new core banking system with an open architecture will allow KBC Bank Ireland to tap into opportunities offered by the fintech community and provide services from and to other market players, thus broadening the value proposition to its own clients and playing a frontrunner role for KBC Group.
- At its *Global Awards for Excellence* ceremony in London in early July, Euromoney – one of the UK's leading professional magazines in the financial sector – honoured KBC with the 'World's Best Bank Transformation Award 2017'. This award illustrates that the redefinition and repositioning of KBC is appreciated on the international stage and regarded as a major strategic strength. KBC also received the 'Best Bank Transformation Award in Western Europe' and the award for 'Best Bank in Belgium'. Earlier this year, ČSOB won the Euromoney award for 'Best Private Bank in the Czech Republic'. These multiple awards are recognition that KBC, more than ever, is a reference in the area of client-oriented bank-insurance.

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)	2Q2017	1Q2017	4Q2016	3Q2016	2Q2016	1H2017	1H2016
Net interest income	1 028	1 025	1 057	1 064	1 070	2 052	2 137
Non-life insurance (before reinsurance)	179	187	178	164	141	366	286
Earned premiums	*369*	*360*	*363*	*357*	*349*	*729*	*690*
Technical charges	*-190*	*-173*	*-185*	*-193*	*-208*	*-363*	*-404*
Life insurance (before reinsurance)	-24	-28	-44	-34	-38	-52	-73
Earned premiums	*267*	*312*	*413*	*336*	*402*	*579*	*827*
Technical charges	*-291*	*-341*	*-457*	*-370*	*-440*	*-631*	*-901*
Ceded reinsurance result	-10	-4	-15	-1	-13	-13	-21
Dividend income	30	15	19	12	36	44	46
Net result from financial instruments at fair value through P&L	249	191	224	69	154	439	247
Net realised result from available-for-sale assets	52	45	8	26	128	97	155
Net fee and commission income	430	439	376	368	360	869	706
Other net income	47	77	101	59	47	124	98
Total income	1 980	1 946	1 903	1 727	1 885	3 926	3 581
Operating expenses	-910	-1 229	-963	-895	-904	-2 139	-2 090
Impairment	71	-8	-73	-28	-71	64	-99
on loans and receivables	78	-6	-54	-18	-50	72	-54
on available-for-sale assets	-2	-1	-4	-7	-20	-3	-43
on goodwill	0	0	0	0	0	0	0
other	-5	0	-15	-3	-1	-5	-2
Share in results of associated companies and joint ventures	3	5	5	9	6	8	13
Result before tax	1 144	715	871	814	916	1 858	1 405
Income tax expense	-288	-85	-186	-184	-194	-373	-292
Net post-tax result from discontinued operations	0	0	0	0	0	0	0
Result after tax	855	630	685	629	721	1 485	1 113
attributable to minority interests	0	0	0	0	0	0	0
attributable to equity holders of the parent	**855**	**630**	**685**	**629**	**721**	**1 485**	**1 113**
Basic earnings per share (EUR)	2.01	1.47	1.61	1.47	1.69	3.49	2.60
Diluted earnings per share (EUR)	2.01	1.47	1.61	1.47	1.69	3.49	2.60

Key consolidated balance sheet figures KBC Group (in millions of EUR)	30-06-2017	31-03-2017	31-12-2016	30-09-2016	30-06-2016
Total assets	296 479	287 293	275 200	266 016	265 681
Loans and advances to customers	139 350	135 304	133 231	131 973	131 383
Securities (equity and debt instruments)	70 898	72 329	73 262	72 774	73 494
Deposits from customers and debt certificates	189 938	181 722	177 730	170 425	175 870
Technical provisions, before reinsurance	18 905	19 234	19 657	19 745	19 724
Liabilities under investment contracts, insurance	13 339	13 128	12 653	12 506	12 427
Parent shareholders' equity	16 665	16 506	15 957	15 135	14 834

Selected ratios for the KBC group (consolidated)	1H2017	FY2016
Profitability and efficiency		
Return on equity	20%	18%
Cost/income ratio, banking (between brackets: when evenly spreading the bank taxes and excluding certain non-operating items)	56% (53%)	55% (57%)
Combined ratio, non-life insurance	84%	93%
Solvency		
Common equity ratio according to Basel III Danish Compromise method (phased-in/fully loaded)	15.8%/15.7%	16.2%/15.8%
Common equity ratio according to FICOD method (fully loaded)	14.8%	14.5%
Leverage ratio according to Basel III (fully loaded)	5.7%	6.1%
Credit risk		
Credit cost ratio*	-0.10%	0.09%
Impaired loans ratio	6.9%	7.2%
for loans more than 90 days overdue	3.9%	3.9%
Liquidity		
Net stable funding ratio (NSFR)	130%	125%
Liquidity coverage ratio (LCR)	141%	139%

* Negative figure indicates a net impairment release (with positive impact on results).

Analysis of the quarter (2Q2017)

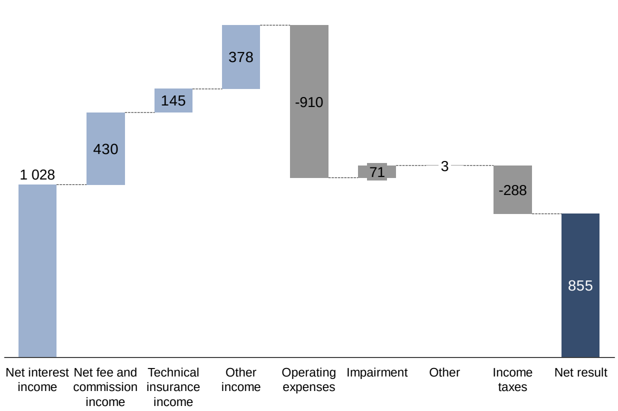
The net result for the quarter amounted to 855 million euros, compared to 630 million euros in the previous quarter and 721 million euros in the corresponding quarter a year earlier.

Note: while the recently acquired UBB and Interlease entities in Bulgaria are included in the group's balance sheet and solvency figures as of 2Q2017, their contribution to the results will only be consolidated as of the next quarter.

Our total income was up 2% on the figure for the previous quarter. Slightly higher net interest income and increased trading and fair value income, dividend income and realised gains offset lower technical insurance income, net fee and commission income and other net income.

Net interest income (1 028 million euros) was slightly up (+0.3%) on its level in the previous quarter, but still down 4% on its year-earlier level. In both cases, it benefited from lower funding costs and strong loan volume growth (see below), as well as the positive effect of enhanced ALM management. These positive items were offset by a lower level of interest income generated by the dealing rooms (including a shift to trading and fair value income), the continued effect of low reinvestment yields, lower prepayment fees on mortgage loan refinancing and loan margin pressure in most core countries. As a result, our net interest margin came to 1.86% for the quarter under review, down 2 and 8 basis points, respectively, on the figure recorded in the previous and year-earlier quarters. As already mentioned, interest income continued to be supported by loan volume growth: on a comparable basis (i.e. excluding UBB and Interlease), our total volume of lending rose by 2% quarter-on-quarter and by 4% year-on-year, with growth in all business units. Deposits too increased, going up 2% quarter-on-quarter and 8% year-on-year on a comparable basis, and again increasing in all business units.

Breakdown of the 2Q2017 result



Technical income from our non-life and life insurance activities (earned premiums less technical charges, plus the ceded reinsurance result) stood at 145 million euros in the quarter under review. Non-life insurance activities contributed 169 million euros to that technical insurance income, 8% less than in the previous quarter, as increased premium income was offset by a higher level of technical charges and a lower reinsurance result. Compared to a year ago, however, the non-life activities contributed 32% more to the result, thanks essentially to higher premium income combined with lower technical charges. As a result, our combined ratio for the first half of 2017 came to an exceptionally good 84%, compared to 93% for full-year 2016. The technical insurance income of our life insurance activities stood at -24 million euros, compared to -28 million euros in the previous quarter and -38 million euros in the year-earlier quarter. Compared to the first quarter of 2017 and the second quarter of 2016, the aggregate sales of life insurance products fell by 12% and 26%, respectively. In both cases, the bulk of the decline was due to a decrease in the sale of guaranteed interest life products in Belgium. Consequently, the share of guaranteed interest products in the total sale of life insurance products dropped to 53% in the second quarter of 2017, with unit-linked products accounting for the remaining 47%.

Notwithstanding being 2% lower than the very strong performance in the previous quarter, our net fee and commission income remained high in the quarter under review. Year-on-year, it increased significantly by no less than 19% to 430 million euros. The overall strong performance of this income line was largely attributable to the contribution of entry and management fees generated by our asset management activities. At the end of June 2017, our total assets under management stood at 215 billion euros, only marginally down quarter-on-quarter, but up almost 4% year-on-year, thanks mainly to a positive price performance.

All other income items amounted to an aggregate 378 million euros, compared to 328 million euros in the previous quarter and 365 million euros in the year-earlier quarter. The figure for the second quarter of 2017 included 52 million euros in gains realised on the sale of available-for-sale securities (mainly shares), 30 million euros in dividend income (the second quarter of the year traditionally includes the bulk of dividends received) and 47 million euros in other net income. It also included a high 249-million-euro net result from financial instruments at fair value (trading and fair value income), up on the already high 191 million euros in the previous quarter and the 154 million euros in the year-earlier quarter. In both cases, this came about largely because of the higher value of derivatives used for asset/liability management purposes (mainly related to CZK swaps) and stronger dealing room results, despite the aggregate negative impact of various (market, credit and funding) value adjustments.

Disregarding bank taxes, costs went up 3% quarter-on-quarter and 5% year-on-year

At first sight, costs fell significantly compared to the previous quarter (-26% to 910 million euros), but this was due entirely to the fact that the first quarter of the year includes the upfront booking of the largest part of the bank tax for the full year (361 million euros in the first quarter of 2017, compared with a mere 19 million euros in the quarter under review).

Disregarding these bank taxes, costs were up 3% on the previous quarter and 5% on the year-earlier quarter. In both cases, this increase related to higher staff costs (wage drift, pension expenses, etc.), increased professional fees (related to closure of the deal to acquire UBB/Interlease, among other things), higher ICT expenses, etc.

As a result, the cost/income ratio of our banking activities stood at 56% in the first half of 2017. When the bank taxes are evenly spread throughout the year and certain non-operating items are excluded (mark-to-market of derivatives used for asset/liability management purposes, the impact of legacy legal cases, the effect of the liquidation of group companies, etc.), our adjusted cost/income ratio for the first half of 2017 came to a solid 53%, compared to 57% for full year 2016.

Significant net loan loss impairment releases in the quarter under review

In the second quarter of 2017, we released 78 million euros of loan loss impairment (leading to a positive impact on the results). This compares with a net impairment addition (with a negative impact) of 6 million euros in the previous quarter and 50 million euros in the year-earlier quarter. The net impairment release in the quarter under review can essentially be attributed to Ireland, where there was a net release of 87 million euros due mainly to the increase in the 9-month average house price index, some model-related adjustments and an improvement in the portfolio of non-performing loans. In all the other core countries, there was either a small release of impairment (Belgium: 4 million euros, Hungary: 9 million euros) or very low level of impairment additions (7 million euros in the Czech Republic, 1 million euros in Slovakia, 3 million euros in Bulgaria and 11 million euros in the Group Centre). Consequently, the annualised loan loss impairment for the entire group in the first half of 2017 accounted for an extremely low -0.10% of the total loan portfolio (a negative figure indicates a positive impact on the results).

Loan quality improved further: at the end of June 2017, some 6.9% of our loan book (which for the first time includes the UBB loans) was classified as impaired, with 3.9% being ‘impaired and more than 90 days past due’ (compared with 7.2% and 3.9%, respectively, at the beginning of 2017 and 7.8% and 4.4%, respectively, at the end of June 2016).

Impairment on assets other than loans stood at 7 million euros, compared to 1 million in the previous quarter and 21 million euros in the second quarter of 2016.

Income tax expense

There was an income tax charge of 288 million euros in the second quarter of 2017, compared to 85 million euros in the previous quarter and 194 million euros in the year-earlier quarter. The quarter-on-quarter difference is – aside from the higher taxable base in the current quarter – also accounted for by the fact that the first quarter of 2017 had benefited from a high amount of deferred tax assets (including 66 million euros related to the liquidation of an Irish group company).

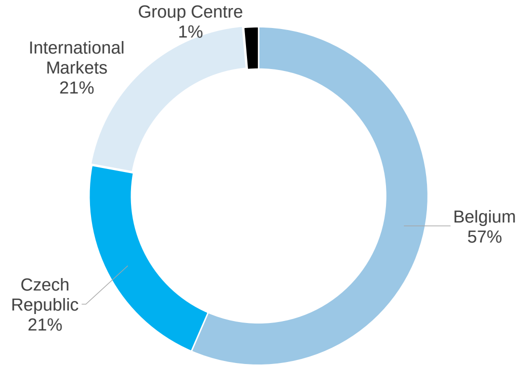
Results per business unit (quarter-on-quarter)

Our quarterly profit of 855 million euros breaks down as follows:

- 483 million euros for the Belgium Business Unit.

  At first sight, the net result increased by 60% quarter-on-quarter. However, excluding the effect of the bank tax (the largest part of which is booked in the first quarter), the net result was more or less in line with the previous quarter, as the seasonally higher level of dividend income, higher realised gains on the sale of financial assets and significantly lower loan loss impairments (even a slight release in the second quarter of 2017) were offset by a slight decrease in net interest income, a lower level of technical insurance income, a decrease in trading and fair value income, lower (but still strong) net fee and commission income, lower other net income and slightly higher costs.

Contribution of the business units to the group result (2Q2017)



- 183 million euros for the Czech Republic Business Unit.

  The net result was more or less unchanged on its level for the previous quarter. Excluding the effect of the bank tax, this translates into a decrease of 9% compared to the strong performance recorded in the previous quarter, with the positive impact of higher net interest income, increased technical insurance income and high trading and fair value income being offset by lower realised gains on the sale of financial assets and the lower level of other net income (the previous quarter had benefited from a positive one-off item), higher costs and increased loan loss impairment.

- 177 million euros for the International Markets Business Unit (25 million euros for Slovakia, 47 million euros for Hungary, 5 million euros for Bulgaria and 99 million euros for Ireland). Excluding the effect of the bank tax, this comes to a quarter-on-quarter increase of 21% for the business unit as a whole, which was mainly attributable to Ireland, where loan loss impairment releases increased from 50 million in the previous quarter to 87 million euros in the quarter under review, primarily on account of the increase in the 9-month average house price index, some model-related adjustments and an improvement in the portfolio of non-performing loans.

- 12 million euros for the Group Centre, 21 million euros down on the previous quarter, which had included the positive impact of the booking of a 66 million euros deferred tax asset relating to the liquidation of IIB Finance Ireland.

	Belgium		Czech Republic		International Markets	
Selected ratios per business unit	**1H2017**	**FY2016**	**1H2017**	**FY2016**	**1H2017**	**FY2016**
Cost/income ratio, banking (between brackets: when evenly spreading bank taxes and excl. certain non-operating items)	56% (52%)	54% (55%)	41% (40%)	45% (46%)	66% (64%)	64% (66%)
Combined ratio, non-life insurance	81%	92%	98%	96%	89%	94%
Credit cost ratio*	0.11%	0.12%	0.06%	0.11%	-1.10%	-0.16%

* Negative figure indicates a net impairment release (with positive impact on results).

A full results table is provided in the 'Additional information' section of the quarterly report. A short analysis of the results per business unit is provided in the analyst presentation (available at www.kbc.com).

Strong fundamentals: equity, solvency and liquidity

At the end of June 2017, our total equity stood at 18.1 billion euros (16.7 billion euros in parent shareholders' equity and 1.4 billion euros in additional tier-1 instruments), up 0.7 billion euros on its level at the beginning of the year. The change during the first six months of the year resulted from the inclusion of the profit for that period (+1.5 billion euros), the payout of the final dividend in May (-0.8 billion euros), changes in the available-for-sale and cash flow hedge reserves (-0.2 and +0.2 billion euros, respectively) and a number of minor items.

At 30 June 2017, our fully loaded common equity ratio (Basel III, under the Danish compromise) stood at a strong 15.7% (this figure includes the -0.5% impact of the acquisition of UBB and Interlease). Our leverage ratio (Basel III, fully loaded) came to 5.7%. The solvency ratio for KBC Insurance under the Solvency II framework was a sound 217% at 30 June 2017.

Our liquidity position remained excellent too, as reflected in an LCR ratio of 141% and an NSFR ratio of 130% at the end of June 2017.

Analysis of the year-to-date period (1H2017)

The net result for the first half of 2017 amounted to 1 485 million euros, compared to 1 113 million euros in 1H2016.

Highlights (compared to 1H2016):

- Somewhat lower net interest income (-4% to 2 052 million euros). On a comparable basis, the volume of deposits increased (+8%), as did the volume of lending (+4%). The net interest margin in 1H2017 came to 1.87% (1.95% in 1H2016).
- A higher contribution made by the technical insurance result (+57% to 301 million euros), due especially to the non-life insurance activities, where premium income rose and claims fell (1H2016 had included the effect of the Brussels' terrorist attacks and the bad weather conditions). The resulting year-to-date non-life combined ratio stood at an exceptionally good 84%. Life insurance sales were down by 22%, mainly on account of a decrease in the sale of interest-guaranteed products.
- Significantly higher net fee and commission income (+23% to 869 million euros), attributable primarily to our asset management services. At the end of June 2017, total assets under management stood at 215 billion euros, a year-on-year increase of 4%, thanks to a positive price performance.
- A higher level of all other income items combined (704 million euros). This included a significantly higher net result from financial instruments at fair value (+78% to 439 million euros), lower net realised gains from available-for-sale assets (-38% to 97 million euros, since the reference period had included the gain on the sale of Visa Europe shares), somewhat lower dividend income (-4% to 44 million euros) and an increase in other net income (+26% to 124 million euros).
- Slightly higher operating expenses (+2% to 2 139 million euros), owing basically to higher staff costs (wage drift and pension expenses), increased ICT costs and higher professional fees. As a result, the year-to-date cost/income ratio came to 56%, or an adjusted 53% when the bank taxes are evenly spread throughout the year and certain non-operating items are excluded.
- Significantly lower loan loss impairment (from a net addition of 54 million euros in 1H2016 to a net release of 72 million euros in 1H2017). As a result, the annualised credit cost ratio for the whole group stood at an excellent -0.10% (a negative figure indicates a positive impact on the results).
- The net result for 1H2017 breaks down as follows: 785 million euros for the Belgium Business Unit (+35% compared to 1H2016), 364 million euros for the Czech Republic Business Unit (+14%), 292 million euros for the International Markets Business Unit (+60%) and 45 million euros for the Group centre (+43%). The 1H2017 result for the International Markets Business Unit breaks down into 166 million euros for Ireland (+213%, due essentially to loan loss impairment releases), 68 million euros for Hungary (+4%), 47 million euros for Slovakia (-17%) and 9 million euros for Bulgaria (+10%).

Risk statement

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, market 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 we closely monitor and manage each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

At present, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to us. Regulatory uncertainty regarding capital requirements is a dominant theme for the sector, besides enhanced consumer protection. Another ongoing challenge remains the low interest rate environment, despite the recent uptrend, particularly for longer maturities. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit or protectionist measures in the US, which will have an impact on the European economy. EU political risks have receded following the outcome of the Dutch and French elections, but concerns remain about the banking sector in certain countries. Financial technology is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.

On the macroeconomic front, the strong momentum of economic growth worldwide continued in the second quarter of 2017. Against this background, the Fed raised its policy rate as planned by another 25 basis points in June 2017. Economic growth in the euro area remained well above its long-term rate, leading to further improvements on the European labour market. On balance, oil prices fell slightly during the second quarter, keeping a lid on headline inflation. Core inflation remained low in the euro area, partly as a result of subdued wage growth. Global long-term government bond yields were overall broadly unchanged, remaining at low levels with German yields slightly higher and US yields slightly lower. Meanwhile, the intra-EMU sovereign yield spreads narrowed, while the euro continued to strengthen against the US dollar, reflecting the strong momentum of growth in the euro area.

Risk management data is provided in our annual reports, quarterly reports and dedicated risk reports, all of which are available at www.kbc.com.

Our views and guidance

Our view on interest rates and foreign exchange rates: from early 2018 on, we expect the ECB to gradually phase out its QE programme and to end it by mid-2018. It will probably only raise its policy rate in 2019. In the meantime, we expect another policy rate hike by the Fed in 2017 and three more in 2018 (each time by 25 basis points). As a result, we believe that the US dollar will appreciate against the euro in 2017, as it will benefit from short-term interest rate support. Given the low inflation environment and still highly accommodating global monetary policies, German and US long-term bond yields are expected to rise only moderately in the period ahead.

Our view on economic growth: the economic environment in the euro area is favourable and, as a result, the consumer sector there remains solid. The unemployment rate is steadily falling, which will further support consumption in the period ahead. The most significant risks stem from the trend of de-globalisation and from geopolitical concerns, which could create additional uncertainty and hence affect economic sentiment.

Our guidance:

- For Ireland, our updated guidance for loan impairment is for a net release of 160 to 200 million euros for full year 2017.
- We estimate the impact of the first-time application of IFRS 9 (replacing the relevant requirements of IAS 39 as of 1 January 2018) on our fully loaded common equity ratio to be a decrease of 45-55 basis points, mainly related to reclassifications of the banking book (estimate based on the situation at mid-2017).
- In line with our dividend policy, the Board has decided to pay an interim dividend of 1 euro per share, as an advance payment on the total dividend (payment date 17 November 2017; record date: 16 November 2017, ex-coupon date 15 November 2017).
- The planned reform of the Belgian corporate income tax regime announced on 26 July 2017 would impact KBC mainly because of the intended gradual decrease in the tax rate from 33.99% to 29.58% (as of accounting year 2018) and to 25% (as of accounting year 2020). We expect this to have a recurring positive impact on the income statement from 2018 onwards, a slightly positive one-off impact (of roughly +0.2%) on the common equity ratio in the second half of 2017, and an estimated one-off negative upfront impact on the income statement in the second half of 2017 (estimated at -230 million euros, related to a reduction in the amount of deferred tax assets). More information in this regard is provided under the note on post-balance sheet events in the ‘Consolidated financial statements’ of the 2Q2017 quarterly report.

KBC Group Consolidated financial statements according to IFRS 2Q 2017 and 1H2017

Section reviewed by the Auditor

Consolidated income statement

(in millions of EUR)	Note	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Net interest income	3.1	2 052	2 137	1 028	1 025	1 070
Interest income	3.1	3 142	3 375	1 566	1 576	1 654
Interest expense	3.1	- 1 090	- 1 238	- 538	- 551	- 585
Non-life insurance before reinsurance	3.7	366	286	179	187	141
Earned premiums Non-life	3.7	729	690	369	360	349
Technical charges Non-life	3.7	- 363	- 404	- 190	- 173	- 208
Life insurance before reinsurance	3.7	- 52	- 73	- 24	- 28	- 38
Earned premiums Life	3.7	579	827	267	312	402
Technical charges Life	3.7	- 631	- 901	- 291	- 341	- 440
Ceded reinsurance result	3.7	- 13	- 21	- 10	- 4	- 13
Dividend income		44	46	30	15	36
Net result from financial instruments at fair value through profit or loss	3.3	439	247	249	191	154
Net realised result from available-for-sale assets	3.4	97	155	52	45	128
Net fee and commission income	3.5	869	706	430	439	360
Fee and commission income	3.5	1 368	1 024	748	620	517
Fee and commission expense	3.5	- 499	- 318	- 318	- 181	- 157
Net other income	3.6	124	98	47	77	47
TOTAL INCOME		3 926	3 581	1 980	1 946	1 885
Operating expenses	3.8	- 2 139	- 2 090	- 910	- 1 229	- 904
Staff expenses	3.8	- 1 141	- 1 111	- 577	- 565	- 555
General administrative expenses	3.8	- 869	- 859	- 269	- 601	- 288
Depreciation and amortisation of fixed assets	3.8	- 129	- 120	- 65	- 63	- 61
Impairment	3.10	64	- 99	71	- 8	- 71
on loans and receivables	3.10	72	- 54	78	- 6	- 50
on available-for-sale assets	3.10	- 3	- 43	- 2	- 1	- 20
on goodwill	3.10	0	0	0	0	0
on other	3.10	- 5	- 2	- 5	0	- 1
Share in results of associated companies and joint ventures		8	13	3	5	6
RESULT BEFORE TAX		1 858	1 405	1 144	715	916
Income tax expense	3.12	- 373	- 292	- 288	- 85	- 194
RESULT AFTER TAX		1 485	1 113	855	630	721
Attributable to minority interest		0	0	0	0	0
Attributable to equity holders of the parent		**1 485**	**1 113**	**855**	**630**	**721**
Earnings per share (in EUR)						
Basic		3,49	2,60	2,01	1,47	1,69
Diluted		3,49	2,60	2,01	1,47	1,69

Impact acquisition UBB/Interlease:
There is no impact yet on the income statement (except for some acquisition related costs included in General administrative expenses) as the closing date (on which the control was transferred to KBC) was very close to 30 June 2017. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

Consolidated statement of comprehensive income (condensed)

(in millions of EUR)	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
RESULT AFTER TAX	1 485	1 113	855	630	721
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	1 485	1 113	855	630	721
Other comprehensive income - to be recycled to P&L	- 22	- 417	84	- 106	- 166
Net change in revaluation reserve (AFS assets) - Equity	- 5	- 204	- 42	37	- 98
Net change in revaluation reserve (AFS assets) - Bonds	- 169	272	45	- 214	75
Net change in revaluation reserve (AFS assets) - Other	0	0	0	0	0
Net change in hedging reserve (cash flow hedge)	160	- 470	80	79	- 140
Net change in translation differences	- 5	- 14	- 3	- 2	- 4
Net change related to associated companies & joint ventures	- 2	0	5	- 7	0
Other movements	- 1	- 1	- 1	0	0
Other comprehensive income - not to be recycled to P&L	27	- 246	- 11	38	- 43
Net change in defined benefit plans	33	- 246	- 8	41	- 43
Net change on own credit risk - liabilities designated at FV(T)PL	- 5	0	- 3	- 2	0
Net change related to associated companies & joint ventures	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME	1 490	449	928	562	512
attributable to minority interest	0	0	0	0	0
attributable to equity holders of the parent	1 490	449	928	562	512

The largest movements in other comprehensive income (1H 2017 vs. 1H 2016):

- Net change in revaluation reserve (AFS assets) – Equity: the -5 million euros in 1H 2017 can be explained for a large part by transfer to net result (gains on disposal) partly compensated by positive stock exchange movements, while the -204 million euros in 1H 2016 was affected by transfers to net result (gains on disposal) and negative fair value movements.
- In 1H 2017 an increase in long-term interest rates drives the following impacts:
  - Net change in revaluation reserve (AFS assets) – Bonds: -169 million euros
  - Net change in hedging reserve (cash flow hedge): +160 million euros
  - Net change in defined benefit plans: +33 million euro
- In 1H 2016 a decrease in long-term interest rates drives the following impacts:
  - Net change in revaluation reserve (AFS assets) – Bonds: +272 million euros
  - Net change in hedging reserve (cash flow hedge): -470 million euros
  - Net change in defined benefit plans: -246 million euro

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	30-06-2017	31-12-2016
Cash, cash balances at central banks and other demand deposits		32 546	20 686
Financial assets	4.1 - 4.7	255 465	246 298
Held for trading	4.1 - 4.7	9 055	9 683
Designated at fair value through profit or loss	4.1 - 4.7	14 408	14 184
Available for sale	4.1 - 4.7	35 418	36 708
Loans and receivables	4.1 - 4.7	164 754	151 615
Held to maturity	4.1 - 4.7	31 432	33 697
Hedging derivatives	4.1 - 4.7	399	410
Reinsurers' share in technical provisions		119	110
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 3	202
Tax assets		2 210	2 312
Current tax assets		91	66
Deferred tax assets		2 119	2 246
Non-current assets held for sale and assets associated with disposal groups		24	8
Investments in associated companies and joint ventures		217	212
Investment property		442	426
Property and equipment		2 541	2 451
Goodwill and other intangible assets		1 152	999
Other assets		1 767	1 496
TOTAL ASSETS		296 479	275 200

LIABILITIES AND EQUITY (in millions of EUR)	Note	30-06-2017	31-12-2016
Financial liabilities	4.1 - 4.7	255 641	234 300
Held for trading	4.1 - 4.7	8 019	8 559
Designated at fair value through profit or loss	4.1 - 4.7	14 966	16 553
Measured at amortised cost	4.1 - 4.7	231 148	207 485
Hedging derivatives	4.1 - 4.7	1 508	1 704
Technical provisions, before reinsurance		18 905	19 657
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		79	204
Tax liabilities		659	681
Current tax liabilities		205	188
Deferred tax liabilies		455	493
Provisions for risks and charges		257	238
Other liabilities		2 873	2 763
TOTAL LIABILITIES		278 414	257 843
Total equity	5.10	18 065	17 357
Parent shareholders' equity	5.10	16 665	15 957
Additional Tier-1 instruments included in equity	5.10	1 400	1 400
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		296 479	275 200

In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet has been slightly changed: Cash and cash balances includes as of 2017 also other demand deposits with credit institutions and consequently has been renamed ‘Cash, cash balances at central banks and other demand deposits from credit institutions’.   The reference figures have been restated accordingly (shift of 538 million euros mainly from Loans and receivables).

The balance sheet includes UBB/Interlease: for more information see note ‘Main changes in the scope of consolidation’ (note 6.6) further in this report.

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	Own credit risk (through OCI)	Retained earnings	Translation differences	Parent share-holders' equity	Tier-1 instruments included in equity	Minority interests	Total equity
30-06-2017													
Balance at the beginning of the period (01-01-2017)	**1 455**	**5 453**	**0**	**1 756**	**- 1 347**	**- 138**	**- 4**	**8 751**	**31**	**15 957**	**1 400**	**0**	**17 357**
Net result for the period	0	0	0	0	0	0	0	1 485	0	1 485	0	0	1 485
Other comprehensive income for the period	0	0	0	- 181	160	33	- 5	- 1	- 1	5	0	0	5
Total comprehensive income	**0**	**0**	**0**	**- 181**	**160**	**33**	**- 5**	**1 484**	**- 1**	**1 490**	**0**	**0**	**1 490**
Dividends	0	0	0	0	0	0	0	- 753	0	- 753	0	0	- 753
Coupon additional Tier-1 instruments	0	0	0	0	0	0	0	- 26	0	- 26	0	0	- 26
Purchases of treasury shares	0	0	- 2	0	0	0	0	0	0	- 2	0	0	- 2
Change in minorities	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in scope	0	0	0	0	0	0	0	0	0	0	0	0	0
Total change	**0**	**0**	**- 2**	**- 181**	**160**	**33**	**- 5**	**705**	**- 1**	**708**	**0**	**0**	**708**
Balance at the end of the period	**1 455**	**5 453**	**- 2**	**1 575**	**- 1 187**	**- 105**	**- 10**	**9 456**	**30**	**16 665**	**1 400**	**0**	**18 065**
of which revaluation reserve for shares				485									
of which revaluation reserve for bonds				1 090									
of which relating to equity method				19	0	0	0	0	11	30			30
30-06-2016													
Balance at the beginning of the period (01-01-2016)	1 454	5 437	0	1 782	- 1 146	94		6 779	11	14 411	1 400	0	15 811
Net result for the period	0	0	0	0	0	0		1 113	0	1 113	0	0	1 113
Other comprehensive income for the period	0	0	0	69	- 470	- 246		- 1	- 15	- 664	0	0	- 664
Total comprehensive income	**0**	**0**	**0**	**69**	**- 470**	**- 246**		**1 112**	**- 15**	**449**	**0**	**0**	**449**
Dividends	0	0	0	0	0	0		0	0	0	0	0	0
Coupon additional Tier-1 instruments	0	0	0	0	0	0		- 26	0	- 26	0	0	- 26
Change in minorities	0	0	0	0	0	0		0	0	0	0	0	0
Total change	**0**	**0**	**0**	**69**	**- 470**	**- 246**		**1 086**	**- 15**	**423**	**0**	**0**	**423**
Balance at the end of the period	**1 454**	**5 437**	**0**	**1 851**	**- 1 617**	**- 153**		**7 865**	**- 4**	**14 834**	**1 400**	**0**	**16 234**
of which revaluation reserve for shares				343									
of which revaluation reserve for bonds				1 509									
of which relating to equity method				22	0	0		0	6	28			28

As an advance payment of the total 2016 dividend, KBC decided to distribute an interim dividend of 1 euro per share (418 million euros in total), paid on 18 November 2016 (already deducted from retained earnings in 2016). Furthermore, for 2016 the board of directors proposed to the general meeting of shareholders, who approved this on 4 May 2017, that a closing dividend of 1.80 euros is paid out per share entitled to dividend (753 million euros in total). This dividend is deducted from retained earnings and is accounted for in 2Q 2017.

Condensed consolidated cash flow statement

in millions of EUR	1H 2017	1H 2016
Cash and cash equivalents at the beginning of the period	26 747	10 987
Net cash from (used in) operating activities	13 451	4 583
Net cash from (used in) investing activities	2 490	345
Net cash from (used in) financing activities	- 337	294
Effects of exchange rate changes on opening cash and cash equivalents	330	- 32
Cash and cash equivalents at the end of the period	42 681	16 177

Cash and cash equivalents increased substantially in 1H 2017 mainly thanks to the higher amount of reverse repos and cash balances at central banks. This was largely generated out of net cash from operating activities largely thanks to higher deposits.

Impact acquisition UBB/Interlease: for more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1.1 in the annual accounts 2016)

The condensed interim financial statements of the KBC Group for the first 6 months ended 30 June 2017 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS').
The same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements, except for the following items:

For financial liabilities, IFRS 9 changes the presentation of gains and losses on own credit risk for financial instruments designated at fair value through profit or loss. KBC early adopts this aspect of IFRS 9 with effect from 1 January 2017 and the gains and losses on own credit risk go through other comprehensive income from now on. The impact of early adoption is minimal given the limited effect of own credit risk.

In order to align with the consolidated financial reporting framework (FINREP) of the European Banking Authority, the presentation of the balance sheet has been slightly changed: Cash and cash balances includes as of 2017 also other demand deposits with credit institutions and consequently has been renamed 'Cash, cash balances at central banks and other demand deposits from credit institutions'. The reference figures have been restated accordingly (shift of 538 million euros mainly from Loans and receivables).

Summary of significant accounting policies (note 1.2 in the annual accounts 2016)

A summary of the main accounting policies is provided in the group's annual accounts as at 31 December 2016.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2.2 in the annual accounts 2016)

For a description on the management structure and linked reporting presentation, reference is made to note 2.1 in the annual accounts 2016.

In millions of EUR	Business unit Belgium	Business unit Czech Republic	Business unit Interna-tional Markets	*of which: Hungary*	*of which: Slovakia*	*of which: Bulgaria*	*of which: Ireland*	Group Centre	KBC Group
1H 2017									
Net interest income	1 236	436	384	*118*	*106*	*24*	*135*	- 3	2 052
Non-life insurance before reinsurance	274	40	48	*18*	*12*	*18*	*0*	4	366
Earned premiums Non-life	514	101	110	*48*	*17*	*45*	*0*	4	729
Technical charges Non-life	- 240	- 61	- 62	*- 30*	*- 5*	*- 27*	*0*	0	- 363
Life insurance before reinsurance	- 87	23	12	*3*	*6*	*2*	*0*	0	- 52
Earned premiums Life	440	95	44	*8*	*26*	*10*	*0*	0	579
Technical charges Life	- 527	- 73	- 32	*- 5*	*- 19*	*- 8*	*0*	1	- 631
Ceded reinsurance result	- 9	- 4	- 2	*- 1*	*- 1*	*0*	*0*	1	- 13
Dividend income	36	0	0	*0*	*0*	*0*	*0*	8	44
Net result from financial instruments at fair value through profit or loss	284	115	48	*33*	*9*	*1*	*5*	- 7	439
Net realised result from available-for-sale assets	55	17	2	*2*	*0*	*1*	*0*	23	97
Net fee and commission income	677	95	102	*77*	*25*	*- 3*	*0*	- 4	869
Net other income	85	31	5	*0*	*4*	*1*	*0*	3	124
TOTAL INCOME	2 550	753	598	*251*	*163*	*43*	*139*	25	3 926
Operating expenses	- 1 366	- 316	- 395	*- 178*	*- 100*	*- 29*	*- 87*	- 62	- 2 139
Impairment	- 58	- 10	139	*9*	*- 3*	*- 4*	*137*	- 7	64
on loans and receivables	- 54	- 6	140	*10*	*- 2*	*- 4*	*137*	- 7	72
on available-for-sale assets	- 3	0	0	*0*	*0*	*0*	*0*	0	- 3
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	- 1	- 3	- 1	*- 1*	*0*	*0*	*0*	0	- 5
Share in results of associated companies and joint ventures	- 4	10	2	*0*	*0*	*0*	*0*	0	8
RESULT BEFORE TAX	1 121	437	344	*82*	*60*	*10*	*189*	- 44	1 858
Income tax expense	- 336	- 73	- 53	*- 14*	*- 14*	*- 1*	*- 24*	89	- 373
RESULT AFTER TAX	785	364	292	*68*	*47*	*9*	*166*	45	1 485
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	785	364	292	*68*	*47*	*9*	*166*	45	1 485
1H 2016									
Net interest income	1 370	421	358	*114*	*107*	*24*	*113*	- 12	2 137
Non-life insurance before reinsurance	201	37	44	*17*	*10*	*17*	*0*	4	286
Earned premiums Non-life	499	91	95	*39*	*15*	*41*	*0*	5	690
Technical charges Non-life	- 298	- 53	- 51	*- 23*	*- 6*	*- 23*	*0*	- 1	- 404
Life insurance before reinsurance	- 99	16	10	*2*	*6*	*2*	*0*	0	- 73
Earned premiums Life	662	118	48	*8*	*26*	*14*	*0*	0	827
Technical charges Life	- 761	- 102	- 37	*- 6*	*- 20*	*- 12*	*0*	0	- 901
Ceded reinsurance result	- 15	- 3	- 2	*- 1*	*- 1*	*0*	*0*	- 2	- 21
Dividend income	36	0	0	*0*	*0*	*0*	*0*	10	46
Net result from financial instruments at fair value through profit or loss	86	73	53	*33*	*11*	*1*	*9*	35	247
Net realised result from available-for-sale assets	72	48	36	*18*	*15*	*3*	*0*	- 1	155
Net fee and commission income	519	95	99	*78*	*22*	*- 2*	*0*	- 7	706
Net other income	90	9	- 1	*0*	*2*	*- 4*	*0*	1	98
TOTAL INCOME	2 260	696	597	*261*	*172*	*41*	*122*	28	3 581
Operating expenses	- 1 347	- 312	- 381	*- 178*	*- 96*	*- 28*	*- 77*	- 50	- 2 090
Impairment	- 78	- 11	- 4	*2*	*- 7*	*- 3*	*4*	- 7	- 99
on loans and receivables	- 34	- 10	- 3	*3*	*- 7*	*- 3*	*4*	- 7	- 54
on available-for-sale assets	- 43	0	0	*0*	*0*	*0*	*0*	0	- 43
on goodwill	0	0	0	*0*	*0*	*0*	*0*	0	0
on other	0	- 1	- 1	*- 1*	*0*	*0*	*0*	0	- 2
Share in results of associated companies and joint ventures	- 1	12	0	*0*	*0*	*0*	*0*	2	13
RESULT BEFORE TAX	834	385	213	*84*	*69*	*10*	*50*	- 27	1 405
Income tax expense	- 254	- 65	- 30	*- 19*	*- 13*	*- 1*	*3*	58	- 292
RESULT AFTER TAX	579	320	183	*65*	*57*	*8*	*53*	31	1 113
Attributable to minority interests	0	0	0	*0*	*0*	*0*	*0*	0	0
NET RESULT	579	320	183	*65*	*57*	*8*	*53*	31	1 113

Other notes

Net interest income (note 3.1 in the annual accounts 2016)

In millions of EUR	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Total	2 052	2 137	1 028	1 025	1 070
Interest income	3 142	3 375	1 566	1 576	1 654
Available-for-sale assets	327	351	161	166	176
Loans and receivables	1 878	1 920	957	921	943
Held-to-maturity investments	438	488	203	234	243
Other assets not at fair value	75	40	41	33	22
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 717*	*2 799*	*1 363*	*1 354*	*1 384*
Financial assets held for trading	295	351	143	152	166
Hedging derivatives	127	153	59	68	76
Other financial assets at fair value through profit or loss	3	71	1	2	28
Interest expense	-1 090	-1 238	- 538	- 551	- 585
Financial liabilities measured at amortised cost	- 465	- 453	- 237	- 228	- 192
Other	- 39	- 5	- 22	- 18	- 1
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 504*	*- 458*	*- 259*	*- 245*	*- 193*
Financial liabilities held for trading	- 334	- 401	- 163	- 171	- 193
Hedging derivatives	- 232	- 291	- 107	- 125	- 144
Other financial liabilities at fair value through profit or loss	- 16	- 82	- 8	- 8	- 49
Net interest expense on defined benefit plans	- 4	- 6	- 2	- 2	- 5

Net result from financial instruments at fair value through profit or loss (note 3.3 in the annual accounts 2016)

The result from financial instruments at fair value through profit or loss in 2Q 2017 is 58 million euros higher compared to 1Q 2017. The quarter-on-quarter increase is due to:

- higher results for MtM ALM derivatives for a large part attributable to CZK swaps as a result of the opposite evolution of interest rate spreads between CZK and EUR in 2Q and 1Q 2017 (widening of interest rate spreads between CZK and EUR in 1Q versus tightening in 2Q).
- to a lesser extent a higher level of dealing room income
- partly offset by negative market value adjustments in 2Q 2017 (compared to positive in 1Q 2017).

Compared to 2Q 2016, the result from financial instruments at fair value through profit or loss is 94 million euros higher in 2Q 2017, for a large part explained by:

- a higher level of dealing room income
- higher results for MtM ALM derivatives for a large part attributable to CZK swaps (2Q 2017)
- partly offset by negative market value adjustments in 2Q 2017 (compared to positive in 2Q 2016).

The result from financial instruments at fair value through profit or loss in 1H 2017 is 192 million euros higher compared to 1H 2016, for a large part explained by:

- a higher level of dealing room income
- to a lesser extent higher results for MtM ALM derivatives (due to an interest decrease in 1H 2016)

Net realised result from available-for-sale assets (note 3.4 in the annual accounts 2016)

In millions of EUR	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Total	97	155	52	45	128
Breakdown by portfolio					
Fixed-income securities	22	7	8	14	1
Shares	75	148	44	31	127

Net fee and commission income (note 3.5 in the annual accounts 2016)

In millions of EUR	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Total	869	706	430	439	360
Income	1 368	1 024	748	620	517
Expense	- 499	- 318	- 318	- 181	- 157
			0		
Breakdown by type			0		
Asset Management Services	637	482	314	323	248
Income	664	500	331	333	258
Expense	- 28	- 18	- 18	- 10	- 10
Banking Services	374	360	190	184	183
Income	675	495	407	268	250
Expense	- 301	- 135	- 217	- 84	- 67
Distribution	- 141	- 136	- 73	- 68	- 71
Income	29	29	10	19	13
Expense	- 170	- 165	- 83	- 87	- 84

Presentation change to the note Net fee and commission income: in view of a more transparent breakdown of the net fee and commission income, the following breakdown is provided as of 2017 (reference figures restated accordingly):

- Asset management services: include the income and expense relating to management fees and entry fees
- Banking services: include the income and expense relating to credit/guarantee related fees, payment service fees and securities related fees.
- Distribution: include the income and expense relating to the distribution of mutual funds, banking products and insurance products

The substantial increase in 2Q 2017 of the fee and commission income as well as expense within banking services is related to stock lending: the income includes dividends received on borrowed shares, while the expense includes the transfer of this dividend to the lender of the shares.

Net other income (note 3.6 in the annual accounts 2016)

In millions of EUR	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Total	124	98	47	77	47
Of which net realised result following					
The sale of loans and receivables	2	0	0	2	0
The sale of held-to-maturity investments	2	1	- 4	6	0
Other: of which:	120	104	51	69	54
Income concerning leasing at the KBC Lease-group	40	39	20	20	19
Income from Group VAB	36	38	18	18	19
Settlement of an old legal file	14	0	0	14	0

Note: old legal file related to Czech Republic.

Breakdown of the insurance results (note 3.7.1 in the annual accounts 2016)

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
1H 2017				
Earned premiums, insurance (before reinsurance)	580	740		1 320
Technical charges, insurance (before reinsurance)	- 632	- 363		- 995
Net fee and commission income	- 3	- 142		- 145
Ceded reinsurance result	- 1	- 13		- 14
Operating expenses	- 77	- 122	- 1	- 201
Internal costs claim paid	- 4	- 28		- 32
Administration costs related to acquisitions	- 16	- 40		- 55
Administration costs	- 57	- 55		- 112
Management costs investments	0	0	- 1	- 1
Technical result	- 132	99	- 1	- 35
Net interest income			284	284
Dividend income			27	27
Net result from financial instruments at fair value			- 6	- 6
Net realised result from AFS assets			47	47
Net other income			- 8	- 8
Impairments			- 4	- 4
Allocation to the technical accounts	276	43	- 319	0
Technical-financial result	143	142	21	306
Share in results of associated companies and joint ventures			2	2
RESULT BEFORE TAX	143	142	23	308
Income tax expense				- 85
RESULT AFTER TAX				223
attributable to minority interest				0
attributable to equity holders of the parent				223
1H 2016				
Earned premiums, insurance (before reinsurance)	828	700		1 528
Technical charges, insurance (before reinsurance)	- 901	- 404		- 1 305
Net fee and commission income	- 17	- 133		- 150
Ceded reinsurance result	0	- 21		- 21
Operating expenses	- 74	- 121	- 1	- 197
Internal costs claim paid	- 4	- 29		- 33
Administration costs related to acquisitions	- 16	- 41		- 57
Administration costs	- 54	- 51		- 105
Management costs investments	0	0	- 1	- 1
Technical result	- 164	21	- 1	- 145
Net interest income			310	310
Dividend income			32	32
Net result from financial instruments at fair value			- 5	- 5
Net realised result from AFS assets			37	37
Net other income			- 4	- 4
Impairments			- 44	- 44
Allocation to the technical accounts	273	32	- 306	0
Technical-financial result	110	53	19	181
Share in results of associated companies and joint ventures			2	2
RESULT BEFORE TAX	110	53	20	183
Income tax expense				- 61
RESULT AFTER TAX				122
attributable to minority interest				0
attributable to equity holders of the parent				123

Note: Figures for premiums exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2016 annual accounts).

Operating expenses – income statement (note 3.8 in the annual accounts 2016)

The operating expenses for 2Q 2017 include 19 million euros related to bank (and insurance) levies (361 million euros in 1Q 2017; 51 million euros in 2Q 2016; 380 million euros in 1H 2017 and 386 million euros in 1H 2016). Application of IFRIC 21 (Levies) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year.

Impairment – income statement (note 3.10 in the annual accounts 2016)

In millions of EUR	1H 2017	1H 2016	2Q 2017	1Q 2017	2Q 2016
Total	64	- 99	71	- 8	- 71
Impairment on loans and receivables	72	- 54	78	- 6	- 50
Breakdown by type					
Specific impairments for on-balance-sheet lending	83	- 33	63	20	- 24
Provisions for off-balance-sheet credit commitments	- 27	6	5	- 32	- 1
Portfolio-based impairments	16	- 27	10	6	- 25
Breakdown by business unit					
Business unit Belgium	- 54	- 34	4	- 59	- 28
Business unit Czech Republic	- 6	- 10	- 7	1	- 9
Business unit International Markets	140	- 3	92	48	- 6
of which: Hungary	*10*	*3*	*9*	*1*	*1*
of which: Slovakia	*- 2*	*- 7*	*- 1*	*- 2*	*- 6*
of which: Bulgaria	*- 4*	*- 3*	*- 3*	*- 1*	*- 1*
of which: Ireland	*137*	*4*	*87*	*50*	*1*
Group Centre	- 7	- 7	- 11	4	- 7
Impairment on available-for-sale assets	- 3	- 43	- 2	- 1	- 20
Breakdown by type					
Shares	- 3	- 43	- 2	- 1	- 20
Other	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 5	- 2	- 5	0	- 1
Intangible assets, other than goodwill	0	- 1	0	0	- 1
Property and equipment and investment property	- 4	0	- 4	0	0
Held-to-maturity assets	0	0	0	0	0
Associated companies and joint ventures	0	0	0	0	0
Other	- 1	- 1	- 1	0	0

Income tax expense – income statement (note 3.12 in the annual accounts 2016)

In 1Q 2017, the income tax expenses were positively influenced by 66 million euros of deferred tax assets (DTA) related to the liquidation of IIB Finance Ireland at KBC Bank NV. According to Belgian tax law, the loss in paid-in capital that KBC Bank sustained as a result of the liquidation of IIB Finance Ireland is tax deductible for the parent company on the date of liquidation, rather than at the time the losses were incurred.

Financial assets and liabilities: breakdown by portfolio and product (note 4.1 in the annual accounts 2016)

The impact of the acquisition of UBB/Interlease on the financial assets and liabilities by product is shown in an additional pro forma column 'Total excluding UBB/Interlease' for informational purposes in order to provide a transparent view on the evolution of the financial assets and liabilities excluding this acquisition. For more information see note 'Main changes in the scope of consolidation' (note 6.6) further in this report.

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total	Total excluding UBB/Interlease
FINANCIAL ASSETS, 30-06-2017								
Loans and advances to credit institutions and investment firms [a]	477	1	0	23 057	-	-	23 535	23 427
Loans and advances to customers [b]	0	43	0	139 308	-	-	139 350	137 486
Excluding reverse repos	*0*	*43*	*0*	*138 480*	-	-	*138 522*	*136 701*
Trade receivables	0	0	0	3 810	-	-	3 810	3 810
Consumer credit	0	0	0	3 886	-	-	3 886	3 534
Mortgage loans	0	27	0	58 581	-	-	58 607	58 188
Term loans	0	16	0	61 961	-	-	61 977	61 249
Finance leasing	0	0	0	5 224	-	-	5 224	5 072
Current account advances	0	0	0	5 334	-	-	5 334	5 120
Securitised loans	0	0	0	0	-	-	0	0
Other	0	0	0	512	-	-	512	512
Equity instruments	462	3	1 681	-	-	-	2 145	2 134
Investment contracts (insurance)	-	14 129	-	-	-	-	14 129	14 129
Debt securities issued by	1 613	233	33 737	1 739	31 432	-	68 753	67 929
Public bodies	1 206	44	22 527	780	29 488	-	54 045	53 425
Credit institutions and investment firms	330	174	5 104	131	1 239	-	6 978	6 798
Corporates	77	15	6 106	829	704	-	7 730	7 705
Derivatives	6 503	-	-	-	-	399	6 903	6 902
Other	0	0	0	650	0	0	650	650
Total carrying value	9 055	14 408	35 418	164 754	31 432	399	255 465	252 655
[a] *Of which reverse repos*							*17 748*	*17 748*
[b] *Of which reverse repos*							*828*	*785*

In millions of EUR	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2016							
Loans and advances to credit institutions and investment firms [a]	6	1	0	16 922	-	-	16 929
Loans and advances to customers [b]	1	77	0	133 154	-	-	133 231
Excluding reverse repos	*1*	*45*	*0*	*132 810*	-	-	*132 856*
Trade receivables	0	0	0	3 549	-	-	3 549
Consumer credit	0	0	0	3 180	-	-	3 180
Mortgage loans	0	29	0	57 307	-	-	57 335
Term loans	0	49	0	59 035	-	-	59 083
Finance leasing	0	0	0	4 916	-	-	4 916
Current account advances	0	0	0	4 640	-	-	4 640
Other	1	0	0	527	-	-	528
Equity instruments	427	2	1 723	-	-	-	2 153
Investment contracts (insurance)	-	13 693	-	-	-	-	13 693
Debt securities issued by	1 001	411	34 985	1 015	33 697	-	71 109
Public bodies	713	47	22 982	16	32 131	-	55 889
Credit institutions and investment firms	127	174	5 032	140	948	-	6 421
Corporates	161	190	6 970	859	618	-	8 799
Derivatives	8 249	-	-	-	-	410	8 659
Other	0	0	0	524	-	-	525
Total carrying value	9 683	14 184	36 708	151 615	33 697	410	246 298
[a] *Of which reverse repos*							*11 776*
[b] *Of which reverse repos*							*376*

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total	Total excluding UBB/Interlease
FINANCIAL LIABILITIES, 30-06-2017						
Deposits from credit institutions and investment firms [a]	62	0	-	40 228	40 290	40 244
Deposits from customers and debt certificates [b]	359	1 627	-	187 952	189 938	186 921
Excluding repos	*358*	*1 627*	-	*186 723*	*188 708*	*185 692*
Demand deposits	0	0	-	71 186	71 186	69 774
Time deposits	38	721	-	21 470	22 229	21 374
Saving accounts	0	0	-	55 762	55 762	55 051
Special deposits	0	0	-	2 331	2 331	2 331
Other deposits	0	0	-	642	642	604
Certificates of deposit	0	9	-	18 254	18 263	18 263
Customer savings certificates	0	0	-	1 765	1 765	1 765
Non-convertible bonds	321	702	-	13 620	14 643	14 643
Non-convertible subordinated liabilities	0	195	-	2 923	3 118	3 118
Liabilities under investment contracts	-	13 339	-	0	13 339	13 339
Derivatives	6 890	0	1 508	-	8 398	8 398
Short positions	701	0	-	-	701	701
in equity instruments	43	0	-	-	43	43
in debt instruments	658	0	-	-	658	658
Other	7	0	-	2 967	2 975	2 975
Total carrying value	8 019	14 966	1 508	231 148	255 641	252 578
[a] *Of which repos*					*14 021*	*14 016*
[b] *Of which repos*					*1 230*	*1 230*

In millions of EUR	Held for trading	Designated at fair value	Hedging derivatives	Measured at amortised cost	Total
FINANCIAL LIABILITIES, 31-12-2016					
Deposits from credit institutions and investment firms [a]	5	1 766	-	30 248	32 020
Deposits from customers and debt certificates [b]	541	2 134	-	175 055	177 730
Excluding repos	*536*	*1 869*	-	*175 017*	*177 421*
Demand deposits	0	0	-	63 427	63 427
Time deposits	117	1 100	-	21 027	22 245
Saving accounts	0	0	-	53 328	53 328
Special deposits	0	0	-	2 056	2 056
Other deposits	0	0	-	630	630
Certificates of deposit	0	14	-	16 629	16 643
Customer savings certificates	0	0	-	1 959	1 959
Non-convertible bonds	424	744	-	12 889	14 057
Non-convertible subordinated liabilities	0	276	-	3 109	3 385
Liabilities under investment contracts	-	12 653	-	0	12 653
Derivatives	7 334	-	1 704	-	9 037
Short positions	665	0	-	-	665
in equity instruments	36	0	-	-	36
in debt instruments	629	0	-	-	629
Other	13	0	-	2 182	2 195
Total carrying value	8 559	16 553	1 704	207 485	234 300
[a] *Of which repos*					*9 420*
[b] *Of which repos*					*309*

Additional information on quarterly time series

Loans and deposits

In millions of EUR	30-06-2017	31-03-2017	31-12-2016	30-09-2016	30-06-2016	31-03-2016
Total customer loans excluding reverse repo						
Business unit Belgium	93 494	92 307	91 804	90 605	90 218	88 881
Business unit Czech Republic	21 520	20 253	19 552	19 269	18 983	18 600
Business unit International Markets	23 508	21 487	21 496	21 268	21 020	21 022
of which: Hungary	*3 893*	*3 825*	*3 802*	*3 727*	*3 556*	*3 592*
of which: Slovakia	*6 284*	*6 217*	*6 094*	*5 910*	*5 756*	*5 584*
of which: Bulgaria	*2 684*	*826*	*835*	*773*	*762*	*741*
of which: Ireland	*10 648*	*10 618*	*10 765*	*10 859*	*10 945*	*11 105*
Group Centre	0	0	4	268	501	620
KBC Group	138 522	134 047	132 856	131 410	130 722	129 123
Mortgage loans						
Business unit Belgium	34 079	34 085	34 265	34 079	33 784	33 394
Business unit Czech Republic	9 867	9 273	9 077	8 799	8 503	8 281
Business unit International Markets	14 661	14 058	13 993	13 897	13 716	13 643
of which: Hungary	*1 494*	*1 469*	*1 451*	*1 441*	*1 379*	*1 375*
of which: Slovakia	*2 770*	*2 695*	*2 608*	*2 491*	*2 316*	*2 146*
of which: Bulgaria	*657*	*236*	*234*	*235*	*237*	*245*
of which: Ireland	*9 740*	*9 657*	*9 700*	*9 731*	*9 784*	*9 877*
Group Centre	0	0	0	0	0	0
KBC Group	58 607	57 416	57 335	56 776	56 003	55 318
Customer deposits and debt certificates excl. repos						
Business unit Belgium	129 825	127 005	125 074	116 489	120 067	114 557
Business unit Czech Republic	28 925	27 770	26 183	25 403	24 888	24 328
Business unit International Markets	21 714	18 539	18 344	18 018	18 117	17 615
of which: Hungary	*6 663*	*6 756*	*6 814*	*6 096*	*6 054*	*5 879*
of which: Slovakia	*5 820*	*5 745*	*5 739*	*5 840*	*5 773*	*5 559*
of which: Bulgaria	*3 846*	*808*	*792*	*750*	*694*	*688*
of which: Ireland	*5 385*	*5 229*	*4 999*	*5 333*	*5 597*	*5 489*
Group Centre	8 244	7 793	7 820	7 624	8 368	8 251
KBC Group	188 708	181 107	177 421	167 534	171 440	164 750

Note: figures of which UBB/Interlease on 30 June 2017:

- *total customer loans excluding reverse repo: 1 822 million euros*
- *mortgage loans: 419 million euros*
- *customer deposits and debt certificates excl. repos: 3 016 million euros*

Technical provisions plus unit linked, life insurance

	30-06-2017		31-03-2017		31-12-2016		30-09-2016		30-06-2016	
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	13 518	13 161	13 816	12 952	14 143	12 760	14 233	12 609	14 183	12 525
Business unit Czech Republic	511	549	495	524	493	525	493	460	492	483
Business unit International Markets	194	419	199	411	196	408	197	402	203	383
of which: Hungary	*47*	*290*	*47*	*285*	*48*	*284*	*49*	*280*	*51*	*267*
of which: Slovakia	*108*	*125*	*108*	*123*	*107*	*122*	*107*	*121*	*107*	*116*
of which: Bulgaria	*38*	*4*	*44*	*3*	*41*	*2*	*42*	*1*	*46*	*0*
KBC Group	14 222	14 129	14 510	13 887	14 832	13 693	14 923	13 471	14 877	13 391

Financial assets and liabilities measured at fair value – fair value hierarchy (note 4.5 in the annual accounts 2016)

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 4.4 up to and including 4.7 of the annual accounts 2016.

Fair value hierarchy				30-06-2017				31-12-2016
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	1 349	5 643	2 062	9 055	1 034	6 585	2 064	9 683
Designated at fair value	13 763	619	26	14 408	13 377	616	191	14 184
Available for sale	30 376	3 452	1 589	35 418	31 427	3 716	1 565	36 708
Hedging derivatives	0	399	0	399	0	410	0	410
Total	45 489	10 113	3 677	59 279	45 838	11 328	3 820	60 986
Financial liabilities measured at fair value								
Held for trading	690	5 016	2 312	8 019	665	5 659	2 234	8 559
Designated at fair value	13 335	1 310	320	14 966	12 652	3 344	557	16 553
Hedging derivatives	0	1 508	0	1 508	0	1 704	0	1 704
Total	14 025	7 835	2 633	24 493	13 318	10 707	2 791	26 815

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (note 4.6 in the annual accounts 2016)

In the first 6 months of 2017, a total amount of 174 million euros in financial instruments at fair value was transferred from level 1 to level 2. KBC also transferred 106 million euros in financial instruments at fair value from level 2 to level 1. The majority of the transfers is due to changed liquidity of corporate and government bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (note 4.7 in the annual accounts 2016)

In the first 6 months of 2017 the following material movements are observed with respect to instruments classified in level 3 of the fair value level hierarchy:

- In the assets held for trading category, the fair value of debt securities decreased by 70 million euros, mainly due to the termination of CDO deals (85 million euros) and the fair value of derivatives increased by 30 million euros, due to the purchase of derivatives (254 million euros), largely offset by matured positions (-146 million euros) and fair value changes (-70 million euros).

- In the assets designated at fair value through profit and loss, the fair value of debt securities decreased mainly due to the termination of CDO deals (-171 million euros).

- The available for sale category remains largely at the same level, but includes compensating effects between debt securities and unquoted equities:

    - In the available for sale unquoted equities, total fair value increased by 64 million euros for a large part due to acquisitions, changes in fair value and changes in consolidation scope.

    - In the available for sale assets, the fair value of debt securities decreased by 40 million euros. A total amount of bonds of about 102 million euros was transferred into level 3 and 141 million euros out of level 3. The majority of the transfers is due to changed liquidity of bonds. The fair value increased by 113 million euros due to purchase of bonds, almost entirely offset by sales, maturities and fair value movements.

- In the liabilities held for trading category, the fair value of derivatives increased by 77 million euros, resulting from purchase of derivatives, compensated mostly by maturing derivative positions and fair value movements.

- In the liabilities designated at fair value through profit and loss, the fair value of debt securities issued decreased by 237 million euros, mainly driven by termination of CDO deals (-142 million euros) and maturity of own issued instruments (-93 million euros).

Parent shareholders' equity and AT1 instruments (note 5.10 in the annual accounts 2016)

in number of shares	30-06-2017	31-12-2016
Ordinary shares	**418 372 082**	**418 372 082**
of which ordinary shares that entitle the holder to a dividend payment	*418 372 082*	*418 372 082*
of which treasury shares	*36 002*	*2*
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).

Main changes in the scope of consolidation (note 6.6 in the annual accounts 2016)

In 2016:
no material changes

In 1H 2017:
On 30 December 2016, KBC announced the acquisition of 99,91% of the shares of the United Bulgarian Bank AD and 100% of Interlease EAD in Bulgaria for a total consideration of 610 million euros, without any contingent consideration. On 13 June 2017, KBC completed this acquisition after approval by the relevant regulatory authorities and received anti-trust approval (final total consideration is 609 million euros fully paid in cash).

This transaction substantially strengthens KBC's position in Bulgaria. UBB is Bulgaria's fourth-largest banking group by total assets with market share of 7,4% as at the end of March 2017. UBB caters for approximately 875 000 retail clients with market share of 9,7% in retail loans. UBB also has a strong presence in the corporate banking market with a share of 7,6% in corporate loans. The table below summarizes the provisional fair values of the main assets and liabilities which are part of the acquisition of UBB/Interlease.

Together, UBB-CIBANK and DZI will become the reference in bank-insurance in Bulgaria, one of KBC's core markets. Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria, offering its clients now a full range of financial services.

The operational integration of the business entities will be gradually introduced in the coming months. KBC envisages substantial value creation for shareholders through income and cost synergies.

The consolidated figures in these condensed interim financial statements include the impact of this announced acquisition as of 30 June 2017:

- KBC recorded a provisional goodwill in its consolidated financial statements of 107 million euro at 30 June 2017, taking into account specific negative fair value adjustments amounting to 81 million euros after tax which KBC identified during the due diligence process. Note that IFRS 3 (Business Combinations) allows to adjust the amount of goodwill during the 12 months measurement period starting from the acquisition date, hence the amount of goodwill is provisional and subject to change. The goodwill is not deductible for tax purposes.
- UBB and Interlease are part of the operating segment International Markets, country Bulgaria (see note 2).
- The impact of this acquisition on the financial assets and liabilities by product is shown in note 4.1: this note includes an additional pro forma column 'Total excluding UBB/Interlease' for informational purposes in order to provide a transparent view on the evolution of the financial assets and liabilities excluding this acquisition.
- There is no impact yet on the income statement (except for some acquisition related costs included in General administrative expenses) as the closing date (on which the control was transferred to KBC) was very close to 30 June 2017.
- The transaction had only a limited negative impact of 0.50% on KBC's solid capital position, keeping its CET1 ratio well above the regulatory minimum capital requirements.

in millions of EUR	30-06-2017
Percentage of shares bought (+) or sold (-) in the relevant year	UBB 99,91% / Interlease 100%
For business unit/segment	Bulgaria
Deal date (month and year)	June 2017
Incorporation of the result of the company in the result of the group as of:	01-07-2017
Purchase price	609
Cashflow for acquiring companies less cash and cash equivalents acquired	185
Recognised amounts of identifiable assets acquired and liabilities assumed - provisional fair value (*)	
Cash and cash balances with central banks	693
Financial assets	2 810
Held for trading	502
Available for sale	335
Loans and receivables	1 973
Tax assets	12
Investments in associated companies and joint ventures	17
Investment property	15
Property and equipment	20
Goodwill and other intangible assets	4
Other assets	20
of which: cash and cash equivalents	*801*
Financial liabilities	3 063
Measured at amortised cost	3 062
Other liabilities	20
of which: cash and cash equivalents	*7*

(*) after elimination of intragroup transactions within the KBC-group

Post-balance sheet events (note 6.8 in the annual accounts 2016)

Significant non-adjusting events between the balance sheet date (30 June 2017) and the publication of this report (10 August 2017):

- The Board of Directors of KBC Group of 9 August 2017 has decided an interim dividend of 1 euro per share (418 million euros in total), payable on 17 November 2017.
- The planned reform of the Belgian corporate income tax regime as announced on 26 July 2017 will impact KBC mainly because of the gradual decrease of the tax rate from 33,99% to 29,58% as of accounting year 2018 and to 25% as of accounting year 2020. This would lead to:
  - a slightly positive one-off impact on the CET1 ratio (fully loaded under the Danish Compromise) in 2H17 of roughly +0.2% thanks to amongst others:
    - higher AFS revaluation reserves after tax
    - lower risk weighted assets due to lower outstanding deferred tax assets

    despite
    - an estimated one-off upfront negative P&L impact of 230m EUR expected in 2H17, which will only have a small effect on CET1 as most of the impact was already deducted from common equity through the deduction of tax-loss-carry-forward DTAs
  - a recurring positive P&L impact as of 2018 onwards as:
    - the lower tax rate from 2018 onwards will have a positive impact on income taxes of the Belgian KBC entities: amount depending on the pre-tax profit numbers in the coming years.

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REPORT OF THE ACCREDITED AUDITOR TO THE SHAREHOLDERS OF KBC GROUP NV ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017 AND FOR THE SIX-MONTH PERIOD THEN ENDED

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Group NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2017 and the related interim consolidated income statement and condensed consolidated statement of comprehensive income for the six-month period then ended, and the interim consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 296.479 million and a consolidated profit (share of the group) for the six-month period then ended of EUR 1.485 million.

The board of directors 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 with 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.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not present fairly, in all material respects, the financial position of the Group as at 30 June 2017, 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.

Sint-Stevens-Woluwe, 9 August 2017

The statutory auditor
PwC Bedrijfsrevisoren bcvba
represented by

Roland Jeanquart
Accredited auditor

Tom Meuleman
Accredited auditor

KBC Group
Additional Information 2Q 2017 and 1H2017

Section not reviewed by the Auditor

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 6.7 (in the annual accounts 2016)'.

Credit risk: loan portfolio overview

Total loan portfolio (in billions of EUR)	30-06-2017	31-12-2016
Amount granted	187	181
Amount outstanding [1]	153	148
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	63%	65%
Czech Republic	16%	15%
International Markets	18%	17%
Group Centre	3%	3%
Total	100%	100%
Total outstanding loan portfolio sector breakdown		
Private persons	41,8%	42,3%
Finance and insurance	5,7%	5,7%
Authorities	2,9%	3,1%
Corporates	49,6%	48,9%
services	11,5%	11,5%
distribution	7,6%	7,6%
real estate	6,8%	6,9%
building & construction	4,3%	4,2%
agriculture, farming, fishing	2,8%	2,8%
automotive	2,2%	2,2%
electricity	1,6%	1,6%
food producers	1,5%	1,4%
metals	1,5%	1,4%
chemicals	1,2%	1,1%
shipping	1,1%	1,2%
machinery & heavy equipment	1,1%	1,1%
traders	1,0%	0,9%
hotels, bars & restaurants	0,8%	0,9%
oil, gas & other fuels	0,8%	0,7%
electrotechnics	0,6%	0,6%
textile & apparel	0.5%	0.4%
other [2]	2,5%	2,7%
Total outstanding loan portfolio geographical breakdown		
Home countries	88,2%	88.2%
Belgium	55,1%	56.8%
Czech Republic	14,7%	14.0%
Ireland	8,3%	8.9%
Slovakia	4,8%	4.8%
Hungary	3,1%	3.1%
Bulgaria	2,2%	0.6%
Rest of Western Europe	7,6%	7.3%
France	1,8%	1.8%
Netherlands	1,8%	1.7%
Great Britain	1,1%	1.1%
Spain	0,6%	0.6%
Luxemburg	0,6%	0.6%
Germany	0,6%	0.4%
other	1,1%	1.0%
Rest of Central Europe	0,4%	0.5%
Russia	0,1%	0.1%
other	0,4%	0.4%
North America	1,5%	1.6%
USA	1,1%	1.4%
Canada	0,3%	0.2%
Asia	0,7%	0.8%
China	0,3%	0.3%
Hong Kong	0,2%	0.2%
Singapore	0,2%	0.2%
other	0,1%	0.1%
Rest of the world	1.5%	1.6%

	30-06-2017	31-12-2016
Impaired loans (in millions of EUR or %)		
Amount outstanding	10 505	10 583
of which: more than 90 days past due	5 896	5 711
Ratio of impaired loans, per business unit		
Belgium	3.0%	3.3%
Czech Republic	2.6%	2.8%
International Markets	23.6%	25.4%
Group Centre	9.6%	8.8%
Total	6.9%	7.2%
of which: more than 90 days past due	3.9%	3.9%
Specific loan loss impairments (in millions of EUR) and Cover ratio (%)		
Specific loan loss impairments	4 968	4 874
of which: more than 90 days past due	3 787	3 603
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	47%	46%
of which: more than 90 days past due	64%	63%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	57%	54%
of which: more than 90 days past due	74%	72%
Credit cost, by business unit (%)		
Belgium	0.11%	0.12%
Czech Republic	0.06%	0.11%
International Markets	-1.10%	-0.16%
Slovakia	0.07%	0.24%
Hungary	-0.42%	-0.33%
Bulgaria	0.85%	0.32%
Ireland	-2.11%	-0.33%
Group Centre	0.32%	0.67%
Total	-0.10%	0.09%

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

Impaired loans are loans for which full (re)payment of the contractual cash flows is deemed unlikely. This coincides with KBC's Probability-of-Default-classes 10, 11 and 12 (see annual accounts FY 2016 - 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.

The loan portfolios of United Bulgarian Bank AD and Interlease EAD are included in the 30 June 2017 figures for a total outstanding amount of 2.5 billion euros (this amount differs from the accounting figure of loans and advances to customers excluding reverse repos mainly as the latter amount is net of impairment). The loan portfolios are assigned to Business Unit International Markets, country Bulgaria and included in all the reported ratio's with the exception of the credit cost (since there is no impact yet on the income statement).

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 and/or loans which have been terminated/cancelled or bankrupt obligors (coincides with KBC's PD-classes 11 and 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

30-06-2017, in millions of EUR	Belgium [1]			Foreign branches			Total Business Unit Belgium		
Total outstanding amount	**90 615**			**5 833**			**96 447**		
Counterparty break down		% outst.			% outst.			% outst.	
SME / corporate	26 736	29.5%		5 833	100.0%		32 568	33.8%	
retail	63 879	70.5%		0	0.0%		63 879	66.2%	
o/w private	34 945	38.6%		0	0.0%		34 945	36.2%	
o/w companies	28 934	31.9%		0	0.0%		28 934	30.0%	
Mortgage loans [2]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	33 482	37.0%	61%	0	0.0%	-	33 482	34.7%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w ind. LTV > 100%	1 528	1.7%	-	0	0.0%	-	1 528	1.6%	
Probability of default (PD)		% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	68 884	76.0%		3 503	60.1%		72 387	75.1%	
medium risk (PD 5-7; 0.80%-6.40%)	16 691	18.4%		1 879	32.2%		18 571	19.3%	
high risk (PD 8-9; 6.40%-100.00%)	2 497	2.8%		86	1.5%		2 583	2.7%	
impaired loans (PD 10 - 12)	2 508	2.8%		362	6.2%		2 869	3.0%	
unrated	35	0.0%		2	0.0%		37	0.0%	
Overall risk indicators		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	2 508	1 150	45.9%	362	181	50.1%	2 869	1 332	46.4%
o/w PD 10 impaired loans	1 194	275	23.0%	248	92	37.0%	1 442	367	25.4%
o/w more than 90 days past due (PD 11+12)	1 313	876	66.7%	114	90	78.7%	1 427	965	67.6%
all impairments (specific + portfolio based)	n.a.			n.a.			1 450		
o/w portfolio based impairments	n.a.			n.a.			118		
o/w specific impairments	1 150			181			1 332		
2016 Credit cost ratio (CCR)	0.11%			0.32%			0.12%		
YTD 2017 CCR	0.10%			0.26%			0.11%		

Remarks

[1] Belgium = KBC Bank (all retail and corporate credit lending activities except for the foreign branches), CBC, KBC Lease part Belgium, KBC Commercial Finance, KBC Credit Investments (part of non-legacy portfolio assigned to BU Belgium)

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Czech Republic

30-06-2017, in millions of EUR

				For information: ČMSS [3] *(consolidated via equity-method)*		
Total outstanding amount	**23 912**			**2 482**		
Counterparty break down		% outst.			% outst.	
SME / corporate	8 264	34,6%		44	1,8%	
retail	15 648	65,4%		2 438	98,2%	
o/w private	11 276	47,2%		2 425	97,7%	
o/w companies	4 372	18,3%		12	0,5%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV
total	10 231	42,8%	66%	1 897	76,4%	64%
o/w FX mortgages	0	0,0%	-	0	0,0%	-
o/w ind. LTV > 100%	251	1,0%	-	123	5,0%	-
Probability of default (PD)		% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	16 737	70,0%		1 811	73,0%	
medium risk (PD 5-7; 0.80%-6.40%)	5 781	24,2%		494	19,9%	
high risk (PD 8-9; 6.40%-100.00%)	741	3,1%		96	3,9%	
impaired loans (PD 10 - 12)	618	2,6%		81	3,2%	
unrated	34	0,1%		0	0,0%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	618	351	56,7%	81	40	49,6%
o/w PD 10 impaired loans	209	57	27,3%	12	2	14,2%
o/w more than 90 days past due (PD 11+12)	409	294	71,8%	68	38	56,0%
all impairments (specific + portfolio based)	393			45		
o/w portfolio based impairments	42			5		
o/w specific impairments	351			40		
2016 Credit cost ratio (CCR)	0,11%			n/a		
YTD 2017 CCR	0,06%			n/a		

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

Loan portfolio Business Unit International Markets
30-06-2017, in millions of EUR

	Ireland			Slovakia			Hungary			Bulgaria [3]			Total Int Markets		
Total outstanding amount	**12 720**			**7 049**			**4 650**			**3 431**			**27 866**		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1 534	12,1%		2 794	39,6%		2 675	57,5%		1 003	29,2%		8 021	28,8%	
retail	11 186	87,9%		4 256	60,4%		1 975	42,5%		2 428	70,8%		19 845	71,2%	
o/w private	11 174	87,8%		3 420	48,5%		1 806	38,8%		1 317	38,4%		17 718	63,6%	
o/w companies	12	0,1%		836	11,9%		168	3,6%		1 111	32,4%		2 127	7,6%	
Mortgage loans [1]		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	11 143	87,6%	81%	2 879	40,8%	69%	1 653	35,6%	70%	667	19,4%	77%	16 342	58,6%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	11	0,2%	127%	142	4,1%	76%	153	0,5%	
o/w ind. LTV > 100%	2 633	20,7%	-	42	0,6%	-	302	6,5%	-	72	2,1%	-	3 049	10,9%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (PD 1-4; 0.00%-0.80%)	648	5,1%		4 403	62,5%		2 218	47,7%		684	19,9%		7 961	28,6%	
medium risk (PD 5-7; 0.80%-6.40%)	5 610	44,1%		2 123	30,1%		1 804	38,8%		1 574	45,9%		11 118	39,9%	
high risk (PD 8-9; 6.40%-100.00%)	1 315	10,3%		254	3,6%		246	5,3%		152	4,4%		1 968	7,1%	
impaired loans (PD 10 - 12)	5 147	40,5%		197	2,8%		371	8,0%		856	24,9%		6 571	23,6%	
unrated	0	0,0%		72	1,0%		11	0,2%		165	4,8%		248	0,9%	
Overall risk indicators [2]		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover		spec. imp.	% cover
outstanding impaired loans	5 147	2 119	41,2%	197	129	65,4%	371	222	59,9%	856	548	64,1%	6 571	3 018	45,9%
o/w PD 10 impaired loans	2 653	689	26,0%	32	13	41,5%	58	17	29,3%	89	7	7,8%	2 831	726	25,7%
o/w more than 90 days past due (PD 11+12)	2 494	1 430	57,3%	165	116	69,9%	313	205	65,5%	768	542	70,6%	3 740	2 292	61,3%
all impairments (specific + portfolio based)	2 190			142			233			557			3 121		
o/w portfolio based impairments	71			13			11			8			102		
o/w specific impairments	2 119			129			222			548			3 018		
2016 Credit cost ratio (CCR)	-0,33%			0,24%			-0,33%			0,32%			-0,16%		
YTD 2017 CCR	-2,11%			0,07%			-0,42%			0,85%			-1,10%		

Remarks

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

[1] Mortgage loans: only to private persons (as opposed to the accounting figures)

[2] CCR at country level in local currency

[3] Figures on Bulgaria include the loan portfolios of United Bulgarian Bank AD and Interlease EAD for a total outstanding portfolio amount of 2 477 million euros, of which 690 million euros SME / corporate and 1 786 millon euros retail (o/w private 947 million euros; companies 839 million euros). The loan portfolios are included in all the reported ratio's with the exception of the credit cost ratio (since there is no impact yet on the income statement).

Loan portfolio Group Centre
30-06-2017, in millions of EUR

Total Group Centre [1]

Total outstanding amount	**4 638**		
Counterparty break down		% outst.	
SME / corporate	4 638	100.0%	
retail	0	0.0%	
o/w private	0	0.0%	
o/w companies	0	0.0%	
Mortgage loans [2]		% outst.	ind. LTV
total	0	0.0%	-
o/w FX mortgages	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%)	2 704	58.3%	
medium risk (PD 5-7; 0.80%-6.40%)	1 360	29.3%	
high risk (PD 8-9; 6.40%-100.00%)	128	2.8%	
impaired loans (PD 10 - 12)	446	9.6%	
unrated	0	0.0%	
Overall risk indicators		spec. Imp.	% cover
outstanding impaired loans	446	267	59.8%
o/w PD 10 impaired loans	126	31	24.3%
o/w more than 90 days past due (PD 11+12)	320	236	73.8%
all impairments (specific + portfolio based)	286		
o/w portfolio based impairments	20		
o/w specific impairments	267		
2016 Credit cost ratio (CCR)	0.67%		
YTD 2017 CCR	0.32%		

Remarks

[1] Total Group Centre = KBC Credit Investments (part of non-legacy portfolio assigned to BU Group), ex-Atomium assets, KBC Bank part Group (a.o. activities in wind-down: e.g. ex-Antwerp Diamond Bank)

[2] Mortgage loans: only to private persons (as opposed to the accounting figures)

Solvency

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

Solvency KBC Group

We report the solvency of the group, the bank and the insurance company based on IFRS data and according to the rules imposed by the regulator. For the KBC group, this implies that we calculate our solvency ratios based on CRR/CRD IV. This regulation entered gradually into force on 1 January 2014, and will be fully implemented by 1 January 2022. The general rule under CRR/CRD IV for insurance participations is that an insurance participation is deducted from common equity at group level, unless the competent authority grants permission to apply a risk weighting instead (Danish compromise). KBC received such permission from the supervisory authority and hence reports its solvency on the basis of a 370% risk weighting being applied to the holdings of own fund instruments of the insurance company, after having deconsolidated KBC Insurance from the group figures.

In addition to the solvency ratios under CRD IV/CRR, KBC is considered a financial conglomerate since it covers both significant banking and insurance activities. Therefore KBC also has to disclose its solvency position as calculated in accordance with the Financial Conglomerate Directive (FICOD; 2002/87/EC). KBC meets the FICOD requirement by aligning the building block method with method 1 (the accounting consolidation method) under FICOD. This implies that available capital is calculated on the basis of the consolidated position of the group and the eligible items recognised as such under the prevailing sectorial rules, which are CRR/CRD IV for the banking business and Solvency II (as of 2016) for the insurance business. The capital requirement for the insurance business based on Solvency II is multiplied by 12.5 to obtain a risk weighted asset equivalent.

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC's risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 81% of the weighted credit risks, of which approx. 74% according to Advanced and approx. 7% 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.

The 2017 minimum CET1 requirement that KBC is to uphold is set at 8.65% (phased-in, Danish Compromise) which includes the CRR/CRD IV minimum requirement (4.5%), the Pillar 2 Requirement (1.75%) and the buffers set by national competent authorities (1.25% Capital Conservation Buffer, 1.00% Systemic Buffer and 0.15% Countercycle Buffer). Furthermore ECB has set a Pillar 2 Guidance of 1.00%. For further information see press release of 14 December 2016 on www.kbc.com.

Following table groups the solvency on the level of KBC Group according to different methodologies and calculation methods, including the deduction method.

Overview of KBC Group's capital ratios - In millions of EUR - 30-06-2017

		numerator (common equity)	denominator (total weighted risk volume)	ratio (%)
CRDIV, Common Equity ratio				
Danish Compromise	Phased-in	14 418	91 109	15,83%
	Fully loaded	14 331	91 549	15,65%
Deduction Method	Fully loaded	13 295	85 998	15,46%
Financial Conglomerates Directive*				
	Fully loaded	15 231	103 216	14,76%

Danish Compromise		30-06-2017		31-12-2016
In millions of EUR	Fully loaded	Phased-in	Fully loaded	Phased-in
Total regulatory capital (after profit appropriation)	18 154	18 216	17 571	17 887
Tier-1 capital	15 731	15 855	15 286	15 473
Common equity	14 331	14 418	13 886	14 033
Parent shareholders' equity (after deconsolidating KBC Insurance)	16 189	16 189	15 500	15 500
Intangible fixed assets (incl deferred tax impact) (-)	- 436	- 436	- 400	- 400
Goodwill on consolidation (incl deferred tax impact) (-)	- 598	- 598	- 483	- 483
AFS revaluation reserve bonds (-)		- 95		- 206
Hedging reserve (cash flow hedges) (-)	1 192	1 192	1 356	1 356
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 6	- 6	- 18	- 18
Value adjustment due to the requirements for prudent valuation (-)	- 120	- 106	- 140	- 109
Dividend payout (-)	- 716	- 716	- 753	- 753
Renumeration of AT1 instruments (-)	- 2	- 2	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 91	- 91	- 91	- 91
IRB provision shortfall (-)	- 207	- 207	- 203	- 203
Deferred tax assets on losses carried forward (-)	- 874	- 704	- 879	- 557
Additional going concern capital	1 400	1 437	1 400	1 440
Grandfathered innovative hybrid tier-1 instruments	0	37	0	40
CRR compliant AT1 instruments	1 400	1 400	1 400	1 400
Tier 2 capital	2 423	2 361	2 285	2 414
IRB provision excess (+)	373	370	367	362
Subordinated liabilities	2 050	1 991	1 918	2 053
Total weighted risk volume	91 549	91 109	87 782	86 878
Banking	82 256	81 816	78 482	77 579
Insurance	9 133	9 133	9 133	9 133
Holding activities	197	197	198	198
Elimination of intercompany transactions	- 38	- 38	- 32	- 32
Solvency ratios				
Common equity ratio	15,65%	15,83%	15,82%	16,15%
Tier-1 ratio	17,18%	17,40%	17,41%	17,81%
Total capital ratio	19,83%	19,99%	20,02%	20,59%

FICOD		30-06-2017		31-12-2016
In millions of EUR	Fully loaded	Phased-in	Fully loaded	Phased-in
CET1 capital	15.231	15.318	14.647	14.794
Total weighted risk volume	103.216	102.776	101.039	100.136
Solvency ratio				
Common equity ratio	14,76%	14,90%	14,50%	14,77%

Leverage ratio KBC Group

Leverage ratio KBC Group (Basel III fully loaded) In millions of EUR	30-06-2017	31-12-2016
Tier-1 capital (Danish compromise)	15 731	15 286
Total exposures	275 275	251 891
Total Assets	296 479	275 200
Deconsolidation KBC Insurance	-32 756	-32 678
Adjustment for derivatives	-4 915	-5 784
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 326	-2 197
Adjustment for securities financing transaction exposures	1 387	1 094
Off-balance sheet exposures	17 406	16 256
Leverage ratio	5,71%	6,07%

The leverage ratio decreased compared to the end of 2016 due to higher total exposures (mainly caused by an increase in reverse repos and cash balances with central banks).

Solvency banking and insurance activities separately

As is the case for the KBC group, the solvency of KBC Bank is calculated based on CRR/CRD IV. The solvency of KBC Insurance is calculated on the basis of Solvency II rules as they became effective on 1 January 2016.

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 under Solvency II.

KBC Bank consolidated - CRDIV/CRR		30-06-2017		31-12-2016
In millions of EUR	Fully loaded	Phased in	Fully loaded	Phased in
Total regulatory capital, after profit appropriation	16 005	16 075	16 229	16 347
Tier-1 capital	12 768	12 892	12 625	12 803
Of which common equity	11 362	11 438	11 219	11 348
Tier-2 capital	3 236	3 182	3 604	3 544
Total weighted risks	82 256	81 816	78 482	77 579
Credit risk	68 468	68 028	65 933	65 030
Market risk	3 362	3 362	2 417	2 417
Operational risk	10 427	10 427	10 132	10 132
Solvency ratios				
Common equity ratio	13,8%	14,0%	14,3%	14,6%
Tier-1 ratio	15,5%	15,8%	16,1%	16,5%
CAD ratio	19,5%	19,6%	20,7%	21,1%

Solvency II, KBC Insurance consolidated In millions of EUR	30-06-2017	31-12-2016
Own Funds	3 605	3 637
Tier 1	3 105	3 137
IFRS Parent shareholders equity	2 956	2 936
Dividend payout	- 275	- 103
Deduction intangible assets and goodwill (after tax)	- 124	- 123
Valuation differences (after tax)	440	349
Volatility adjustment	111	120
Other	- 4	- 42
Tier 2	500	500
Subordinated liabilities	500	500
Solvency Capital Requirement (SCR)	1 664	1 791
Market risk	1 550	1 589
Non-life	522	531
Life	613	608
Health	176	181
Counterparty	108	87
Diversification	- 884	- 881
Other	- 421	- 323
Solvency II ratio	217%	203%

In April 2016, the National Bank of Belgium issued a Belgian specific regulation which limited the loss absorbing capacity of deferred taxes in the calculation of the required capital. Without applying this Belgian specific regulation, the Solvency II ratio of year-end 2016 equals 214%.

On 19 April 2017, the NBB retroactively waived the strict cap on the loss absorbing capacity of deferred taxes in the calculation of the required capital. Belgian insurance companies are now allowed to apply a higher adjustment for deferred taxes, in line with general European standards, if they pass the recoverability test. This is the case for KBC.

Income statement per business unit

Details on our segments or business units are available in the company presentation.

Business Unit Belgium - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	611	625	651	680	682
Non-life insurance before reinsurance	131	143	122	118	94
Earned premiums Non-life	*258*	*256*	*257*	*256*	*251*
Technical charges Non-life	*- 127*	*- 113*	*- 135*	*- 138*	*- 158*
Life insurance before reinsurance	- 43	- 44	- 62	- 47	- 50
Earned premiums Life	*199*	*241*	*298*	*257*	*327*
Technical charges Life	*- 242*	*- 285*	*- 360*	*- 304*	*- 377*
Ceded reinsurance result	- 7	- 2	- 8	11	- 7
Dividend income	24	12	15	10	27
Net Result from FIFV through profit or loss	127	156	174	69	66
Net Realised result from Available for sale assets	32	23	6	12	49
Net Fee and Commission Income	331	346	279	272	264
Net other income	40	46	66	53	44
Total income	1 245	1 305	1 244	1 177	1 169
Operating expenses	- 544	- 822	- 556	- 529	- 573
Impairment	2	- 60	- 60	- 41	- 48
Impairment on Loans and receivables	*4*	*- 59*	*- 46*	*- 33*	*- 28*
Impairment on available-for-sale assets	*- 2*	*- 1*	*- 7*	*- 7*	*- 20*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 1*	*0*	*- 7*	*- 1*	*0*
Share in results of assoc. comp & joint-ventures	- 4	0	0	1	0
Result before tax	698	423	628	608	548
Income tax	- 215	- 121	- 189	- 193	- 177
Result after tax	484	301	439	414	371
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	483	301	439	414	371
Banking	*385*	*208*	*371*	*330*	*303*
Insurance	*98*	*93*	*68*	*84*	*68*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	43 329	42 797	42 566	42 537	42 697
Required capital, insurance (Solv.II as of '16)	1 444	1 494	1 611	1 782	1 639
Allocated capital (end of period)	5 950	5 945	5 974	6 142	6 016
Return on allocated capital (ROAC)	32%	20%	29%	28%	25%
Cost/income ratio, banking	45%	67%	45%	47%	50%
Combined ratio, non-life insurance	86%	77%	92%	86%	100%
Net interest margin, banking	1,61%	1,67%	1,72%	1,78%	1,84%

Business unit Czech Republic - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	220	216	215	213	210
Non-life insurance before reinsurance	22	18	24	17	17
Earned premiums Non-life	*53*	*49*	*50*	*49*	*46*
Technical charges Non-life	*- 31*	*- 30*	*- 27*	*- 32*	*- 29*
Life insurance before reinsurance	12	11	10	10	8
Earned premiums Life	*47*	*48*	*94*	*59*	*51*
Technical charges Life	*- 35*	*- 38*	*- 84*	*- 49*	*- 43*
Ceded reinsurance result	- 2	- 1	- 3	2	- 1
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	65	50	24	20	41
Net Realised result from Available for sale assets	6	11	0	0	48
Net Fee and Commission Income	47	47	50	46	49
Net other income	5	26	2	7	4
Total income	375	378	322	314	378
Operating expenses	- 151	- 165	- 152	- 144	- 143
Impairment	- 11	1	- 11	- 2	- 10
Impairment on Loans and receivables	*- 7*	*1*	*- 11*	*- 2*	*- 9*
Impairment on available-for-sale assets	*0*	*0*	*3*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 3*	*0*	*- 3*	*0*	*- 1*
Share in results of assoc. comp & joint-ventures	6	4	4	8	5
Result before tax	219	218	163	175	231
Income tax	- 37	- 37	- 33	- 30	- 40
Result after tax	183	181	131	145	191
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	183	181	131	145	191
Banking	*176*	*174*	*118*	*137*	*186*
Insurance	*7*	*7*	*13*	*8*	*5*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	15 039	14 386	13 664	13 921	13 571
Required capital, insurance (Solv.II as of '16)	116	110	103	90	84
Allocated capital (end of period)	1 680	1 606	1 504	1 517	1 475
Return on allocated capital (ROAC)	47%	48%	36%	41%	54%
Cost/income ratio, banking	39%	43%	47%	45%	36%
Combined ratio, non-life insurance	97%	100%	93%	96%	100%
Net interest margin, banking	3,01%	3,06%	2,96%	2,91%	2,91%

Business unit International Markets - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	194	189	198	184	179
Non-life insurance before reinsurance	23	25	24	24	24
Earned premiums Non-life	*57*	*53*	*52*	*50*	*49*
Technical charges Non-life	*- 34*	*- 28*	*- 28*	*- 27*	*- 25*
Life insurance before reinsurance	6	6	7	3	4
Earned premiums Life	*21*	*23*	*21*	*20*	*24*
Technical charges Life	*- 15*	*- 17*	*- 14*	*- 17*	*- 19*
Ceded reinsurance result	0	- 1	- 2	- 2	- 2
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	19	28	24	11	31
Net Realised result from Available for sale assets	0	2	2	0	32
Net Fee and Commission Income	54	48	50	52	51
Net other income	1	4	2	- 2	- 2
Total income	297	301	305	271	317
Operating expenses	- 183	- 212	- 189	- 180	- 172
Impairment	92	47	3	35	- 6
Impairment on Loans and receivables	*92*	*48*	*8*	*37*	*- 6*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*- 1*	*0*	*- 5*	*- 2*	*0*
Share in results of assoc. comp & joint-ventures	1	1	0	0	0
Result before tax	207	137	119	125	139
Income tax	- 30	- 22	20	- 19	- 16
Result after tax	177	114	139	106	123
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	177	114	139	106	123
Banking	*171*	*106*	*135*	*99*	*119*
Insurance	*6*	*9*	*5*	*7*	*4*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	19 991	17 667	17 163	17 642	17 406
Required capital, insurance (Solv.II as of '16)	94	93	95	91	98
Allocated capital (end of period)	2 173	1 931	1 854	1 899	1 882
Return on allocated capital (ROAC)	36%	23%	28%	22%	26%
Cost/income ratio, banking	61%	72%	61%	67%	53%
Combined ratio, non-life insurance	93%	85%	98%	97%	93%
Net interest margin, banking	2,72%	2,67%	2,70%	2,52%	2,48%

Hungary - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	60	58	59	58	57
Non-life insurance before reinsurance	9	9	9	8	8
Earned premiums Non-life	*25*	*23*	*22*	*21*	*20*
Technical charges Non-life	*- 15*	*- 14*	*- 13*	*- 13*	*- 11*
Life insurance before reinsurance	2	2	3	- 1	0
Earned premiums Life	*4*	*4*	*4*	*4*	*4*
Technical charges Life	*- 2*	*- 2*	*- 1*	*- 5*	*- 3*
Ceded reinsurance result	- 1	0	- 1	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	14	19	15	18	17
Net Realised result from Available for sale assets	0	1	0	0	15
Net Fee and Commission Income	41	37	40	40	40
Net other income	- 1	1	2	1	1
Total income	124	127	127	122	137
Operating expenses	- 77	- 101	- 82	- 78	- 75
Impairment	8	1	0	10	0
Impairment on Loans and receivables	*9*	*1*	*1*	*11*	*1*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*- 1*	*- 1*	*0*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	55	26	45	55	63
Income tax	- 8	- 6	- 21	- 13	- 10
Result after tax	47	20	23	42	53
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	47	20	23	42	53
Banking	*46*	*17*	*21*	*40*	*50*
Insurance	*2*	*3*	*2*	*2*	*3*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	5 379	5 551	5 199	5 562	5 197
Required capital, insurance (Solv.II as of '16)	34	34	33	29	26
Allocated capital (end of period)	593	611	566	599	558
Return on allocated capital (ROAC)	30%	12%	15%	28%	35%
Cost/income ratio, banking	62%	81%	65%	63%	55%
Combined ratio, non-life insurance	92%	84%	99%	101%	92%
Net interest margin, banking					

Slovakia - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	53	53	56	53	52
Non-life insurance before reinsurance	6	6	5	5	5
Earned premiums Non-life	*9*	*8*	*9*	*8*	*8*
Technical charges Non-life	*- 3*	*- 2*	*- 3*	*- 3*	*- 3*
Life insurance before reinsurance	3	3	3	3	3
Earned premiums Life	*13*	*13*	*12*	*13*	*12*
Technical charges Life	*- 10*	*- 9*	*- 9*	*- 10*	*- 10*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	5	4	2	2	7
Net Realised result from Available for sale assets	0	0	1	0	14
Net Fee and Commission Income	13	12	11	12	11
Net other income	2	2	2	1	1
Total income	82	81	82	76	94
Operating expenses	- 49	- 50	- 55	- 48	- 45
Impairment	- 1	- 2	- 7	- 1	- 6
Impairment on Loans and receivables	*- 1*	*- 2*	*- 7*	*- 1*	*- 6*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*0*	*0*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	32	28	20	26	43
Income tax	- 7	- 6	- 4	- 6	- 6
Result after tax	25	22	16	20	37
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	25	22	16	20	37
Banking	*22*	*19*	*14*	*17*	*35*
Insurance	*3*	*3*	*2*	*3*	*2*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	4 910	4 716	4 635	4 480	4 592
Required capital, insurance (Solv.II as of '16)	23	23	23	25	22
Allocated capital (end of period)	534	513	499	484	493
Return on allocated capital (ROAC)	19%	17%	13%	17%	32%
Cost/income ratio, banking	60%	64%	66%	65%	46%
Combined ratio, non-life insurance	82%	73%	94%	87%	89%
Net interest margin, banking					

Bulgaria - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	12	12	13	12	12
Non-life insurance before reinsurance	8	10	10	10	10
Earned premiums Non-life	*24*	*21*	*22*	*21*	*21*
Technical charges Non-life	*- 16*	*- 12*	*- 12*	*- 11*	*- 11*
Life insurance before reinsurance	1	1	1	1	1
Earned premiums Life	*4*	*6*	*5*	*3*	*8*
Technical charges Life	*- 3*	*- 5*	*- 4*	*- 2*	*- 6*
Ceded reinsurance result	0	- 1	- 1	- 1	- 1
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	1	1	1	0	0
Net Realised result from Available for sale assets	0	1	0	0	3
Net Fee and Commission Income	- 1	- 1	- 1	- 1	- 1
Net other income	1	0	- 1	0	- 4
Total income	22	22	21	23	21
Operating expenses	- 13	- 16	- 15	- 13	- 14
Impairment	- 3	- 1	- 2	- 1	- 1
Impairment on Loans and receivables	*- 3*	*- 1*	*1*	*- 1*	*- 1*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*- 3*	*0*	*0*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	6	5	4	9	5
Income tax	0	- 1	1	- 1	- 1
Result after tax	5	4	5	8	4
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	5	4	5	8	4
Banking	*4*	*3*	*4*	*5*	*5*
Insurance	*1*	*1*	*1*	*2*	*- 1*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	3 037	842	839	799	792
Required capital, insurance (Solv.II as of '16)	37	37	39	37	50
Allocated capital (end of period)	353	125	125	119	131
Return on allocated capital (ROAC)	16%	13%	16%	22%	12%
Cost/income ratio, banking	56%	72%	66%	53%	58%
Combined ratio, non-life insurance	98%	96%	98%	97%	96%
Net interest margin, banking					

Ireland - Breakdown P&L

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	69	66	69	61	59
Non-life insurance before reinsurance	0	0	0	0	0
Earned premiums Non-life	*0*	*0*	*0*	*0*	*0*
Technical charges Non-life	*0*	*0*	*0*	*0*	*0*
Life insurance before reinsurance	0	0	0	0	0
Earned premiums Life	*0*	*0*	*0*	*0*	*0*
Technical charges Life	*0*	*0*	*0*	*0*	*0*
Ceded reinsurance result	0	0	0	0	0
Dividend income	0	0	0	0	0
Net Result from FIFV through profit or loss	0	5	7	- 9	6
Net Realised result from Available for sale assets	0	0	0	0	0
Net Fee and Commission Income	0	0	- 1	0	0
Net other income	0	0	- 1	- 4	0
Total income	69	71	75	49	65
Operating expenses	- 42	- 44	- 36	- 40	- 37
Impairment	87	50	12	27	1
Impairment on Loans and receivables	*87*	*50*	*12*	*28*	*1*
Impairment on available-for-sale assets	*0*	*0*	*0*	*0*	*0*
Impairment on goodwill	*0*	*0*	*0*	*0*	*0*
Impairment on Other	*0*	*0*	*0*	*- 1*	*0*
Share in results of assoc. comp & joint-ventures	0	0	0	0	0
Result before tax	113	76	51	35	28
Income tax	- 14	- 10	44	1	1
Result after tax	99	67	95	37	30
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	99	67	95	37	30
Banking	*99*	*67*	*95*	*37*	*30*
Insurance	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets, banking (end of period, Basel III, fully loaded as of '16)	6 652	6 544	6 477	6 787	6 810
Required capital, insurance (Solv.II as of '16)	-	-	-	-	-
Allocated capital (end of period)	692	681	664	696	698
Return on allocated capital (ROAC)	57%	38%	52%	20%	16%
Cost/income ratio, banking	62%	63%	49%	83%	58%
Combined ratio, non-life insurance	-	-	-	-	-
Net interest margin, banking					

Group Centre - Breakdown net result

in millions of EUR	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Operating expenses of group activities	-14	-14	-39	-21	-7
Capital and treasury management-related costs	17	-18	4	-4	1
Costs related to the holding of participations	-13	-9	-14	-13	-9
Results of remaining companies earmarked for divestment or in run-down	11	83	14	17	10
Other items	10	-9	11	-14	41
Total net result for the Group Centre	**12**	**33**	**-24**	**-36**	**37**

Group Centre - Breakdown P&L

	2Q 2017	1Q 2017	4Q 2016	3Q 2016	2Q 2016
Net Interest Income	2	-5	-7	-13	-2
Non-life insurance before reinsurance	3	1	8	5	6
Earned premiums Non-life	2	2	3	2	3
Technical charges Non-life	1	-1	5	3	4
Life insurance before reinsurance	1	-1	0	0	0
Earned premiums Life	0	0	0	0	0
Technical charges Life	1	-1	0	0	0
Ceded reinsurance result	0	1	-2	-12	-4
Dividend income	6	2	3	2	9
Net Result from FIFV through profit or loss	37	-44	2	-31	16
Net Realised result from Available for sale assets	14	9	0	13	-1
Net Fee and Commission Income	-1	-3	-2	-2	-4
Net other income	2	1	30	2	1
Total income	63	-38	32	-35	20
Operating expenses	-33	-29	-67	-41	-16
Impairment	-11	4	-5	-20	-7
Impairment on Loans and receivables	-11	4	-5	-20	-7
Impairment on available-for-sale assets	0	0	0	0	0
Impairment on goodwill	0	0	0	0	0
Impairment on Other	0	0	0	0	0
Share in results of assoc. comp & joint-ventures	0	0	1	1	1
Result before tax	18	-63	-39	-95	-2
Income tax	-7	96	15	59	39
Result after tax	12	33	-24	-36	37
Attributable to Minority Interest	0	0	0	0	0
Attributable to equity holders of the parent	12	33	-24	-36	37
Banking	17	38	-11	-14	35
Insurance	1	2	11	-4	-1
Group	-7	-7	-24	-17	2
Risk-weighted assets, banking (end of period, Basel III, fully loaded in '17, phased-in '16)	4 058	4 407	4 186	4 921	5 341
Risk-weighted assets, insurance (end of period, Basel II Danish compromise)	9 133	9 133	9 133	9 133	9 133
Required capital, insurance (end of period, Solv.II as of '16)	10	3	- 18	- 18	- 35
Allocated capital (end of period)	432	461	428	487	513

Details of ratios and terms

Basic and diluted earnings per share

Gives an idea of the amount of profit over a certain period that is attributable to one share (and, where applicable, including dilutive instruments).

Calculation (in millions of EUR)	Reference	1H 2017	1H 2016
Result after tax, attributable to equity holders of the parent (A)	'Consolidated income statement'	1 485	1 113
-			
Coupon on the additional tier-1 instruments included in equity (B)	'Consolidated statement of changes in equity'	- 26	- 26
/			
Average number of ordinary shares less treasury shares (in millions) in the period (C)	Note 5.10	418	418
or			
Average number of ordinary shares plus dilutive options less treasury shares in the period (D)		418	418
Basic = (A-B) / (C) (in EUR)		3,49	2,60
Diluted = (A-B) / (D) (in EUR)		3,49	2,60

Combined ratio (non-life insurance)

Gives an insight into the technical profitability (i.e. after eliminating investment returns, among other items) of the non-life insurance business, more particularly the extent to which insurance premiums adequately cover claim payments and expenses. The combined ratio takes ceded reinsurance into account.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
Net technical insurance charges, including the internal cost of settling claims (A)	Note 3.7.1	386	435
/			
Net earned insurance premiums (B)	Note 3.7.1	718	679
+			
Operating expenses (C)	Note 3.7.1	244	235
/			
Net written insurance premiums (D)	Note 3.7.1	814	768
= (A/B)+(C/D)		83,8%	94,6%

Common equity ratio

A risk-weighted measure of the group's solvency, based on common equity tier-1 capital.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
'Detailed calculation 'Danish compromise' table in the 'Solvency KBC Group' section.'			
Phased-in*		15,8%	16,2%
Fully loaded*		15,7%	15,8%

** CRD IV capital rules are being implemented gradually to allow banks to build up the necessary capital buffers. The capital position of a bank taking into account the transition period is called 'phased-in'. The capital position of a bank based on a full application of all rules as applicable after the transition period is called 'fully loaded'.*

Cost/income ratio

Gives an impression of the relative cost efficiency (costs relative to income) of the banking activities.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
Operating expenses of the banking activities (A)	'Consolidated income statement': component of 'Operating expenses'	1 893	1 854
/			
Total income of the banking activities (B)	'Consolidated income statement': component of 'Total income'	3 367	3 117
=(A) / (B)		56,2%	59,5%

Where relevant, we also estimate exceptional and/or non-operating items when calculating the cost/income ratio. The adjustments include: MTM ALM derivatives (fully excluded), bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC 21) and one-off items. The Cost/Income ratio adjusted for specific items is 52,8% in 1H 2017.

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges. Where appropriate, the numerator and denominator in the formula may be limited to impaired loans that are more than 90 days past due.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Specific impairment on loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	4 968	4 874
/			
Outstanding impaired loans (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 505	10 583
= (A) / (B)		47,3%	46,1%

Credit cost ratio

Gives an idea of loan impairment charges recognised in the income statement for a specific period (in this case, a year), relative to the total loan portfolio (see 'Loan portfolio' for definition). In the longer term, this ratio can provide an indication of the credit quality of the portfolio.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
Net changes in impairment for credit risks (A) (annualised)	'Consolidated income statement': component of 'Impairment'	- 72	54
/			
Average outstanding loan portfolio (B)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	149 793	145 299
= (A) (annualised) / (B)		-0,10%	0,07%

Impaired loans ratio

Indicates the proportion of impaired loans in the loan portfolio (see 'Loan portfolio' for definition) and, therefore, gives an idea of the creditworthiness of the portfolio. Impaired loans are loans where it is unlikely that the full contractual principal and interest will be repaid/paid. These loans have a KBC default status of PD 10, PD 11 or PD 12 and correspond to the new definition of 'non-performing' used by the European Banking Authority.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Amount outstanding of impaired loans (A)	'Credit risk: loan portfolio overview' table in the 'Credit risk' section	10 505	10 583
/			
Total outstanding loan portfolio (B)	'Credit risk: loan portfolio overview in the 'Credit risk' section	152 864	147 526
= (A) / (B)		6,9%	7,2%

Where appropriate, the numerator may be limited to impaired loans that are more than 90 days past due (PD 11 + PD 12).

Leverage ratio

Gives an idea of the group's solvency, based on a simple non-risk-weighted ratio.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Regulatory available tier-1 capital (A)	'Leverage ratio KBC Group (Basel III fully loaded)' table in the 'Leverage KBC Group' section	15 731	15 286
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	275 275	251 891
= (A) / (B)		5,7%	6,1%

Liquidity coverage ratio (LCR)

Gives an idea of the bank's liquidity position in the short term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-month period.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	72 800	65 400
/			
Total net cash outflows over the next 30 calendar days (B)		51 750	47 100
= (A) / (B)		141%	139%

Loan Portfolio

Gives an idea of the magnitude of (what are mainly pure, traditional) lending activities.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Loans and advances to customers (related to the group's banking activities) (A)	Note 4.1, component of 'Loans and advances to customers'	137 175	131 415
-			
Reverse repos with customers (B)	Note 4.1	- 828	- 376
+			
Debt instruments issued by corporates and by credit institutions and investment firms (related to the group's banking activities) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 124	7 114
+			
Loans and advances to credit institutions and investment firms (related to the group's banking activities, excluding dealing room activities) (D)	Note 4.1, component of 'Loans and advances to credit institutions and investment firms '	1 062	952
+			
Financial guarantees granted to clients (E)	Note 6.1, component of 'Financial guarantees given'	8 135	8 279
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	5 028	5 094
+			
Other (including accrued interest) (G)	Component of Note 4.1	- 4 832	- 4 952
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		152 864	147 526

Minimum requirement for own funds and eligible liabilities (MREL)

Indicates the extent to which a bank has sufficient own funds and eligible liabilities available for bail-in. MREL and bail-in are based on the idea that shareholders and debt-holders should bear losses first if a bank fails.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Own funds* and eligible liabilities (issued from KBC Group NV) (A)	Based on BRRD	20 912	18 467
/			
Risk weighted assets (consolidated, Danish compromise method) (B)	'Consolidated balance sheet'	91 549	87 782
= (A) / (B)		22,8%	21,0%

Net interest margin

Gives an idea of the net interest income of the banking activities (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
Net interest income of the banking activities (A) (annualised)	'Consolidated income statement': component of 'Net interest income'	1 744	1 808
/			
Average interest-bearing assets of the banking activities (B)	'Consolidated balance sheet': component of 'Total assets'	185 640	183 126
= (A) (annualised x360/number of calendar days) / (B)		1,87%	1,95%

Net stable funding ratio (NSFR)

Gives an idea of the bank's structural liquidity position in the long term, more specifically the extent to which the group is able to overcome liquidity difficulties over a one-year period.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Available amount of stable funding (A)	Basel III: the net stable funding ratio' (Basel Committee on Banking Supervision publication, October 2014)	153 850	144 150
/			
Required amount of stable funding (B)		118 300	114 950
= (A) / (B)		130%	125%

Parent shareholders’ equity per share

Gives the carrying value of a KBC share, i.e. the value in euros represented by each share in the parent shareholders' equity of KBC.

Calculation (in millions of EUR or %)	Reference	1H 2017	2016
Parent shareholders’ equity (A)	‘Consolidated balance sheet'	16 665	15 957
/			
Number of ordinary shares less treasury shares (at period-end in milliions) (B)	Note 5.10	418	418
= (A) / (B) (in EUR)		39,8	38,1

Return on allocated capital (ROAC) for a particular business unit

Gives an idea of the relative profitability of a business unit, more specifically the ratio of the net result to the capital allocated to the business unit.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
BELGIUM BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	785	579
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16) (B)		6 071	5 841
= (A) annualised / (B)		25,9%	19,8%
CZECH REPUBLIC BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	364	320
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16) (B)		1 547	1 413
= (A) annualised / (B)		46,7%	45,2%
INTERNATIONAL MARKETS BUSINESS UNIT			
Result after tax (including minority interests) of the business unit (A)	Note 2.1: Segment reporting based on the management structure	292	183
/			
The average amount of capital allocated to the business unit is based on the risk-weighted assets for the banking activities (under Basel III) and risk-weighted asset equivalents for the insurance activities (under Solvency I for '15 & II for '16) (B)		1 963	1 928
= (A) annualised / (B)		29,7%	18,9%

Return on equity

Gives an idea of the relative profitability of the group, more specifically the ratio of the net result to equity.

Calculation (in millions of EUR or %)	Reference	1H 2017	1H 2016
Result after tax, attributable to equity holders of the parent (A) (annualised)	'Consolidated income statement'	1 485	1 113
-			
Coupon on the additional tier-1 instruments included in equity (B) (annualised)	'Consolidated statement of changes in equity'	- 26	- 26
/			
Average parent shareholders’ equity, excluding the revaluation reserve for available-for-sale assets (C)	'Consolidated statement of changes in equity'	14.646	12.806
= (A-B) (annualised) / (C)		19,9%	17,0%

Solvency ratio (insurance)

Measures the solvency of the insurance business, calculated under Solvency II.

Calculation	Reference	1H 2017	2016
Detailed calculation under 'Solvency II, KBC Insurance consolidated' table in the Solvency banking and insurance activities separately section		217%	203%

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group assets managed by the group's various asset management companies (KBC Asset Management, ČSOB Asset Management, etc.), as well as assets under advisory management at KBC Bank. The assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

Calculation (in billions of EUR)	Reference	1H 2017	2016
Belgium Business Unit (A)	Company presentation on www.kbc.com	200	199
+			
Czech Republic Business Unit (B)		9	9
+			
International Markets Business Unit (C)		6	6
A)+(B)+(C)		215	213

Total capital ratio

A risk-weighted measure of the group's solvency, based on total regulatory capital.

Calculation	1H 2017	2016
Detailed calculation in the table 'Danish Compromise' under 'Solvency KBC Group' section		
Phased-in*	20,0%	20,6%
Fully loaded*	19,8%	20,0%

* CRD IV capital rules are being implemented gradually to allow banks to build up the necessary capital buffers. The capital position of a bank taking into account the transition period is called 'phased-in'. The capital position of a bank based on a full application of all rules as applicable after the transition period is called 'fully loaded'.