# KBC Group
# Extended Quarterly Report

# 2Q2015

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## Management certification of financial statements and quarterly report

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

## Forward-looking statements

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

## Glossary of ratios used

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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# Content

## Report for 2Q2015 and 1H2015



## 2Q2015 results by business unit



## Consolidated financial statements according to IFRS



## Risk and capital management

# KBC Group

# Report for 2Q2015 and 1H2015

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

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

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

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

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

Johan Thijs, our group CEO, added…

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

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

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

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

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

# Business highlights in the quarter under review

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

# Overview of our results and balance sheet

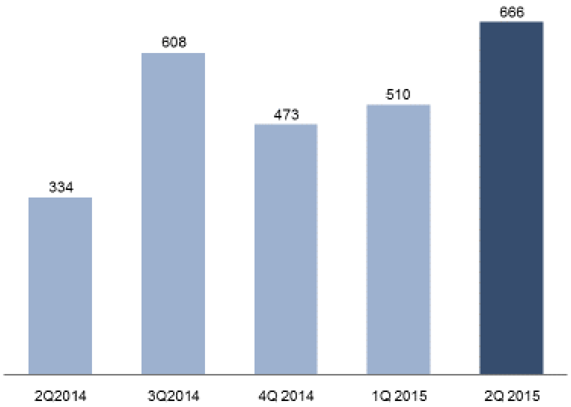
We provide a full overview of our IFRS consolidated income statement and balance sheet in the 'Consolidated financial statements' section of the quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity, as well as several notes to the accounts, are also available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

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

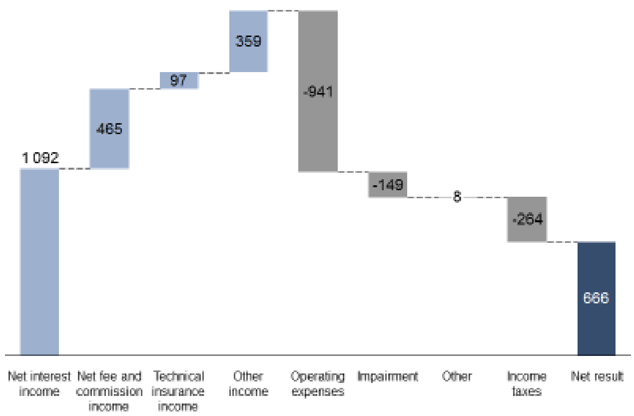
IFRIC 21 (Levies) was approved by the European Union in June 2014 and became effective on 1 January 2015. The main consequence of IFRIC 21 in 2015 is that certain levies have to be recognised in advance, which adversely impacted the results for the first quarter of 2015. As IFRIC 21 needs to be applied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

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

Net result (in millions of EUR)




Breakdown of net result for 2Q2015 (in millions of EUR)




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

Note: the year-on-year performance was partly affected by the deconsolidation of KBC Bank Deutschland and by a number of other minor changes. These items will be disregarded to enable a meaningful comparison to be made ('on a comparable basis').

# Analysis of the quarter (2Q2015)

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

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

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

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

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

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

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

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

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

## Impairment charges up on the low level of the previous quarter

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

## Results per business unit

- Our quarterly profit of 666 million euros breaks down into 528 million euros for the Belgium Business Unit, 127 million euros for the Czech Republic Business Unit, 68 million euros for the International Markets Business Unit and -57 million euros for the Group Centre. A full results table and a short analysis per business unit is provided in the 'Results per business unit' section of the quarterly report, while more information for each business unit is also given in the analyst presentation (both available at www.kbc.com).

## Strong fundamentals: equity, solvency and liquidity

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

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

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

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

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

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

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

# Statement of risk

- As we are mainly active in banking, insurance and asset management, we are exposed to a number of typical risks for these financial sectors such as – but not limited to – credit default risk, counterparty credit risk, concentration risk, movements in interest rates, currency risk, liquidity and funding risk, insurance underwriting risk, changes in regulations, operational risk, customer litigation, competition from other and new players, as well as the economy in general. Although KBC closely monitors and manages each of these risks within a strict risk framework containing governance and limits, they may all have a negative impact on asset values or could generate additional charges beyond anticipated levels.

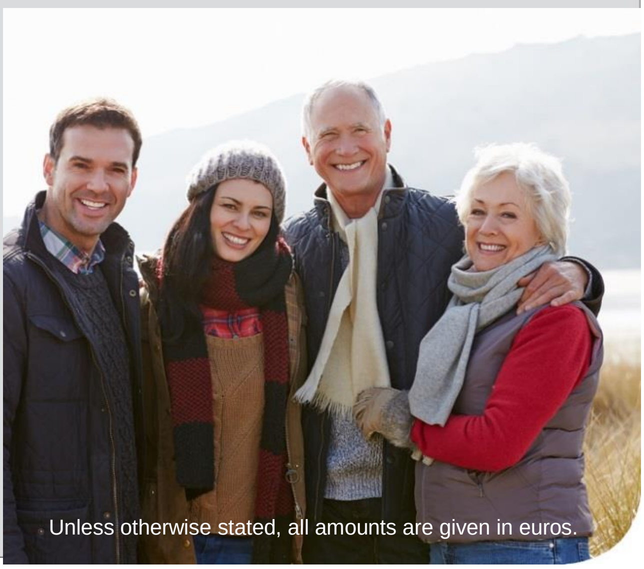
- At present, we consider a number of items to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to KBC. Increasing capital requirements are a dominant theme for the sector and regulatory initiatives are expected on such topics as risk models, floors on risk weighted assets, systemic and other capital buffers and minimum requirement of eligible liabilities and own funds (MREL). Besides these factors, the financial markets have been characterised by relatively low levels of liquidity for fixed income investments and the potential threat of asset bubbles, given the low interest rate environment. The latter also remains a challenge in itself, as illustrated in part by substantial prepayments of mortgages, particularly in Belgium, although this has abated somewhat recently. Finally, operational risk and particularly cyber risk have become one of the main threats during the past few years, not just for the financial sector, but overall.

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

- As regards macroeconomic trends, in the absence of a negative economic shock, the world economy is expected to grow above its potential pace in the coming quarters. There is a potential risk that the Fed's rate hike expected later this year will negatively impact international capital flows to emerging markets, particularly those with severe macroeconomic imbalances, such as large external deficits. In addition, the rate hike will most likely push up bond yields in the US and Europe. However, we believe this movement will probably be more subdued than in 1994 because of the extremely accommodative monetary policies in the rest of the world. Moreover, we expect the ECB's Extended Asset Purchase Programme to last until at least September 2016, exerting more downward pressure on government bond yields and the euro exchange rate. For the time being, the immediate threat of a Grexit to the European economic recovery has been reduced, but we expect the Greek debt issues to emerge again in the longer term.

# KBC Group

## 2Q2015 results by business unit

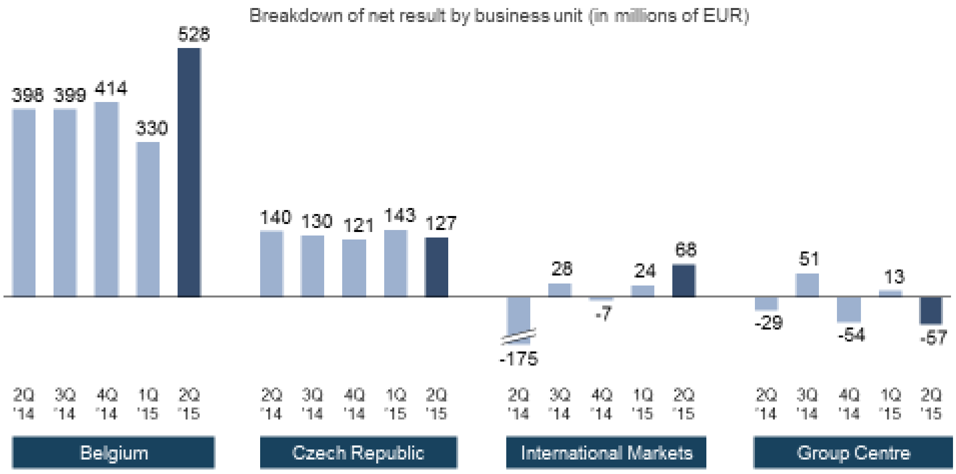


# Business unit overview

## Our segments or business units

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

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




## Basis of our business units results

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

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

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

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

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

# Belgium Business Unit

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

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

Since 1Q2015, the 2014 reference figures for operating expenses (and resulting (sub-)totals and ratios) have been restated due to the application of IFRIC 21 (Levies).
* The decrease in 2Q2015 related primarily to the decision taken by the NBB to lift regulatory add-ons and LGD floors related to KBC's IRB advanced models. The impact was felt most in the Belgium Business Unit.

# Czech Republic Business Unit

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

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

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

# International Markets Business Unit

- The net result amounted to 68 million in 2Q2015, exceeding the 24 million recorded in the previous quarter and clearly beating the -175 million posted in the year-earlier quarter, which had been impacted by a large provision related to the new Hungarian act on retail loans (Curia provision).
- Compared to the previous quarter, total income fell in 2Q2015 (-14 million or -5%). Although there was an increase in net interest income (+6 million or 3% quarter-on-quarter) thanks mainly to Ireland (lower funding and liquidity costs), and growth in net fee and commission income (+3 million or +6% versus 1Q2015) owing to Hungary, these positive items were offset by decreases in trading and fair value income (-15 million or -55% versus 1Q2015), in other net income (-7 million or -40% versus 1Q2015) and in the technical non-life insurance result (earned premiums minus technical charges, including the impact of ceded reinsurance: -3 million versus 1Q2015). Sales of life insurance products also dropped (interest-guaranteed and unit-linked products combined were down 24% on the level of sales in 1Q2015, with sales of unit-linked products falling in Hungary and Slovakia).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter were down significantly on the previous quarter (-56 million, or -25%). However, excluding these bank taxes, costs still decreased slightly (-2 million, or -1% versus 1Q2015) due mainly to Ireland. The resulting cost/income ratio for the entire business unit stood at 70% for 1H2015 (or 64% excluding some exceptional and non-operating items), while the combined ratio of the non-life insurance activities amounted to 95% for the same period.
- Loan loss impairment remained relatively low in the quarter under review, though it was up on the quite low level of the previous quarter (+13 million or +85% versus 1Q2015) due primarily to Ireland. For the business unit as a whole, this resulted in a good credit cost ratio of 0.35% for 1H2015. Impaired loans accounted for a high 33% of the loan book at the end of June 2015 (due to Ireland).
- The overall loan book contracted by 1% quarter-on-quarter (to 21 billion; growth in Slovakia and Bulgaria offset by a contraction in Ireland and Hungary), whereas deposits increased by almost 5% (to 16 billion, with growth in all countries). Net entries in assets under management went up too (expanding by 2%), but were offset by a 4% price decrease. Consequently, total assets under management fell by 2% to 6.7 billion. Life reserves stood at 0.5 billion, down 3% on the previous quarter.
- The net result of the International Markets Business Unit breaks down as follows: 17 million for Slovakia, 41 million for Hungary, 7 million for Bulgaria and 2 million for Ireland. A results table and brief comments for each country are provided on the following pages.

| International Markets Business Unit (in millions of EUR) | 2Q2014 | 3Q2014 | 4Q2014 | 1Q2015 | 2Q2015 |
|---|---|---|---|---|---|
| Net interest income | 173 | 175 | 169 | 172 | 178 |
| *of which dealing room income* | *6* | *3* | *2* | *4* | *0* |
| Non-life insurance (before reinsurance) | 19 | 8 | 22 | 20 | 17 |
| *Earned premiums* | *38* | *39* | *39* | *39* | *41* |
| *Technical charges* | *-19* | *-31* | *-18* | *-20* | *-24* |
| Life insurance (before reinsurance) | 4 | 4 | 4 | 4 | 3 |
| *Earned premiums* | *22* | *21* | *19* | *23* | *19* |
| *Technical charges* | *-19* | *-17* | *-15* | *-19* | *-16* |
| Ceded reinsurance result | -2 | 7 | -2 | -2 | -2 |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Net result from financial instr. at fair value through P/L | 17 | 17 | 14 | 27 | 12 |
| Net realised result from available-for-sale assets | 7 | 6 | 1 | 2 | 4 |
| Net fee and commission income | 51 | 54 | 54 | 50 | 53 |
| Other net income | -227 | 3 | -3 | 17 | 10 |
| Total income | 44 | 273 | 258 | 291 | 277 |
| Operating expenses | -165 | -165 | -191 | -226 | -170 |
| Impairment | -84 | -63 | -72 | -16 | -28 |
| on loans and receivables | -84 | *-63* | *-62* | -16 | -29 |
| on available-for-sale assets | 0 | *0* | *0* | 0 | 0 |
| on goodwill | 0 | *0* | *0* | 0 | 0 |
| other | -1 | *0* | *-10* | 0 | 1 |
| Share in results of associated companies & joint ventures | 0 | 0 | 0 | 0 | 0 |
| Result before tax | -206 | 44 | -5 | 49 | 79 |
| Income tax expense | 31 | -16 | -2 | -25 | -11 |
| Result after tax | -175 | 28 | -7 | 24 | 68 |
| attributable to minority interests | 0 | 0 | 0 | 0 | 0 |
| **attributable to equity holders of the parent** | **-175** | **28** | **-7** | **24** | **68** |
| *Banking* | *-181* | *24* | *-12* | *18* | *63* |
| *Insurance* | *6* | *4* | *5* | *6* | *5* |
| Risk-weighted assets, banking (end of period, Basel III) | 17 506 | 18 342 | 18 425 | 18 833 | 18 467 |
| Required capital, insurance (end of period, Solvency I) | 44 | 44 | 44 | 44 | 45 |
| Allocated capital (end of period) | 1 915 | 2 003 | 2 011 | 2 054 | 2 018 |
| Return on allocated capital (ROAC) | -35% | 6% | -1% | 5% | 13% |
| Cost/income ratio, banking | - | 60% | 74% | 79% | 61% |
| Combined ratio, non-life insurance | 98% | 105% | 94% | 88% | 103% |
| Net interest margin, banking | 2.46% | 2.50% | 2.44% | 2.53% | 2.60% |

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

## Ireland

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

| **Ireland** (in millions of EUR) | 2Q2014 | 3Q2014 | 4Q2014 | 1Q2015 | 2Q2015 |
|---|---|---|---|---|---|
| Net interest income | 38 | 39 | 41 | 46 | 53 |
| *of which dealing room income* | *0* | *0* | *0* | *0* | *0* |
| Non-life insurance (before reinsurance) | 0 | 0 | 0 | 0 | 0 |
| *Earned premiums* | *0* | *0* | *0* | *0* | *0* |
| *Technical charges* | *0* | *0* | *0* | *0* | *0* |
| Life insurance (before reinsurance) | 0 | 0 | 0 | 0 | 0 |
| *Earned premiums* | *0* | *0* | *0* | *0* | *0* |
| *Technical charges* | *0* | *0* | *0* | *0* | *0* |
| Ceded reinsurance result | 0 | 0 | 0 | 0 | 0 |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Net result from financial instr. at fair value through P/L | -6 | -2 | 2 | 0 | -6 |
| Net realised result from available-for-sale assets | 0 | 0 | 0 | 0 | 1 |
| Net fee and commission income | -1 | 0 | -1 | -1 | 0 |
| Other net income | 0 | 0 | -2 | 0 | 0 |
| Total income | 31 | 37 | 40 | 44 | 48 |
| Operating expenses | -32 | -32 | -37 | -39 | -35 |
| Impairment | -62 | -47 | -51 | -7 | -16 |
| *on loans and receivables* | *-62* | *-47* | *-41* | *-7* | *-16* |
| *on available-for-sale assets* | *0* | *0* | *0* | *0* | *0* |
| *on goodwill* | *0* | *0* | *0* | *0* | *0* |
| *Other* | *0* | *0* | *-9* | *0* | *0* |
| Share in results of associated companies & joint ventures | 0 | 0 | 0 | 0 | 0 |
| Result before tax | -62 | -42 | -48 | -2 | -3 |
| Income tax expense | 6 | 7 | 3 | 0 | 5 |
| Result after tax | -56 | -35 | -45 | -2 | 2 |
| attributable to minority interests | 0 | 0 | 0 | 0 | 0 |
| **attributable to equity holders of the parent** | **-56** | **-35** | **-45** | **-2** | **2** |
| *Banking* | *-56* | *-35* | *-45* | *-2* | *2* |
| *Insurance* | *0* | *0* | *0* | *0* | *0* |
| Risk-weighted assets, banking (end of period, Basel III) | 5 650 | 5 641 | 6 931 | 6 800 | 6 727 |
| Required capital, insurance (end of period, Solvency I) | - | - | - | - | - |
| Allocated capital (end of period) | 593 | 592 | 728 | 714 | 706 |
| Return on allocated capital (ROAC) | -33% | -24% | -30% | -1% | 1% |
| Cost/income ratio, banking | 102% | 85% | 94% | 87% | 74% |
| Combined ratio, non-life insurance | - | - | - | - | - |

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

## Hungary

- The net result amounted to 41 million in 2Q2015, compared to -6 million recorded in the previous quarter and -139 million in the year-earlier quarter (which included a large provision related to the new Hungarian act on retail loans – the co-called 'Curia provision').
- Compared to the previous quarter, total income in 2Q2015 fell slightly, since net interest income decreased somewhat (-2 million or -3% versus 1Q2015, following lower income generated by lending activities, among other things), trading income was down (-2 million or -10% versus 1Q2015), non-life insurance claims were higher (-2 million versus 1Q2015) and other net income decreased (-7 million versus 1Q2015; in both quarters, there were limited releases from the Curia provision, but its pre-tax impact was smaller in 2Q2015 than in 1Q2015). On the other hand, net fee and commission income remained quite strong (+3 million or +8% versus 1Q2015) and sales of Hungarian government bonds boosted the net result from available-for-sale assets (+3 million versus 1Q2015).
- Due to the bulk of the special bank taxes for the full year being posted in the first quarter, costs in the second quarter fell significantly (-52 million or -41% versus 1Q2015). However, excluding all these bank taxes, costs still decreased by 2% quarter-on-quarter. The resulting cost/income ratio for 1H2015 stood at 73% (or 63% excluding some exceptional and non-operating items), while the non-life combined ratio for the same period amounted to 94%.
- Loan loss impairment was at the same low level as the previous quarter. As a result, the credit cost ratio for 1H2015 stood at 0.47%. Impaired loans accounted for some 14% of the loan book at the end of June 2015.
- The Hungarian loan book contracted by 4% quarter-on-quarter (to 3.6 billion) while deposits increased by 4% (to 5.4 billion). Assets under management fell by 7% (to 3.9 billion) due primarily to a price decrease. Life reserves stood at 0.3 billion, down 5% on the previous quarter.

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

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

## Slovakia

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

| **Slovakia (in millions of EUR)** | 2Q2014 | 3Q2014 | 4Q2014 | 1Q2015 | 2Q2015 |
|---|---|---|---|---|---|
| Net interest income | 53 | 53 | 53 | 52 | 52 |
| *of which dealing room income* | *1* | *0* | *0* | *0* | *-1* |
| Non-life insurance (before reinsurance) | 5 | 5 | 6 | 5 | 4 |
| *Earned premiums* | *7* | *7* | *7* | *7* | *7* |
| *Technical charges* | *-2* | *-3* | *0* | *-2* | *-3* |
| Life insurance (before reinsurance) | 3 | 3 | 1 | 3 | 3 |
| *Earned premiums* | *15* | *14* | *10* | *14* | *10* |
| *Technical charges* | *-12* | *-11* | *-9* | *-11* | *-8* |
| Ceded reinsurance result | 0 | 0 | 0 | 0 | 0 |
| Dividend income | 0 | 0 | 0 | 0 | 0 |
| Net result from financial instr. at fair value through P/L | 3 | 3 | 4 | 9 | 2 |
| Net realised result from available-for-sale assets | 0 | 0 | 1 | 2 | 0 |
| Net fee and commission income | 11 | 12 | 12 | 12 | 12 |
| Other net income | 1 | 1 | 0 | 1 | 1 |
| Total income | 76 | 76 | 77 | 83 | 74 |
| Operating expenses | -45 | -47 | -47 | -47 | -46 |
| Impairment | -6 | -3 | -5 | -1 | -4 |
| *on loans and receivables* | *-6* | *-3* | *-5* | *-1* | *-4* |
| *on available-for-sale assets* | *0* | *0* | *0* | *0* | *0* |
| *on goodwill* | *0* | *0* | *0* | *0* | *0* |
| *other* | *0* | *0* | *0* | *0* | *0* |
| Share in results of associated companies & joint ventures | 0 | 0 | 0 | 0 | 0 |
| Result before tax | 24 | 26 | 25 | 35 | 23 |
| Income tax expense | -7 | -6 | -6 | -9 | -6 |
| Result after tax | 17 | 20 | 19 | 27 | 17 |
| attributable to minority interests | 0 | 0 | 0 | 0 | 0 |
| **attributable to equity holders of the parent** | **17** | **20** | **19** | **27** | **17** |
| *Banking* | *15* | *18* | *17* | *25* | *15* |
| *Insurance* | *2* | *2* | *2* | *2* | *2* |
| Risk-weighted assets, banking (end of period, Basel III) | 3 772 | 3 745 | 3 815 | 3 953 | 4 085 |
| Required capital, insurance (end of period, Solvency I) | 15 | 15 | 15 | 14 | 15 |
| Allocated capital (end of period) | 422 | 419 | 426 | 440 | 454 |
| Return on allocated capital (ROAC) | 17% | 19% | 18% | 25% | 16% |
| Cost/income ratio, banking | 60% | 62% | 61% | 56% | 63% |
| Combined ratio, non-life insurance | 89% | 97% | 66% | 84% | 92% |

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

## Bulgaria

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

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

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

# Group Centre

The Group Centre's net result in 2Q2015 stood at -57 million and can be broken down as follows (also see the table at the bottom of this page):

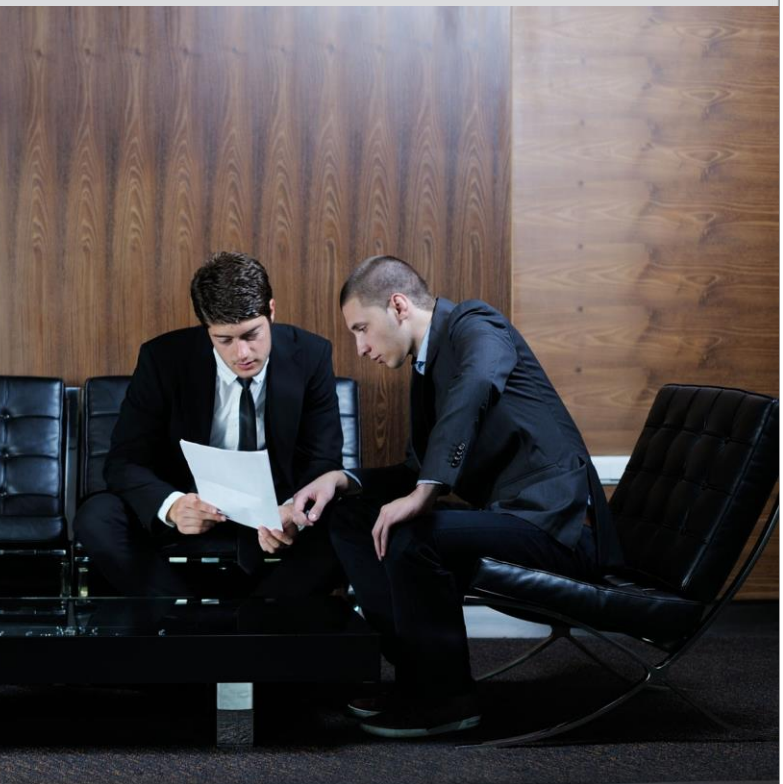
- The operating expenses of the group's activities: -15 million in total, a slight improvement on the previous quarter (-19 million).
- Certain capital and treasury management-related costs: 7 million in total, a small improvement on the previous quarter (5 million).
- Costs related to the holding of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

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

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

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

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



This section is reviewed by the auditors

# Consolidated income statement

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

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

# Consolidated statement of comprehensive income (condensed)

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

# Consolidated balance sheet

| ASSETS (in millions of EUR) | Note | 31-12-2014 | 30-06-2015 |
|---|---|---|---|
| Cash and cash balances with central banks | | 5 771 | 4 453 |
| Financial assets | 18 - 26 | 231 421 | 244 104 |
| Held for trading | | 12 182 | 11 311 |
| Designated at fair value through profit or loss | | 18 163 | 25 204 |
| Available for sale | | 32 390 | 32 240 |
| Loans and receivables | | 135 784 | 141 510 |
| Held to maturity | | 31 799 | 33 007 |
| Hedging derivatives | | 1 104 | 832 |
| Reinsurers' share in technical provisions | | 194 | 132 |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk | | 168 | 115 |
| Tax assets | | 1 814 | 1 652 |
| Current tax assets | | 88 | 117 |
| Deferred tax assets | | 1 726 | 1 535 |
| Non-current assets held for sale and assets associated with disposal groups | | 18 | 36 |
| Investments in associated companies and joint ventures | | 204 | 197 |
| Investment property | | 568 | 481 |
| Property and equipment | | 2 278 | 2 248 |
| Goodwill and other intangible assets | | 1 258 | 1 272 |
| Other assets | | 1 480 | 1 965 |
| TOTAL ASSETS | | 245 174 | 256 654 |

| LIABILITIES AND EQUITY (in millions of EUR) | Note | 31-12-2014 | 30-06-2015 |
|---|---|---|---|
| Financial liabilities | 18 - 26 | 205 644 | 216 642 |
| Held for trading | | 8 449 | 7 816 |
| Designated at fair value through profit or loss | | 23 908 | 25 257 |
| Measured at amortised cost | | 169 796 | 180 572 |
| Hedging derivatives | | 3 491 | 2 996 |
| Technical provisions, before reinsurance | | 18 934 | 19 198 |
| Fair value adjustments of hedged items in portfolio hedge of interest rate risk | | 189 | 121 |
| Tax liabilities | | 697 | 687 |
| Current tax liabilities | | 98 | 143 |
| Deferred tax liabilies | | 599 | 544 |
| Provisions for risks and charges | | 560 | 471 |
| Other liabilities | | 2 629 | 2 560 |
| TOTAL LIABILITIES | | 228 652 | 239 679 |
| Total equity | 39 | 16 521 | 16 976 |
| Parent shareholders' equity | 39 | 13 125 | 13 576 |
| Non-voting core-capital securities | 39 | 2 000 | 2 000 |
| Additional Tier-1 instruments included in equity | 39 | 1 400 | 1 400 |
| Minority interests | | - 3 | 0 |
| TOTAL LIABILITIES AND EQUITY | | 245 174 | 256 654 |

# Consolidated statement of changes in equity

| In millions of EUR | Issued and paid up share capital | Share premium | Treasury shares | Revaluation reserve (AFS assets) | Hedging reserve (cashflow hedges) | Remeasurement of defined benefit obligations | Reserves | Translation differences | Parent share-holders' equity | Non-voting core-capital securities | Additional Tier-1 instruments included in equity | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30-06-2014 | | | | | | | | | | | | | |
| Balance at the beginning of the period (31-12-2013) | 1 452 | 5 404 | 0 | 1 094 | - 497 | 65 | 4 648 | - 340 | 11 826 | 2 333 | 0 | 354 | 14 514 |
| Net result for the period | 0 | 0 | 0 | 0 | 0 | 0 | 681 | 0 | 681 | 0 | 0 | 0 | 681 |
| Other comprehensive income for the period | 0 | 0 | 0 | 381 | - 372 | - 43 | 0 | 0 | - 35 | 0 | 0 | 0 | - 35 |
| **Total comprehensive income** | **0** | **0** | **0** | **381** | **- 372** | **- 43** | **681** | **0** | **646** | **0** | **0** | **0** | **646** |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | - 14 | 0 | - 14 | 0 | 0 | 0 | - 14 |
| Repayment of non-voting core-capital securities | 0 | 0 | 0 | 0 | 0 | 0 | - 167 | 0 | - 167 | - 333 | 0 | 0 | - 500 |
| Issue of additional Tier-1 instruments included in equity | 0 | 0 | 0 | 0 | 0 | 0 | - 6 | 0 | - 6 | 0 | 1 400 | 0 | 1 394 |
| Impact business combinations | 0 | 0 | 0 | 0 | 0 | 0 | - 1 | 0 | - 1 | 0 | 0 | 0 | - 1 |
| Change in scope | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - 358 | - 358 |
| **Total change** | **0** | **0** | **0** | **381** | **- 372** | **- 43** | **493** | **0** | **458** | **- 333** | **1 400** | **- 358** | **1 167** |
| **Balance at the end of the period** | **1 452** | **5 404** | **0** | **1 474** | **- 869** | **23** | **5 141** | **- 340** | **12 285** | **2 000** | **1 400** | **- 3** | **15 681** |
| of which revaluation reserve for shares | | | | 304 | | | | | | | | | |
| of which revaluation reserve for bonds | | | | 1 171 | | | | | | | | | |
| of which revaluation reserve for other assets than bonds and shares | | | | - 1 | | | | | | | | | |
| of which relating to equity method | | | | 17 | 0 | 0 | | 1 | 18 | | | | 18 |
| 30-06-2015 | | | | | | | | | | | | | |
| Balance at the beginning of the period (31-12-2014) | 1 453 | 5 421 | 0 | 1 815 | - 1 368 | - 133 | 6 197 | - 261 | 13 125 | 2 000 | 1 400 | - 3 | 16 521 |
| Net result for the period | 0 | 0 | 0 | 0 | 0 | 0 | 1 176 | 0 | 1 176 | 0 | 0 | 0 | 1 176 |
| Other comprehensive income for the period | 0 | 0 | 0 | - 236 | 302 | 150 | 1 | 92 | 309 | 0 | 0 | 0 | 309 |
| **Total comprehensive income** | **0** | **0** | **0** | **- 236** | **302** | **150** | **1 177** | **92** | **1 485** | **0** | **0** | **0** | **1 485** |
| Dividends | 0 | 0 | 0 | 0 | 0 | 0 | - 836 | 0 | - 836 | 0 | 0 | 0 | - 836 |
| Coupon non-voting core-capital securities | 0 | 0 | 0 | 0 | 0 | 0 | - 171 | 0 | - 171 | 0 | 0 | 0 | - 171 |
| Coupon additional Tier-1 instruments | 0 | 0 | 0 | 0 | 0 | 0 | - 26 | 0 | - 26 | 0 | 0 | 0 | - 26 |
| Purchases of treasury shares | 0 | 0 | - 1 | 0 | 0 | 0 | 0 | 0 | - 1 | 0 | 0 | 0 | - 1 |
| Change in minorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3 |
| **Total change** | **0** | **0** | **- 1** | **- 236** | **302** | **150** | **144** | **92** | **451** | **0** | **0** | **3** | **455** |
| **Balance at the end of the period** | **1 453** | **5 421** | **- 1** | **1 580** | **- 1 066** | **18** | **6 341** | **- 169** | **13 576** | **2 000** | **1 400** | **0** | **16 976** |
| of which revaluation reserve for shares | | | | 470 | | | | | | | | | |
| of which revaluation reserve for bonds | | | | 1 109 | | | | | | | | | |
| of which revaluation reserve for other assets than bonds and shares | | | | 0 | | | | | | | | | |
| of which relating to equity method | | | | 23 | 0 | 0 | | 2 | 25 | | | | 25 |

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

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

# Condensed consolidated cash flow statement

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

# Notes on statement of compliance and changes in accounting policies

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

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

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

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

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

# Notes on segment reporting

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

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

In 1H 2015, the presentation of adjusted results is abolished following the completion of the divestment programme (the last file, Antwerp Diamond Bank, has been put in run-off as decided on 19 September 2014) and the fact that the CDO-exposure was brought down to nearly zero. The rationale for calculating an adjusted result - excluding these non-operating items - largely disappeared and as a consequence, KBC will no longer provide for adjusted figures (reference figures of 2014 restated accordingly).

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

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

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

| In millions of EUR | Business unit Belgium | Business unit Czech Republic | Business unit Interna-tional Markets | *of which: Hungary* | *of which: Slovakia* | *of which: Bulgaria* | *of which: Ireland* | Group Centre | KBC Group |
|---|---|---|---|---|---|---|---|---|---|
| **31-12-2014** | | | | | | | | | |
| Deposits from customers & debt certificates excl. repos | 105 885 | 22 047 | 14 860 | *5 220* | *4 856* | *600* | *4 185* | 11 187 | 153 979 |
| Loans & advances to customers excluding reverse repos | 84 165 | 16 216 | 20 790 | *3 771* | *4 578* | *666* | *11 776* | 1 990 | 123 161 |
| Term loans excl. Reverse repos | 41 926 | 6 360 | 5 289 | *1 915* | *1 527* | *284* | *1 562* | 1 792 | 55 366 |
| Mortgage loans | 32 318 | 7 251 | 13 561 | *1 320* | *1 807* | *239* | *10 195* | 26 | 53 156 |
| Current accounts advances | 2 318 | 922 | 653 | *312* | *329* | *0* | *12* | 161 | 4 054 |
| Finance leases | 3 172 | 442 | 523 | *92* | *425* | *0* | *6* | 0 | 4 138 |
| Consumer credit | 1 088 | 1 028 | 654 | *59* | *452* | *142* | *0* | 0 | 2 770 |
| Other | 3 343 | 213 | 111 | *72* | *38* | *0* | *0* | 12 | 3 678 |
| **30-06-2015** | | | | | | | | | |
| Deposits from customers & debt certificates excl. repos | 113 219 | 22 765 | 16 052 | *5 403* | *4 982* | *643* | *5 024* | 9 706 | 161 743 |
| Loans & advances to customers excluding reverse repos | 85 767 | 17 188 | 20 673 | *3 632* | *4 838* | *679* | *11 523* | 1 705 | 125 332 |
| Term loans excl. Reverse repos | 42 151 | 6 739 | 5 096 | *1 719* | *1 669* | *288* | *1 420* | 1 523 | 55 510 |
| Mortgage loans | 32 790 | 7 634 | 13 597 | *1 353* | *1 900* | *245* | *10 098* | 28 | 54 048 |
| Current accounts advances | 2 535 | 1 076 | 691 | *323* | *361* | *5* | *2* | 123 | 4 425 |
| Finance leases | 3 211 | 480 | 574 | *112* | *462* | *0* | *0* | 0 | 4 266 |
| Consumer credit | 1 281 | 1 009 | 626 | *67* | *415* | *142* | *2* | 0 | 2 916 |
| Other | 3 799 | 250 | 89 | *59* | *30* | *0* | *0* | 30 | 4 168 |

# Other notes

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

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

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

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

In the first half-year of 2015, the result from financial instruments at fair value through profit or loss was influenced by MtM ALM derivatives, where fair value changes (due to marked-to-market accounting) of ALM hedging instruments (that are treated as held for trading instruments) appear under 'Net result from financial instruments at fair value', whereas most of the related assets are not recognised at fair value. In 1H 2015, the net result from these financial instruments at fair value through profit or loss amounted to +87 million euros pre-tax (+90 million euros pre-tax in 2Q 2015), as long-term interest rates increased during 1H 2015 (for 1H and 2Q 2014 respectively -149 and -62 million euros).

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

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

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

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

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

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

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

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

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

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

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

As of 1 January 2015, IFRIC 21 (Levies) came into force. The main consequence of the application of IFRIC 21 is that certain levies are taken upfront in expense of the first quarter 2015 for a total of 222 million euros, of which 62 million euros related to the estimated contribution to the European Single Resolution Fund (ESRF). For all entities, except for K&H, the contribution to the ESRF is booked in 1Q 2015 at 70% (estimated actual cash out), whereas the remaining 30% will be considered as an irrevocable payment commitment (booked off-balance as a contingent liability). For K&H, the ESRF was booked at 100% due to local legislation. In 2Q 2015, the contribution to the ESRF for ČSOB Slovakia was also booked at 100% due to local legislation. Based on European market practice, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 2Q 2015. As a result, the second quarter figures of 2015 include a 29 million euros charge related to the upfront recognition in Belgium.

Except for the 2Q 2015 upfront recognition in Belgium, the reference figures of the consolidated income statement have been restated (relates solely to movements between quarters and has no impact on the figures for the full year). The 1H 2014 results after restatement include in total 247 million euros of bank (and insurance) levies (respectively 198 and 48 million euros in 1Q and 2Q 2014). The above mentioned excluded recognition in Belgium would add 28 million euros to the 1H 2014 restated results.

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

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

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

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

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

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

| (In millions of EUR) | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total |
|---|---|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS, 31-12-2014** | | | | | | | | |
| Loans and advances to credit institutions and investment firms [a] | 141 | 1 636 | 0 | 10 812 | - | - | - | 12 590 |
| Loans and advances to customers [b] | 27 | 1 335 | 0 | 123 189 | - | - | - | 124 551 |
| *Excluding reverse repos* | *20* | *101* | *0* | *123 040* | - | - | - | *123 161* |
| Trade receivables | 0 | 0 | 0 | 3 291 | - | - | - | 3 291 |
| Consumer credit | 0 | 0 | 0 | 2 770 | - | - | - | 2 770 |
| Mortgage loans | 0 | 33 | 0 | 53 123 | - | - | - | 53 156 |
| Term loans | 7 | 1 303 | 0 | 55 446 | - | - | - | 56 755 |
| Finance leasing | 0 | 0 | 0 | 4 138 | - | - | - | 4 138 |
| Current account advances | 0 | 0 | 0 | 4 054 | - | - | - | 4 054 |
| Securitised loans | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | 20 | 0 | 0 | 367 | - | - | - | 387 |
| Equity instruments | 303 | 3 | 1 826 | - | - | - | - | 2 132 |
| Investment contracts (insurance) | - | 13 425 | - | - | - | - | - | 13 425 |
| Debt securities issued by | 2 894 | 1 763 | 30 564 | 1 207 | 31 799 | - | - | 68 227 |
| Public bodies | 2 391 | 1 063 | 19 469 | 31 | 30 342 | - | - | 53 296 |
| Credit institutions and investment firms | 297 | 293 | 4 427 | 159 | 859 | - | - | 6 035 |
| Corporates | 206 | 407 | 6 667 | 1 018 | 598 | - | - | 8 896 |
| Derivatives | 8 814 | - | - | - | - | 1 104 | - | 9 918 |
| Other | 3 | 0 | 0 | 576 | - | - | - | 579 |
| Total carrying value | 12 182 | 18 163 | 32 390 | 135 784 | 31 799 | 1 104 | 0 | 231 421 |
| [a] *Of which reverse repos* | | | | | | | | *3 319* |
| [b] *Of which reverse repos* | | | | | | | | *1 389* |
| **FINANCIAL ASSETS, 30-06-2015** | | | | | | | | |
| Loans and advances to credit institutions and investment firms [a] | 332 | 9 469 | 0 | 13 916 | - | - | - | 23 716 |
| Loans and advances to customers [b] | 82 | 740 | 0 | 125 270 | - | - | - | 126 093 |
| *Excluding reverse repos* | *15* | *220* | *0* | *125 098* | - | - | - | *125 332* |
| Trade receivables | 0 | 0 | 0 | 3 515 | - | - | - | 3 515 |
| Consumer credit | 0 | 0 | 0 | 2 916 | - | - | - | 2 916 |
| Mortgage loans | 0 | 29 | 0 | 54 019 | - | - | - | 54 048 |
| Term loans | 67 | 567 | 0 | 55 636 | - | - | - | 56 270 |
| Finance leasing | 0 | 0 | 0 | 4 266 | - | - | - | 4 266 |
| Current account advances | 0 | 0 | 0 | 4 425 | - | - | - | 4 425 |
| Securitised loans | 0 | 0 | 0 | 0 | - | - | - | 0 |
| Other | 15 | 145 | 0 | 493 | - | - | - | 653 |
| Equity instruments | 353 | 3 | 1 896 | - | - | - | - | 2 251 |
| Investment contracts (insurance) | - | 13 815 | - | - | - | - | - | 13 815 |
| Debt securities issued by | 2 822 | 1 177 | 30 344 | 1 154 | 33 007 | - | - | 68 504 |
| Public bodies | 2 328 | 566 | 18 913 | 29 | 31 465 | - | - | 53 301 |
| Credit institutions and investment firms | 257 | 198 | 4 797 | 156 | 928 | - | - | 6 336 |
| Corporates | 238 | 413 | 6 634 | 969 | 613 | - | - | 8 867 |
| Derivatives | 7 723 | - | - | - | - | 832 | - | 8 555 |
| Other | 0 | 0 | 0 | 1 170 | 0 | 0 | 0 | 1 170 |
| Total carrying value | 11 311 | 25 204 | 32 240 | 141 510 | 33 007 | 832 | 0 | 244 104 |
| [a] *Of which reverse repos* | | | | | | | | *14 047* |
| [b] *Of which reverse repos* | | | | | | | | *761* |

In 2Q 2015, 0.5 billion euros worth of debt instruments were reclassified out of the ‘available for sale’ category and into the ‘held to maturity’ category.

| (In millions of EUR) | Held for trading | Designated at fair value | Available for sale | Loans and receivables | Held to maturity | Hedging derivatives | Measured at amortised cost | Total |
|---|---|---|---|---|---|---|---|---|
| **FINANCIAL LIABILITIES, 31-12-2014** | | | | | | | | |
| Deposits from credit institutions and investment firms [a] | 60 | 1 004 | - | - | - | - | 16 628 | 17 692 |
| Deposits from customers and debt certificates [b] | 367 | 10 352 | - | - | - | - | 151 064 | 161 783 |
| *Excluding repos* | *367* | *3 058* | - | - | - | - | *150 554* | *153 979* |
| Deposits from customers | 69 | 8 077 | - | - | - | - | 128 091 | 136 237 |
| Demand deposits | 0 | 35 | - | - | - | - | 47 020 | 47 055 |
| Time deposits | 69 | 8 028 | - | - | - | - | 41 638 | 49 735 |
| Savings deposits | 0 | 0 | - | - | - | - | 37 163 | 37 163 |
| Special deposits | 0 | 0 | - | - | - | - | 1 715 | 1 715 |
| Other deposits | 0 | 14 | - | - | - | - | 555 | 569 |
| Debt certificates | 298 | 2 275 | - | - | - | - | 22 973 | 25 546 |
| Certificates of deposit | 9 | 3 | - | - | - | - | 5 922 | 5 935 |
| Customer savings certificates | 0 | 0 | - | - | - | - | 762 | 762 |
| Convertible bonds | 0 | 0 | - | - | - | - | 0 | 0 |
| Non-convertible bonds | 289 | 1 732 | - | - | - | - | 12 741 | 14 761 |
| Convertible subordinated liabilities | 0 | 0 | - | - | - | - | 0 | 0 |
| Non-convertible subordinated liabilities | 0 | 540 | - | - | - | - | 3 549 | 4 088 |
| Liabilities under investment contracts | - | 12 553 | - | - | - | - | 0 | 12 553 |
| Derivatives | 7 697 | - | - | - | - | 3 491 | - | 11 188 |
| Short positions | 325 | 0 | - | - | - | - | - | 325 |
| in equity instruments | 71 | 0 | - | - | - | - | - | 71 |
| in debt instruments | 254 | 0 | - | - | - | - | - | 254 |
| Other | 0 | 0 | - | - | - | - | 2 103 | 2 104 |
| Total carrying value | 8 449 | 23 908 | - | - | - | 3 491 | 169 796 | 205 644 |
| [a] *Of which repos* | | | | | | | | *1 315* |
| [b] *Of which repos* | | | | | | | | *7 804* |
| **FINANCIAL LIABILITIES, 30-06-2015** | | | | | | | | |
| Deposits from credit institutions and investment firms [a] | 148 | 2 797 | - | - | - | - | 17 645 | 20 591 |
| Deposits from customers and debt certificates [b] | 557 | 9 523 | - | - | - | - | 160 080 | 170 159 |
| *Excluding repos* | *402* | *2 973* | - | - | - | - | *158 368* | *161 743* |
| Deposits from customers | 258 | 7 526 | - | - | - | - | 136 587 | 144 372 |
| Demand deposits | 0 | 100 | - | - | - | - | 55 705 | 55 805 |
| Time deposits | 258 | 7 426 | - | - | - | - | 39 897 | 47 581 |
| Savings deposits | 0 | 0 | - | - | - | - | 38 289 | 38 289 |
| Special deposits | 0 | 0 | - | - | - | - | 2 183 | 2 183 |
| Other deposits | 0 | 0 | - | - | - | - | 512 | 512 |
| Debt certificates | 299 | 1 997 | - | - | - | - | 23 492 | 25 788 |
| Certificates of deposit | 1 | 2 | - | - | - | - | 5 667 | 5 670 |
| Customer savings certificates | 0 | 0 | - | - | - | - | 684 | 684 |
| Convertible bonds | 0 | 0 | - | - | - | - | 0 | 0 |
| Non-convertible bonds | 298 | 1 697 | - | - | - | - | 13 491 | 15 486 |
| Convertible subordinated liabilities | 0 | 0 | - | - | - | - | 0 | 0 |
| Non-convertible subordinated liabilities | 0 | 298 | - | - | - | - | 3 650 | 3 948 |
| Liabilities under investment contracts | - | 12 937 | - | - | - | - | 0 | 12 937 |
| Derivatives | 6 762 | 0 | - | - | - | 2 996 | - | 9 759 |
| Short positions | 348 | 0 | - | - | - | - | - | 348 |
| in equity instruments | 59 | 0 | - | - | - | - | - | 59 |
| in debt instruments | 289 | 0 | - | - | - | - | - | 289 |
| Other | 0 | 0 | - | - | - | - | 2 847 | 2 848 |
| Total carrying value | 7 816 | 25 257 | - | - | - | 2 996 | 180 572 | 216 642 |
| [a] *Of which repos* | | | | | | | | *3 240* |
| [b] *Of which repos* | | | | | | | | *8 416* |

# Additional information on quarterly time series

## Loans and deposits

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

## Technical provisions plus unit linked, life insurance

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

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

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

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

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

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

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

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

**LEVEL 3 FINANCIAL ASSETS**

| | Held for trading | | | | | Designated at fair value | | | | Available for sale | | Hedging derivatives |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Loans and advances | Equity instruments | Investment contracts | Debt securities | Derivatives | Loans and advances | Equity instruments | Investment contracts | Debt securities | Equity instruments | Debt securities | Derivatives |
| Opening balance | 0 | 0 | 0 | 263 | 2 321 | 26 | 0 | 0 | 337 | 393 | 1 163 | 0 |
| Total gains/losses | 0 | 0 | 0 | 5 | - 305 | 1 | 2 | 0 | - 22 | - 8 | 5 | 0 |
| in profit and loss* | 0 | 0 | 0 | 5 | - 305 | 1 | 0 | 0 | - 22 | - 4 | 0 | 0 |
| in other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | - 4 | 5 | 0 |
| Acquisitions | 0 | 0 | 0 | 14 | 96 | 0 | 0 | 0 | 3 | 25 | 258 | 0 |
| Sales | 0 | 0 | 0 | - 26 | 0 | 0 | - 2 | 0 | 0 | - 9 | - 1 | 0 |
| Settlements | 0 | 0 | 0 | 0 | - 123 | - 1 | 0 | 0 | 0 | 0 | - 28 | 0 |
| Transfers into level 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57 | 112 | 0 |
| Transfers out of level 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | - 457 | 0 |
| Tranfers from/to non-current assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation differences | 0 | 0 | 0 | 11 | 4 | 2 | 0 | 0 | 26 | 1 | 0 | 0 |
| Changes in scope | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance | 0 | 0 | 0 | 267 | 1 993 | 28 | 0 | 0 | 344 | 459 | 1 053 | 0 |
| Total gains (positive figures) or losses (negative figures) included in profit or loss for assets held at the end of the reporting period | 0 | 0 | 0 | 6 | - 299 | 1 | 0 | 0 | - 22 | - 4 | - 1 | 0 |

**LEVEL 3 FINANCIAL LIABILITIES**

| | Held for trading | | | | | | Designated at fair value | | | | Hedging derivatives |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Deposits from credit institutions | Deposits from customers and debt certificates | Liabilities under investment contracts | Derivatives | Short positions | Other | Deposits from credit institutions | Deposits from customers and debt certificates | Liabilities under investment contracts | Other | |
| Opening balance | 0 | 41 | 0 | 2 335 | 0 | 0 | 0 | 424 | 0 | 0 | 0 |
| Total gains/losses | 0 | 1 | 0 | - 353 | 0 | 0 | 0 | - 9 | 0 | 0 | 0 |
| in profit and loss* | 0 | 1 | 0 | - 353 | 0 | 0 | 0 | - 9 | 0 | 0 | 0 |
| in other comprehensive income | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Issues | 0 | 0 | 0 | 115 | 0 | 0 | 0 | 230 | 0 | 0 | 0 |
| Repurchases | 0 | 0 | 0 | - 2 | 0 | 0 | 0 | - 3 | 0 | 0 | 0 |
| Settlements | 0 | - 26 | 0 | - 147 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers into level 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers out of level 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tranfers from/to financial liabilities regarding disposal groups | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Translation differences | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 16 | 0 | 0 | 0 |
| Changes in scope | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Closing balance | 0 | 19 | 0 | 1 949 | 0 | 0 | 0 | 659 | 0 | 0 | 0 |
| Total gains (negative figures) or losses (positive figures) included in profit and loss for liabilities held at the end of the reporting period | 0 | 0 | 0 | - 293 | 0 | 0 | 0 | - 9 | 0 | 0 | 0 |

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

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

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

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

Non-voting core-capital securities: since the end of 2008, KBC Group NV has issued 7 billion euros in perpetual, non-transferable, non-voting core-capital securities that have equal ranking (pari passu) with ordinary shares upon liquidation. These have been subscribed by the Belgian State (the Federal Holding and Investment Company) and Flemish Region (each in the amount of 3.5 billion euros). The other features of the transactions are dealt with under 'Capital transactions and guarantee agreements with the government in 2008 and 2009' in the 'Additional information' section of the annual accounts 2014.
In 2012, KBC repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros including a 15% penalty (525 million euros in total).
On 3 July 2013, KBC repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government including a 50% penalty (0.6 billion euros in total). On 8 January 2014, KBC repaid 0.33 billion euros (plus a penalty of 50% or 0.17 billion euros) worth of core-capital securities to the Flemish Regional Government.

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

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

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

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

In 3Q 2014:

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

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

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

Significant non-adjusting events between the balance sheet date (30 June 2015) and the publication of this report (6 August 2015):

At the beginning of July 2015, KBC reached an agreement to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovatel'ska. The deal, which is expected to close in 3Q 2015, will have no material impact on KBC group's earnings and capital (balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros).

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

### Introduction

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

### Scope of Review

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

Conclusion

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

Brussels, 5 August 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Christel Weymeersch*
Partner

Jean-François Hubin*
Partner

*Acting on behalf of a BVBA/SPRL

16CW0034

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

This section is not reviewed by the auditors

# Credit risk

## Snapshot of the credit portfolio (banking activities)

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

| Credit risk: loan portfolio overview | 31-12-2014 | 30-06-2015 |
|---|---|---|
| Total loan portfolio (in billions of EUR) | | |
| Amount granted | 166 | 171 |
| Amount outstanding[1] | 139 | 141 |
| Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding) | | |
| Belgium | 64% | 64% |
| Czech Republic | 14% | 14% |
| International Markets | 18% | 18% |
| Group Centre | 4% | 4% |
| Total | 100% | 100% |
| Impaired loans (in millions of EUR or %) | | |
| Amount outstanding | 13 692 | 13 155 |
| of which: more than 90 days past due | 7 676 | 7 493 |
| Ratio of impaired loans, per business unit | | |
| Belgium | 4.3% | 4.1% |
| Czech Republic | 3.8% | 3.5% |
| International Markets | 34.1% | 32.9% |
| Group Centre | 8.6% | 10.1% |
| Total | 9.9% | 9.3% |
| of which: more than 90 days past due | 5.5% | 5.3% |
| Specific loan loss impairments (in millions of EUR) and Cover ratio (%) | | |
| Specific loan loss impairments | 5 709 | 5 640 |
| of which: more than 90 days past due | 4 384 | 4 332 |
| Cover ratio of impaired loans | | |
| Specific loan loss impairments / impaired loans | 42% | 43% |
| of which: more than 90 days past due | 57% | 58% |
| Cover ratio of impaired loans, mortgage loans excluded | | |
| Specific loan loss impairments / impaired loans, mortgage loans excluded | 51% | 52% |
| of which: more than 90 days past due | 70% | 66% |
| Credit cost, by business unit (%)[2] | | |
| Belgium | 0.23% | 0.29% |
| Czech Republic | 0.18% | 0.18% |
| International Markets | 1.06% | 0.35% |
| Slovakia | 0.36% | 0.19% |
| Hungary | 0.94% | 0.47% |
| Bulgaria | 1.30% | 1.19% |
| Ireland | 1.33% | 0.32% |
| Group Centre | 1.17% | 0.72% |
| Total | 0.41% | 0.30% |

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

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

## Credit portfolio per business unit (banking activities)

***Legend:***

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

**Loan portfolio Business Unit Belgium**

| **30-06-2015, in millions of EUR** | **Belgium** | | | **Foreign branches** | | | **Total Business Unit Belgium** | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total outstanding amount** | **85 243** | | | **5 482** | | | **90 726** | | |
| Counterparty break down | | % outst. | | | % outst. | | | % outst. | |
| SME / corporate | 23 736 | 27.8% | | 5 482 | 100.0% | | 29 218 | 32.2% | |
| retail | 61 508 | 72.2% | | 0 | 0.0% | | 61 508 | 67.8% | |
| o/w private | 33 877 | 39.7% | | 0 | 0.0% | | 33 877 | 37.3% | |
| o/w companies | 27 630 | 32.4% | | 0 | 0.0% | | 27 630 | 30.5% | |
| Mortgage loans (1) | | % outst. | ind. LTV | | % outst. | ind. LTV | | % outst. | |
| total | 32 757 | 38.4% | 58% | 0 | 0.0% | - | 32 757 | 36.1% | |
| o/w FX mortgages | 0 | 0.0% | - | 0 | 0.0% | - | 0 | 0.0% | |
| o/w vintage 2007 and 2008 | 1 157 | 1.4% | - | 0 | 0.0% | - | 1 157 | 1.3% | |
| o/w ind. LTV > 100% | 1 375 | 1.6% | - | 0 | 0.0% | - | 1 375 | 1.5% | |
| Probability of default (PD) | | % outst. | | | % outst. | | | % outst. | |
| low risk (pd 1-4; 0.00%-0.80%) | 64 337 | 75.5% | | 3 263 | 59.5% | | 67 601 | 74.5% | |
| medium risk (pd 5-7; 0.80%-6.40%) | 15 545 | 18.2% | | 1 525 | 27.8% | | 17 070 | 18.8% | |
| high risk (pd 8-9; 6.40%-100.00%) | 2 201 | 2.6% | | 118 | 2.1% | | 2 319 | 2.6% | |
| impaired loans (pd 10 - 12) | 3 144 | 3.7% | | 574 | 10.5% | | 3 719 | 4.1% | |
| unrated | 15 | 0.0% | | 2 | 0.0% | | 18 | 0.0% | |
| **Overall risk indicators** | | spec. imp. | % cover | | spec. imp. | % cover | | spec. imp. | % cover |
| outstanding impaired loans | 3 144 | 1 349 | 42.9% | 574 | 273 | 47.5% | 3 719 | 1 621 | 43.6% |
| o/w pd 10 impaired loans | 1 165 | 252 | 21.6% | 385 | 121 | 31.4% | 1 550 | 373 | 24.1% |
| o/w more than 90 days past due (pd 11+12) | 1 979 | 1 097 | 55.4% | 189 | 152 | 80.0% | 2 168 | 1 249 | 57.6% |
| all impairments (specific + portfolio based) | n.a. | | | n.a. | | | 1 699 | | |
| o/w portfolio based impairments | n.a. | | | n.a. | | | 77 | | |
| o/w specific impairments | 1 349 | | | 273 | | | 1 621 | | |
| 2014 Credit cost ratio (CCR) | n.a. | | | n.a. | | | 0.23% | | |
| YTD 2015 CCR | n.a. | | | n.a. | | | 0.29% | | |

**Remarks**

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

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

**Loan portfolio Business Unit Czech Republic**

**30-06-2015, in millions of EUR**

**For information: ČMSS**[3] *(consolidated via equity-method since 1Q14)*

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

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

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

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

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

(1) mortgage loans: only to private persons (as opposed to the accounting figures); For Ireland: only KBC Homeloans exposure
(2) individual CCR in local currency

## Loan portfolio Group Centre

| 30-06-2015, in millions of EUR | Total Group Centre (mainly KBC Finance Ireland, KBC Credit Investments and Antwerp Diamond Bank (in wind-down)) | | |
|---|---|---|---|
| **Total outstanding amount** | **5 265** | | |
| Counterparty break down | | % outst. | |
| SME / corporate | 5 265 | 100.0% | |
| retail | 0 | 0.0% | |
| o/w private | 0 | 0.0% | |
| o/w companies | 0 | 0.0% | |
| Mortgage loans (1) | | % outst. | ind. LTV |
| total | 0 | 0.0% | - |
| o/w FX mortgages | 0 | 0.0% | - |
| o/w vintage 2007 and 2008 | 0 | 0.0% | - |
| o/w ind. LTV > 100% | 0 | 0.0% | - |
| Probability of default (PD) | | % outst. | |
| low risk (pd 1-4; 0.00%-0.80%) | 2 446 | 46.5% | |
| medium risk (pd 5-7; 0.80%-6.40%) | 1 804 | 34.3% | |
| high risk (pd 8-9; 6.40%-100.00%) | 485 | 9.2% | |
| impaired loans (pd 10 - 12) | 530 | 10.1% | |
| unrated | 1 | 0.0% | |
| **Overall risk indicators (2)** | | spec. Imp. | % cover |
| outstanding impaired loans | 530 | 333 | 62.8% |
| o/w pd 10 impaired loans | 186 | 56 | 29.9% |
| o/w more than 90 days past due (pd 11+12) | 344 | 277 | 80.7% |
| all impairments (specific + portfolio based) | 347 | | |
| o/w portfolio based impairments | 14 | | |
| o/w specific impairments | 333 | | |
| 2014 Credit cost ratio (CCR) | 1.17% | | |
| YTD 2015 CCR | 0.72% | | |

**Remarks**

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

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

(2) individual CCR in local currency

# Solvency

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

## Solvency KBC Group

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

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

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

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

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

The Internal Rating Based (IRB) approach is since its implementation in 2008 the primary approach to calculate KBC’s risk weighted assets. This is, based on a full application of all the CRD IV/CRR rules, used for approximately 81% of the weighted credit risks, of which approx. 70% according to Advanced and approx. 11% according to Foundation approach. Note that, retail exposure treated under IRB is always subject to an Advanced approach. The remaining weighted credit risks (ca. 19%) are calculated according to the Standardised approach. 12% of the latter, under the Danish Compromise, are the 370% risk-weighted holdings of own funds instruments of the insurance company.

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

| In millions of EUR | 31-12-2014 | | 30-06-2015 | |
|---|---|---|---|---|
| Danish compromise | Fully loaded | Phased-in | Fully loaded | Phased-in |
| Total regulatory capital, KBC Group (after profit appropriation) | 16 688 | 16 723 | 18 217 | 18 362 |
| Tier-1 capital | 14 476 | 14 136 | 15 868 | 15 700 |
| Common equity | 13 076 | 12 684 | 14 468 | 14 248 |
| Parent shareholders' equity (after deconsolidating KBC Insurance) | 12 592 | 12 592 | 13 160 | 13 160 |
| Non-voting core capital securities | 2 000 | 2 000 | 2 000 | 2 000 |
| Intangible fixed assets (incl deferred tax impact) (-) | - 334 | - 334 | - 336 | - 336 |
| Goodwill on consolidation (incl deferred tax impact) (-) | - 769 | - 769 | - 791 | - 791 |
| Minority interests | - 3 | - 3 | 0 | 0 |
| AFS revaluation reserve shares (-) | | - 116 | | 0 |
| AFS revaluation reserve sovereign bonds (-) | | - 613 | | - 419 |
| AFS revaluation reserve other bonds(-) | | 50 | | 16 |
| AFS revaluation reserve other (-) | | 0 | | 0 |
| Hedging reserve (cash flow hedges) (-) | 1 391 | 1 391 | 1 086 | 1 086 |
| Valuation diff. in fin. liabilities at fair value - own credit risk (-) | - 21 | - 21 | - 15 | - 15 |
| Value adjustment due to the requirements for prudent valuation (-) | - 92 | - 43 | - 84 | - 51 |
| Equalization reserve (-) | | | | |
| Dividend payout (-) | - 836 | - 836 | 0 | 0 |
| Renumeration of government securities (-) | - 171 | - 171 | 0 | 0 |
| Renumeration of AT1 instruments (-) | - 2 | - 2 | - 2 | - 2 |
| Deduction re. financing provided to shareholders (-) | - 159 | - 159 | - 139 | - 139 |
| IRB provision shortfall (-) | - 225 | - 225 | - 161 | - 161 |
| Deferred tax assets on losses carried forward (-) | - 297 | - 59 | - 250 | - 100 |
| Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-) | 0 | 0 | 0 | 0 |
| Additional going concern capital | 1 400 | 1 452 | 1 400 | 1 452 |
| Grandfathered innovative hybrid tier-1 instruments | 0 | 52 | 0 | 52 |
| Grandfathered non-innovative hybrid tier-1 instruments | 0 | 0 | 0 | 0 |
| CRR compliant AT1 instruments | 1 400 | 1 400 | 1 400 | 1 400 |
| Minority interests to be included in additional going concern capital | 0 | 0 | 0 | 0 |
| Tier 2 capital | 2 212 | 2 587 | 2 349 | 2 662 |
| IRB provision excess (+) | 375 | 357 | 354 | 341 |
| Subordinated liabilities | 1 837 | 2 230 | 1 995 | 2 321 |
| Subordinated loans non-consolidated financial sector entities (-) | 0 | 0 | 0 | 0 |
| Minority interests to be included in tier 2 capital | 0 | 0 | 0 | 0 |
| **Capital requirement** | | | | |
| Total weighted risk volume | 91 236 | 88 382 | 86 607 | 84 375 |
| Banking | 80 232 | 77 379 | 77 275 | 75 043 |
| Insurance[1] | 10 897 | 10 897 | 9 133 | 9 133 |
| Holding activities | 191 | 191 | 238 | 238 |
| Elimination of intercompany transactions | - 85 | - 85 | - 40 | - 40 |
| **Solvency ratios** | | | | |
| Common equity ratio | 14.33% | 14.35% | 16.71% | 16.89% |
| Tier-1 ratio | 15.87% | 15.99% | 18.32% | 18.61% |
| CAD ratio | 18.29% | 18.92% | 21.03% | 21.76% |
| **Capital buffer** | | | | |
| Common equity capital | 13 076 | | 14 468 | |
| Required pillar 2 capital (10.5%) | 9 580 | | 9 094 | |
| Capital buffer vs pillar 2 target | 3 497 | | 5 374 | |

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

**In millions of EUR**

| FICOD - Fully loaded | 31-12-2014 | 30-06-2015 |
|---|---|---|
| Common Equity | 13 528 | 14 754 |
| IFRS Parent shareholders equity KBC Group (consolidated) | 13 125 | 13 576 |
| + Yield Enhanced Securities (YES) | 2 000 | 2 000 |
| - Dividend, coupon YES, coupon AT1 | -1 008 | -2 |
| + Eligible own funds elements CRR/CRD IV (banking) | -508 | -690 |
| + Eligible own funds elements Solvency I (Insurance) | -80 | -130 |
| | | |
| Total weighted risk volume | 92 596 | 89 811 |
| Banking | 80 232 | 77 275 |
| Insurance | 12 257 | 12 337 |
| Holding activities | 191 | 238 |
| Elimination of intercompany transactions | -85 | -40 |
| | | |
| Solvency ratio | | |
| Common equity ratio | 14.61% | 16.43% |
| | | |
| Capital buffer | | |
| Buffer vs. 10.5% CET1 | 3 806 | 5 324 |

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

**Overview of KBC Group's capital ratios - In millions of EUR - 30-06-2015**

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

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

## Solvency banking and insurance activities separately

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

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

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