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KBC Bank

Half-Year Report - 1H2015

Company name

'KBC' or 'KBC Bank' as used in this report refer to the consolidated bank entity (i.e. KBC Bank NV including all companies that are included in the scope of consolidation). 'KBC Bank NV' refers solely to the non-consolidated entity. KBC Group or the KBC group refers to the parent company of KBC Bank (see below).

Difference between KBC Bank and KBC Group

KBC Bank is a subsidiary of KBC Group. Simplified, the KBC Group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, viz. KBC Bank and KBC Insurance.

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.

Investor Relations contact details

Investor.relations@kbc.com
www.kbc.com/kbcbank

KBC Bank NV
Investor Relations Office (IRO)
Havenlaan 2
BE-1080 Brussels
Belgium

Management certification

'I, Luc Popelier, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the abbreviated financial statements included in the interim report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Bank NV including its consolidated subsidiaries, and that the interim report provides a fair overview 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.'

Glossary of ratios used

Common equity ratio: [common equity tier-1 capital] / [total weighted risks].

Cost/income ratio: [operating expenses] / [total income].

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.

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: [net interest income] / [average interest-bearing assets]. 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].

Contents

This report contains information that is subject to transparency regulations for listed companies. 28 August 2015, 8 a.m. CEST.

Report for the first six months of 2015

KBC Bank

Summary:
First half of 2015 generates a firm 895 million 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 Bank ended the first half of 2015 with a very good net profit of 895 million euros, considerably higher than the 439 million euros recorded in the first half of 2014. Moreover, our liquidity position remains strong and our capital position has strengthened further.

Financial highlights for the first half of 2015, compared with the first half of 2014:

- All core markets and core activities turned in a strong performance.
- We granted more loans in Belgium (+4%), the Czech Republic (+10%), Slovakia (+9%) and Bulgaria (+9%), while clients increased their deposits with us in all our countries: Belgium (+12%), the Czech Republic (+7%), Hungary (+6%), Slovakia (+10%), Bulgaria (+16%) and Ireland (+26%).
- Our net interest income remained firm (+7%), and the net interest margin widened from 2.01% to 2.08%.
- Due to clients further increasing their assets managed by KBC, total assets under management of the group came to 204 billion euros. Our net fee and commission income remained very strong, rising by 19%.
- 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 up just 1%. The cost/income ratio stood at a favourable 55% year-to-date, or 52% when adjusted for specific items.
- Loan loss impairment decreased. The cost of credit amounted to 0.30% of our loan portfolio.
- Our liquidity and capital positions remained robust. LCR, NSFR and common equity ratio (fully loaded, Basel III), stood at 130%, 126% and 12.8%, respectively.

Key data, KBC Bank (consolidated, in millions of EUR)		1H2014	1H2015
Net result		439	895
by business unit:	Belgium	449	565
	Czech Republic	265	259
	International Markets	-216	81
	Group Centre	-59	-9
Balance sheet and solvency		31-12-2014	30-06-2015
Total assets		211 116	221 639
Total equity		13 336	13 038
Common equity ratio (Basel III, fully loaded)		12.1%	12.8%

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 half of 2015. As it needs to be applied retroactively, KBC restated the comparable interim figures for 2014. This relates solely to movements between interim periods and does not affect full-year figures.

Business highlights in the period under review

- The strategy of KBC Bank is fully embedded in the strategy of its parent company, KBC Group. KBC Group's core strategy remains focused on providing bank-insurance products and services to retail, SME and mid-cap clients in Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. In KBC Group, KBC Bank is essentially responsible for the banking business, and KBC Insurance for the insurance business.
- In this context, the group continued to work on achieving its strategic objectives. An acquisition in Slovakia marked KBC's ambition to grow both externally and organically in its core markets. 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 the third quarter of 2015, will have no material impact on KBC Bank's earnings and capital. In Belgium too, KBC continued to implement its strategy. For instance, the new and autonomous management team of KBC Brussels was unveiled on 1 March 2015. It is composed of experts from KBC and CBC who recently made the switch to KBC Brussels. They will manage the branch and agency network of KBC Brussels, draw up their own commercial policy for that entity and form the backbone of its operational structure.
- In March 2015, KBC was informed by the European Central Bank of its decision regarding the establishment of prudential requirements (which set minimum requirements for capital and liquidity for KBC Group and its main banking entities). For KBC Bank, this implies that – among other things – it must maintain a minimum common equity tier-1 ratio (CET1) of at least 10.5% on a fully loaded CRD IV basis. KBC Bank currently easily exceeds this new target.
- On the macroeconomic front, the 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 uptrend 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.
- We again took a number of initiatives on the corporate sustainability and responsibility front. As part of its financial education programme 'Ready, Steady, Money!', K&H in Hungary organised targeted financial awareness courses in March 2015. During the 'Week van de Zorg' – a campaign week in March that focuses on care provision – KBC in Belgium organised several workshops for senior citizens about online banking and the use of banking apps. Client centricity is also at the heart of KBC's approach in Ireland and its 'Voice of the Customer' programme. In the Czech Republic, ČSOB's 'Era Helps the Regions' won the Grand Prix Internet Effectiveness Award for the 2014 campaign supporting the grant programme and related activities focusing on support to individual fundraising. KBC in Belgium organised a stakeholder debate in 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 (a subsidiary of KBC Insurance) 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.

Analysis of the result and balance sheet

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

Consolidated income statement, KBC Bank (in millions of EUR)	1H2014	1H2015
Net interest income	1 743	1 860
Interest income	3 621	3 385
Interest expense	-1 878	-1 525
Dividend income	7	13
Net result from financial instruments at fair value through profit and loss	60	238
Net realised result from available-for-sale assets	34	52
Net fee and commission income	883	1 047
Fee and commission income	1 122	1 287
Fee and commission expense	-239	-240
Other net income	-89	93
Total income	2 637	3 302
Operating expenses	-1 698	-1 810
Impairment	-249	-219
on loans and receivables	-239	-211
on available-for-sale assets	-2	-2
on goodwill	0	0
on other	-8	-6
Share in results of associated companies and joint ventures	12	12
Result before tax	703	1 285
Income tax expense	-188	-302
Result after tax	515	983
attributable to minority interests*	76	88
attributable to equity holders of the parent	**439**	**895**
Breakdown of result after tax, attributable to equity holders of the parent		
Belgium	449	565
Czech Republic	265	259
International Markets	-216	81
Group Centre	-59	-9

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 half of 2015. As it needs to be applied retroactively, KBC restated the comparable interim figures for 2014. This relates solely to movements between interim periods and does not affect full-year figures.
* Primarily the 48% stake that KBC Group holds in KBC Asset Management.

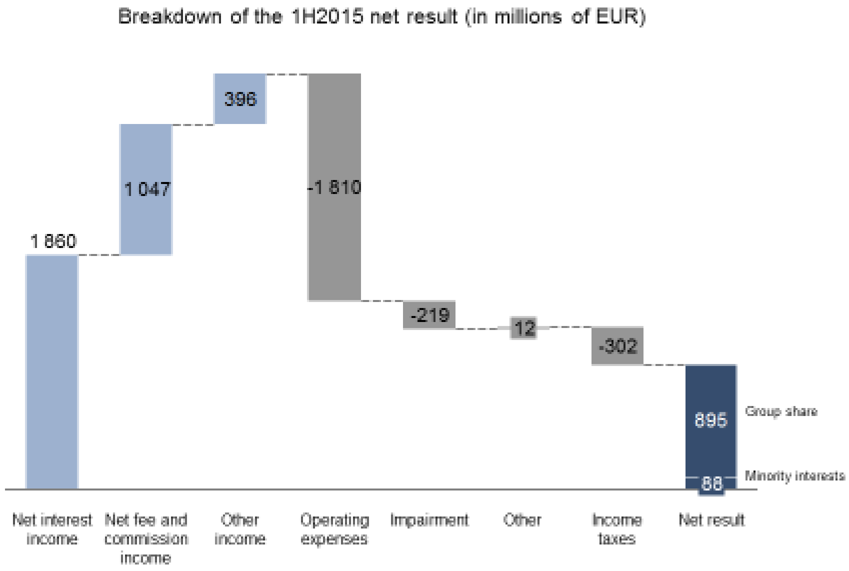
Highlights, consolidated balance sheet, KBC Bank (in millions of EUR)	31-12-2014	30-06-2015
Total assets	211 116	221 639
Loans and advances to customers	125 550	126 973
Securities (equity and debt instruments)	50 175	50 530
Deposits from customers and debt securities	163 647	172 494
Risk weighted assets (Basel III, fully loaded)*	80 232	77 275
Total equity	13 336	13 038
of which parent shareholders' equity	11 676	11 371

* Drop largely related to the decision of the NBB to lift regulatory add-ons and Loss Given Default (LGD) floors for KBC's IRB advanced models.

KBC Bank ended the first six months of 2015 (1H2015) with a net profit of 895 million euros, compared with a net profit of 439 million euros in the first six months of 2014 (1H2014)

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

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 major components of our profit and loss account:

- Net interest income stood at 1 860 million euros in 1H2015, up 7% year-on-year (or 9% on a comparable basis). The net interest margin came to 2.08% year-to-date, 7 basis points higher than the level of a year earlier. The increase in net interest income was driven mainly by substantially lower (subordinated) funding costs, as well as higher lending-related interest income, though it was somewhat mitigated by hedging losses related to prepaid mortgages in Belgium. Moreover, volumes increased in both deposits and credit facilities: deposits from customers and debt certificates, excluding repos, went up by 8%, and loans and advances to customers, excluding reverse repos, by 3% year-on-year (percentages calculated after elimination of transactions between KBC Group companies). As regards deposits, volumes increased in every country (Belgium +12%, Czech Republic +7%, Slovakia +10%, Hungary +6%, Bulgaria +16% and Ireland +26% following the successful retail campaign there). Lending went up in Belgium (+4%), the Czech Republic (+10%), Slovakia (+9%) and Bulgaria (+9%), but decreased in Ireland (-4%, as matured and impaired mortgage loans surpassed new production and the corporate loan portfolio continued to be deleveraged) and Hungary (-3%, due mainly to large repayments in the corporate loan portfolio).
- Net fee and commission income amounted to 1 047 million euros in 1H2015, an increase of 19% (unchanged on a comparable basis) on its 1H2014 level. The increase was largely related to robust asset management activity, thanks to a buoyant client investment climate. Overall, assets under management of KBC Group stood at 204 billion euros at the end of June 2015, up 18% year-on-year, half of which related to net entries and half of which to the investment performance. Belgium (189 billion euros) accounted for the bulk of the assets under management , the Czech Republic for 8 billion euros and the other countries combined for 7 billion euros at the end of June 2015.
- All other income items combined amounted to 396 million euros in 1H2015. Dividend income stood at 13 million euros, up 6 million compared to 1H2014. Realised gains on the sale of bonds and shares came to 52 million euros (40 million euros on the sale of bonds, 11 million euros on the sale of shares), up 18 million euros on their level of 1H2014. The net result from financial instruments at fair value amounted to 238 million euros, up 178 million euros on 1H2014, due primarily to the change in marked-to-market valuation in respect of derivative instruments used for ALM purposes (from a negative 134 million euros in 1H2014 to a positive 92 million euros in 1H2015). Lastly, other net income came to 93 million euros in 1H2015, a strong increase compared to -89 million euros in the year-earlier period, which had been affected to the tune of -231 million euros by provisioning for the new Hungarian act on retail loans ('Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions'), while 1H2015 included the positive impact of a partial reversal of that provision (25 million euros, pre-tax).

- Operating expenses came to 1 810 million euros in 1H2015, up 7% on their year-earlier level (8% on a comparable basis). Note that the reference figures for 1H2014 were adjusted – in view of comparability – following the (retroactive) application of IFRIC 21, which requires the booking of a significant proportion of the full-year special bank taxes in the first quarter of the year. The year-on-year increase in operating expenses was essentially due to higher special bank taxes (up from 237 million euros in 1H2014 to 329 million euros in 1H2015). Excluding all special bank taxes, costs were only slightly up (+1%) for a number of reasons, including somewhat higher staff expenses. As a result, the year-to-date cost/income ratio came to 55% in 1H2015 (compared to 58% for FY2014). Adjusted for specific items (mainly the marked-to-market valuations of ALM derivatives, the impact of the new act on retail loans in Hungary, and the (more evenly spread) special bank taxes), the 'sustainable' cost/income ratio stood at 52%, compared to 54% in 1H2014.
- Loan loss impairment stood at 211 million euros in 1H2015, down somewhat on the 239 million euros recorded a year earlier. This improvement was mainly due to lower loan loss impairment charges at KBC Bank Ireland (23 million in 1H2015, as opposed to 110 million in 1H2014), somewhat offset by higher loan loss provisions in Belgium (129 million euros as opposed to 68 million euros). In general, 34 million euros extra provisions in 1H2015 are due to parameter adjustments to the IBNR-models. The annualised credit cost ratio hence stood at 0.30% year-to-date (0.42% in FY2014).

Performance by business unit:

- The Belgium Business Unit (encompassing all activities in Belgium) generated a net result of 565 million euros in 1H2015, compared with 449 million euros in 1H2014. The period under review included higher net interest income, a significantly higher net result from financial instruments at fair value (caused by the positive marked-to-market valuations of ALM derivatives, as opposed to a negative amount in the reference period), somewhat higher gains on the sale of available-for-sale assets, increased net fee and commission income and lower other net income. Costs – excluding special bank taxes – went up slightly, leading to a year-to-date cost/income ratio of 50% (same level as in FY2014), and impairment charges increased, leading to an annualised credit cost ratio of 0.29% in 1H2015 (0.23% in FY2014).
- The Czech Republic Business Unit (encompassing all activities in the Czech Republic) generated a net result of 259 million euros in 1H2015, compared with 265 million euros in 1H2014. The period under review included lower net interest income and increased net fee and commission income, gains from available-for-sale assets, trading and fair value income and other net income. Costs – excluding special bank taxes – remained well under control with a cost/income ratio of 48% (in line with FY2014), while loan loss impairment remained at a relatively low level, leading to an excellent annualised credit cost ratio of 0.18% in 1H2015 (the same level as in FY2014).
- The International Markets Business Unit (covering activities in Ireland, Hungary, Slovakia and Bulgaria) generated a net result of 81 million euros in 1H2015, as opposed to -216 million euros in 1H2014. When broken down by country, the net result was as follows: 0 million euros for Ireland (compared to -99 million euros in 1H2014; a significant improvement thanks primarily to lower loan loss impairment and higher interest income); 40 million euros for Slovakia (compared to 30 million euros in 1H2014, with most income items up and loan loss impairment down), 9 million euros for Bulgaria (compared to 5 million euros in 1H2014), and 31 million euros for Hungary (significantly better than the -152 million in 1H2014, which had been impacted by -183 million euros (post tax) related to the Hungarian act on retail loans (Curia provision). For the business unit as a whole, the cost/income ratio stood at 70% in 1H2015 (compared to 92% for FY2014, which had been impacted by the booking of the Curia provision) and the annualised credit cost ratio amounted to 0.35% (as opposed to 1.06% for FY2014).
- The Group Centre's net result amounted to -9 million euros in 1H2015, compared with -59 million euros in 1H2014. The Group Centre includes certain capital and liquidity management-related costs, costs related to the holding of participations and the results of the companies or activities that are earmarked for divestment or are in run-down. It also includes the results of legacy businesses (CDOs and divestment results, both immaterial as of 2015) and the valuation of own credit risk.

Equity, solvency and liquidity:

- At the end of June 2015, our total equity came to 13 billion euros, down 0.3 billion euros on its level at the start of the year. The change in 1H2015 resulted from the inclusion of the 1H2015 result (+1 billion euros, including minority interests), the dividend paid to KBC Group for financial year 2014 (-1.6 billion euros), and a number of smaller changes (an aggregate +0.3 billion euros).
- Our common equity ratio (Basel III, fully loaded) stood at 12.8% at 30 June 2015. The leverage ratio (Basel III, fully loaded) stood at 4.8%.
- Our liquidity position remains excellent, as reflected in an LCR ratio of 130% and an NSFR ratio of 126% at the end of June 2015.

Ratios	FY2014	1H2015
Cost/income ratio	58%	55%
Common equity ratio (Basel III, fully loaded)	12.1%	12.8%
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%
Net stable funding ratio (NSFR)	123%	126%
Liquidity coverage ratio (LCR)	120%	130%

Statement of risk

- As we are mainly active in banking 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, 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 Bank. 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 the annual and interim reports of KBC Bank and KBC Group, and dedicated risk reports, all of which are available at www.kbc.com.
- As regards macroeconomic trends, in the absence of a new negative economic shock, the Western economies are expected to grow above their potential pace in the coming quarters. Emerging markets, on the other hand, are suffering from weak commodity prices and the expected reversal of the US Fed's interest rate policy. Indeed, the anticipation of the likely first rate hike by the Fed later this year is already having a negative impact on international capital flows to emerging markets, particularly those with severe macroeconomic imbalances, such as large external deficits. In the event of a Fed's rate hike, bond yields in the US and Europe are likely to be pushed up. 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, in particular in the Euro Area and Japan. We expect the ECB's Extended Asset Purchase Programme to last until at least September 2016, as planned, limiting upward pressure on European government bond yields and the euro exchange rate. After the recent agreement on a third bailout programme for Greece during the next three years, the threat of a *Grexit* to the European economic recovery has been eliminated for the time being, but we expect the Greek debt issues to emerge again in the longer term. The latest weaker economic data in China are to a large extent still the result of weak private consumption growth. Nevertheless, economic growth is expected to remain well above 6% per year. Moreover, the recent correction of the Chinese stock market should also be put in perspective of the solid gains in the previous years.

Consolidated financial statements

according to IFRS, KBC Bank – 1H2015

Reviewed by the statutory auditor

Consolidated income statement

In millions of EUR	Note	1H 2014	1H 2015
Net interest income	3	1 743	1 860
Interest income		3 621	3 385
Interest expense		- 1 878	- 1 525
Dividend income		7	13
Net result from financial instruments at fair value through profit or loss	5	60	238
Net realised result from available-for-sale assets	6	34	52
Net fee and commission income	7	883	1 047
Fee and commission income		1 122	1 287
Fee and commission expense		- 239	- 240
Net other income	8	- 89	93
TOTAL INCOME		2 637	3 302
Operating expenses	9	- 1 698	- 1 810
Staff expenses		- 777	- 799
General administrative expenses		- 858	- 948
Depreciation and amortisation of fixed assets		- 63	- 64
Impairment	11	- 249	- 219
on loans and receivables		- 239	- 211
on available-for-sale assets		- 2	- 2
on goodwill		0	0
on other		- 8	- 6
Share in results of associated companies and joint ventures		12	12
RESULT BEFORE TAX		703	1 285
Income tax expense		- 188	- 302
RESULT AFTER TAX		515	983
Attributable to minority interest		76	88
Attributable to equity holders of the parent		**439**	**895**

The figures for 2014 have been restated due the application of IFRIC 21: See Note 1a for more information.

Condensed consolidated statement of comprehensive income

In millions of EUR	1H 2014	1H 2015
RESULT AFTER TAX	515	983
attributable to minority interest	76	88
attributable to equity holders of the parent	439	895
Other comprehensive income - to be recycled to P&L		
Net change in revaluation reserve (AFS assets) - Equity	- 1	22
Net change in revaluation reserve (AFS assets) - Bonds	233	- 159
Net change in revaluation reserve (AFS assets) - Other	0	0
Net change in hedging reserve (cash flow hedge)	- 380	306
Net change in translation differences	0	91
Other movements	- 2	1
Other comprehensive income - not to be recycled to P&L		
Net change in defined benefit plans	- 39	140
TOTAL COMPREHENSIVE INCOME	327	1 383
attributable to minority interest	76	87
attributable to equity holders of the parent	251	1 296

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	14 - 22	198 865	210 848
Held for trading		12 277	11 400
Designated at fair value through profit or loss		6 526	13 203
Available for sale		18 048	17 718
Loans and receivables		134 955	140 393
Held to maturity		25 956	27 302
Hedging derivatives		1 104	832
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		168	115
Tax assets		1 702	1 564
Current tax assets		45	77
Deferred tax assets		1 657	1 487
Non-current assets held for sale and assets associated with disposal groups		18	36
Investments in associated companies and joint ventures		179	167
Investment property		397	314
Property and equipment		2 029	2 007
Goodwill and other intangible assets		1 027	1 036
Other assets		960	1 100
TOTAL ASSETS		211 116	221 639

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2014	30-06-2015
Financial liabilities	14 - 22	195 038	206 115
Held for trading		8 510	7 867
Designated at fair value through profit or loss		11 356	12 320
Measured at amortised cost		171 682	182 932
Hedging derivatives		3 491	2 996
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		189	121
Tax liabilities		165	202
Current tax liabilities		80	97
Deferred tax liabilies		85	105
Provisions for risks and charges		527	437
Other liabilities		1 861	1 725
TOTAL LIABILITIES		197 780	208 601
Total equity	34	13 336	13 038
Parent shareholders' equity	34	11 676	11 371
Additional Tier-1 instruments included in equity	34	1 400	1 400
Minority interests		260	267
TOTAL LIABILITIES AND EQUITY		211 116	221 639

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Remeasurement of defined benefit obligations	Reserves	Translation differences	Parent share-holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
30-06-2014											
Balance at the beginning of the period (31-12-2013)	8 948	895	264	- 522	70	2 337	- 331	11 662	0	651	12 313
Net result for the period	0	0	0	0	0	439	0	439	0	76	515
Other comprehensive income for the period	0	0	232	- 379	- 39	- 2	0	- 188	0	0	- 188
Total comprehensive income	**0**	**0**	**232**	**- 379**	**- 39**	**437**	**0**	**251**	**0**	**76**	**327**
Dividends	0	0	0	0	0	- 691	0	- 691	0	0	- 691
Issue of additional Tier-1 instruments included in equity	0	0	0	0	0	- 6	0	- 6	1 400	0	1 394
Change in minorities	0	0	0	0	0	0	0	0	0	- 45	- 45
Change in scope	0	0	0	0	0	0	0	0	0	- 358	- 358
Total change	**0**	**0**	**232**	**- 379**	**- 39**	**- 259**	**0**	**- 445**	**1 400**	**- 327**	**628**
Balance at the end of the period	**8 948**	**895**	**496**	**- 902**	**31**	**2 078**	**- 330**	**11 216**	**1 400**	**324**	**12 940**
of which revaluation reserve for shares			69								
of which revaluation reserve for bonds			427								
of which revaluation reserve for other assets than bonds and shares			0								
of which relating to equity method			12	0	0		1	13			13
30-06-2015											
Balance at the beginning of the period (31-12-2014)	8 948	895	666	- 1 391	- 116	2 927	- 253	11 676	1 400	260	13 336
Net result for the period	0	0	0	0	0	895	0	895	0	88	983
Other comprehensive income for the period	0	0	- 137	306	140	1	91	401	0	0	400
Total comprehensive income	**0**	**0**	**- 137**	**306**	**140**	**896**	**91**	**1 296**	**0**	**87**	**1 383**
Dividends	0	0	0	0	0	- 1 601	0	- 1 601	0	0	- 1 601
Change in minorities	0	0	0	0	0	0	0	0	0	- 80	- 80
Total change	**0**	**0**	**- 137**	**306**	**140**	**- 705**	**91**	**- 305**	**0**	**7**	**- 298**
Balance at the end of the period	**8 948**	**895**	**529**	**- 1 086**	**24**	**2 222**	**- 161**	**11 371**	**1 400**	**267**	**13 038**
of which revaluation reserve for shares			128								
of which revaluation reserve for bonds			401								
of which revaluation reserve for other assets than bonds and shares			0								
of which relating to equity method			10	0	0		4	14			14

Changes in equity in 1H2015 include a dividend payment to KBC Group of approximately 1.6 billion euros.

In 1H 2015, the revaluation reserves (AFS assets) decreased by 137 million euros, -159 million euros of which related to bonds (due to increasing interest rates) and +22 million euros to shares (thanks to higher equity markets). There was a positive effect – likewise for a large part linked to increasing interest rates – of +306 million euros on hedging reserves (cash flow hedges) and of +140 million euros on defined benefit plans.

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Condensed consolidated cash flow statement

In millions of EUR	1H 2014	1H 2015
Net cash from (used in) operating activities	6 454	12 324
Net cash from (used in) investing activities	540	- 1 284
Net cash from (used in) financing activities	- 4 423	- 1 664
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	2 571	9 377
Cash and cash equivalents at the beginning of the period	8 691	6 523
Effects of exchange rate changes on opening cash and cash equivalents	- 28	75
Cash and cash equivalents at the end of the period	11 234	15 975

Notes on statement of compliance and changes in accounting policies

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

The consolidated financial statements of KBC Bank 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 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 interim periods 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 recognised upfront, which has negatively impacted the first half results in 2015. For more information, see 'Note 9 – Operating Expenses'.

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

A summary of the main accounting policies is provided in the 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 for 2014)

For a description on the management structure and linked reporting presentation, please refer to Note 2a in the annual accounts for 2014.

As of 2015, the presentation of adjusted results has been discontinued following the completion of the divestment programme (the last file, Antwerp Diamond Bank, has been put in run-off following the decision of 19 September 2014) and the fact that the exposure to CDOs was reduced to virtually zero. The rationale for calculating an adjusted result – i.e. excluding these non-operating items – largely disappeared and as a consequence, KBC will no longer provide fully adjusted figures (reference figures for 2014 adjusted accordingly).

Moreover, an additional adjustment to the IFRS accounts was made in relation 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', funding costs and commissions paid in order to realise these trading gains are recognised under 'Net interest income' and 'Net fee and commission income', respectively. Moreover, part of the 'Dividend income', 'Net realised result on available-for-sale assets' and 'Other net income' items also relate to trading income. In the net result of the Belgian Business Unit (KBC Bank Belgium), all trading income components within investment banking used to be recognised under 'Net result from financial instruments at fair value' until the end of 2014. This 'adjustment' was also discontinued as of 2015 (reference figures for 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 (incl interseg-ment elimina-tions)	KBC Bank
1H 2014									
Net interest income	1 098	424	322	135	100	17	69	- 101	1 743
Dividend income	3	0	0	0	0	0	0	4	7
Net result from financial instruments at fair value through profit or loss	- 31	23	38	36	8	1	- 6	30	60
Net realised result from available-for-sale assets	14	8	7	7	0	0	0	4	34
Net fee and commission income	641	114	115	82	25	8	- 2	13	883
Net other income	100	9	- 227	- 227	0	0	0	30	- 89
TOTAL INCOME	1 825	578	254	33	133	26	61	- 19	2 637
Operating expenses	- 999	- 272	- 357	- 193	- 83	- 17	- 63	- 69	- 1 698
Impairment	- 68	- 3	- 149	- 25	- 10	- 4	- 110	- 29	- 249
on loans and receivables	- 68	- 3	- 148	- 24	- 10	- 4	- 110	- 20	- 239
on available-for-sale assets	- 1	0	0	0	0	0	0	- 1	- 2
on goodwill	0	0	0	0	0	0	0	0	0
on other	1	0	- 1	- 1	0	0	0	- 9	- 8
Share in results of associated companies and joint ventures	- 1	13	0	0	0	0	0	0	12
RESULT BEFORE TAX	757	315	- 251	- 185	41	5	- 112	- 118	703
Income tax expense	- 232	- 50	36	33	- 11	0	14	59	- 188
RESULT AFTER TAX	525	265	- 216	- 152	30	5	- 99	- 59	515
Attributable to minority interests	76	0	0	0	0	0	0	0	76
NET RESULT	449	265	- 216	- 152	30	5	- 99	- 59	439
1H 2015									
Net interest income	1 132	405	339	120	101	20	99	- 17	1 860
Dividend income	9	0	0	0	0	0	0	4	13
Net result from financial instruments at fair value through profit or loss	147	46	38	32	11	1	- 6	7	238
Net realised result from available-for-sale assets	26	12	5	2	2	0	1	8	52
Net fee and commission income	806	123	120	83	28	8	- 1	- 2	1 047
Net other income	65	12	27	26	1	0	0	- 12	93
TOTAL INCOME	2 186	598	529	264	143	28	92	- 11	3 302
Operating expenses	- 1 102	- 289	- 369	- 191	- 85	- 18	- 74	- 50	- 1 810
Impairment	- 137	- 17	- 44	- 12	- 5	- 5	- 23	- 20	- 219
on loans and receivables	- 129	- 18	- 44	- 12	- 5	- 5	- 23	- 20	- 211
on available-for-sale assets	- 2	0	0	0	0	0	0	0	- 2
on goodwill	0	0	0	0	0	0	0	0	0
on other	- 5	0	0	0	0	0	0	0	- 6
Share in results of associated companies and joint ventures	- 1	13	0	0	0	0	0	0	12
RESULT BEFORE TAX	946	305	115	60	53	6	- 5	- 81	1 285
Income tax expense	- 294	- 46	- 34	- 29	- 14	4	5	72	- 302
RESULT AFTER TAX	652	259	81	31	40	9	0	- 9	983
Attributable to minority interests	87	0	0	0	0	0	0	0	88
NET RESULT	565	259	81	31	40	9	0	- 9	895

In the table below, an overview is provided of a number of balance sheet items broken down 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 Bank
31-12-2014									
Deposits from customers & debt certificates excl. repos	109 228	22 144	15 046	*5 238*	*4 992*	*631*	*4 185*	9 424	155 843
Loans & advances to customers excluding reverse repos	83 359	16 216	20 784	*3 770*	*4 578*	*660*	*11 776*	1 990	122 349
Term loans excl. Reverse repos	41 193	6 360	5 283	*1 915*	*1 527*	*278*	*1 562*	1 792	54 627
Mortgage loans	32 279	7 251	13 561	*1 320*	*1 807*	*239*	*10 195*	26	53 117
Current accounts advances	2 319	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	3 309	213	110	*72*	*38*	*0*	*0*	12	3 643
30-06-2015									
Deposits from customers & debt certificates excl. repos	117 319	22 906	16 226	*5 415*	*5 124*	*663*	*5 024*	7 626	164 077
Loans & advances to customers excluding reverse repos	84 816	17 188	20 667	*3 632*	*4 838*	*674*	*11 523*	1 705	124 375
Term loans excl. Reverse repos	41 263	6 739	5 091	*1 719*	*1 669*	*282*	*1 420*	1 523	54 616
Mortgage loans	32 754	7 634	13 597	*1 353*	*1 900*	*245*	*10 098*	28	54 012
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	3 772	250	88	*58*	*30*	*0*	*0*	30	4 140

Other notes

Net interest income (Note 3 in the annual accounts for 2014)

In millions of EUR	1H 2014	1H 2015
Total	1 743	1 860
Interest income	3 621	3 385
Available-for-sale assets	206	189
Loans and receivables	2 204	2 077
Held-to-maturity investments	405	399
Other assets not at fair value	3	21
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 817*	*2 687*
Financial assets held for trading	415	414
Hedging derivatives	269	187
Other financial assets at fair value through profit or loss	119	96
Interest expense	-1 878	-1 525
Financial liabilities measured at amortised cost	- 916	- 666
Other	- 1	- 1
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 917*	*- 666*
Financial liabilities held for trading	- 525	- 474
Hedging derivatives	- 329	- 292
Other financial liabilities at fair value through profit or loss	- 105	- 89
Net interest expense on defined benefit plans	- 2	- 4

Net realised result from financial instruments at fair value through profit and loss (Note 5 in the annual accounts for 2014)

In 1H2015, the result from financial instruments at fair value through profit or loss was influenced by the valuation of derivatives used for ALM purposes, as fair value changes (due to marked-to-market accounting) for a large portion 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 1H2015, the net realised result from these financial instruments at fair value through profit or loss amounted to 92 million euros (pre-tax), as opposed to -134 million euros (pre-tax) in 1H2014, as long-term interest rates increased during 1H2015.

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

In millions of EUR	1H 2014	1H 2015
Total	34	52
Breakdown by portfolio		
Fixed-income securities	32	40
Shares	1	11

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

In millions of EUR	1H 2014	1H 2015
Total	883	1 047
Fee and commission income	1 122	1 287
Securities and asset management	574	715
Commitment credit	119	140
Payments	258	258
Other	171	174
Fee and commission expense	- 239	- 240
Commission paid to intermediaries	- 43	- 54
Other	- 195	- 186

Other net income (Note 8 in the annual accounts for 2014)

In millions of EUR	1H 2014	1H 2015
Total	- 89	93
Net realised result following		
The sale of loans and receivables	2	- 1
The sale of held-to-maturity investments	0	1
The repurchase of financial liabilities measured at amortised cost	0	- 8
Other: of which:	- 91	101
Income concerning leasing at the KBC Lease-group	40	43
Realised gains or losses on divestments	11	- 7
Legal settlement in 2Q14 of an old credit file	31	0
New law on retail loans (Hungary)	- 231	25
Deconsolidation real estate companies	0	18

Operating expenses (Note 9 in the annual accounts for 2014)

The operating expenses for 1H2015 include 329 million euros related to special bank taxes.

Note that, in that respect, IFRIC 21 (Levies) came into force on 1 January 2015. The main consequence of the application of IFRIC 21 is that certain levies are recorded upfront in expenses for the first quarter of 2015 (a total amount of 222 million euros, 62 million euros of which related to the estimated contribution to the European Single Resolution Fund (ESRF)). For nearly all group entities, 70% of the contribution to the ESRF is booked in the first quarter (estimated actual cash out), whereas the remaining 30% is considered as an irrevocable payment commitment (booked off-balance as a contingent liability). For K&H in Hungary and ČSOB in Slovakia, the entire ESRF contribution is recorded in the first half of the year due to local legislation. Based on European market practice, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 1H 2015 and as a result, the second quarter of 2015 includes a 22-million-euro charge related to the upfront recognition in Belgium. Excluding the latter, the 2014 reference figures of the consolidated income statement have been restated (relates solely to movements between interim periods and has no impact on the figures for the full year).

Impairments – income statement (Note 11 in the annual accounts for 2014)

In millions of EUR	1H 2014	1H 2015
Total	- 249	- 219
Impairment on loans and receivables	- 239	- 211
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 339	- 181
Provisions for off-balance-sheet credit commitments	18	5
Portfolio-based impairments	82	- 35
Breakdown by business unit		
Business unit Belgium	- 68	- 129
Business unit Czech Republic	- 3	- 18
Business unit International Markets	- 148	- 44
of which: Hungary	*- 24*	*- 12*
of which: Slovakia	*- 10*	*- 5*
of which: Bulgaria	*- 4*	*- 5*
of which: Ireland	*- 110*	*- 23*
Group Centre	- 20	- 20
Impairment on available-for-sale assets	- 2	- 2
Breakdown by type		
Shares	- 2	- 2
Other	0	0
Impairment on goodwill	0	0
Impairment on other	- 8	- 6
Intangible assets, other than goodwill	0	0
Property and equipment and investment property	- 1	- 5
Held-to-maturity assets	1	0
Associated companies and joint ventures	0	0
Other	- 9	0

In the second quarter of 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 impairment of approximately 34 million euros mainly in the Belgian and Czech Business Units.

Income tax expense (Note 13 in the annual accounts for 2014)

In 1H2015, income tax expense was positively influenced by 49 million euros of Deferred Tax Assets (DTA). The high level of AFS reserves, which came about as a result of 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, Deferred Tax Liabilities (DTL) have been offset by DTA on the balance sheet. It is important to mention that the accounting treatment is asymmetrical as DTA is recognised through the profit-and-loss account and the DTL on the AFS reserves is directly recorded through equity.

Financial assets and liabilities: breakdown by portfolio and products (Note 14 in the annual accounts for 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	10 773	-	-	-	12 550
Loans and advances to customers [b]	27	3 127	0	122 396	-	-	-	125 550
Excluding reverse repos	*20*	*101*	*0*	*122 228*	-	-	-	*122 349*
Trade receivables	0	0	0	3 291	-	-	-	3 291
Consumer credit	0	0	0	2 770	-	-	-	2 770
Mortgage loans	0	33	0	53 085	-	-	-	53 117
Term loans	7	3 094	0	54 726	-	-	-	57 828
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	332	-	-	-	352
Equity instruments	301	0	450	-	-	-	-	751
Debt securities issued by	2 900	1 763	17 598	1 207	25 956	-	-	49 424
Public bodies	2 391	1 063	12 719	31	25 852	-	-	42 055
Credit institutions and investment firms	297	293	2 683	159	96	-	-	3 528
Corporates	212	407	2 196	1 018	9	-	-	3 842
Derivatives	8 905	-	-	-	-	1 104	-	10 008
Other	3	0	0	579	-	-	-	582
Total carrying value	12 277	6 526	18 048	134 955	25 956	1 104	0	198 865
[a] *Of which reverse repos*								*3 319*
[b] *Of which reverse repos*								*3 200*
FINANCIAL ASSETS, 30-06-2015								
Loans and advances to credit institutions and investment firms [a]	332	9 468	0	13 738	-	-	-	23 537
Loans and advances to customers [b]	82	2 559	0	124 332	-	-	-	126 973
Excluding reverse repos	*15*	*220*	*0*	*124 140*	-	-	-	*124 375*
Trade receivables	0	0	0	3 515	-	-	-	3 515
Consumer credit	0	0	0	2 916	-	-	-	2 916
Mortgage loans	0	29	0	53 983	-	-	-	54 012
Term loans	67	2 385	0	54 761	-	-	-	57 214
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	466	-	-	-	625
Equity instruments	350	0	410	-	-	-	-	759
Debt securities issued by	2 831	1 177	17 308	1 154	27 302	-	-	49 771
Public bodies	2 328	566	12 165	29	27 091	-	-	42 178
Credit institutions and investment firms	257	198	2 873	156	172	-	-	3 655
Corporates	247	413	2 271	969	39	-	-	3 939
Derivatives	7 805	-	-	-	-	832	-	8 638
Other	0	0	0	1 170	0	0	0	1 170
Total carrying value	11 400	13 203	17 718	140 393	27 302	832	0	210 848
[a] *Of which reverse repos*								*14 047*
[b] *Of which reverse repos*								*2 598*

In 1H 2015, 0.5 billion euros' worth of debt instruments were reclassified out of the 'Available for sale' category 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	-	-	-	-	16 651	17 715
Deposits from customers and debt certificates [b]	370	10 352	-	-	-	-	152 925	163 647
Excluding repos	*370*	*3 058*	-	-	-	-	*152 415*	*155 843*
Deposits from customers	72	8 077	-	-	-	-	129 962	138 111
Demand deposits	0	35	-	-	-	-	47 639	47 674
Time deposits	72	8 028	-	-	-	-	42 890	50 991
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	-	-	-	-	22 963	25 536
Certificates of deposit	9	3	-	-	-	-	6 000	6 013
Customer savings certificates	0	0	-	-	-	-	762	762
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	289	1 732	-	-	-	-	12 403	14 423
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	540	-	-	-	-	3 798	4 338
Derivatives	7 754	-	-	-	-	3 491	-	11 245
Short positions	325	0	-	-	-	-	-	325
in equity instruments	71	0	-	-	-	-	-	71
in debt instruments	254	0	-	-	-	-	-	254
Other	0	0	-	-	-	-	2 107	2 107
Total carrying value	8 510	11 356	-	-	-	3 491	171 682	195 038
[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	-	-	-	-	17 666	20 612
Deposits from customers and debt certificates [b]	557	9 523	-	-	-	-	162 414	172 494
Excluding repos	*402*	*2 973*	-	-	-	-	*160 702*	*164 077*
Deposits from customers	258	7 526	-	-	-	-	138 901	146 685
Demand deposits	0	100	-	-	-	-	56 813	56 913
Time deposits	258	7 426	-	-	-	-	41 103	48 787
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	-	-	-	-	23 513	25 809
Certificates of deposit	1	2	-	-	-	-	5 687	5 690
Customer savings certificates	0	0	-	-	-	-	684	684
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	298	1 697	-	-	-	-	13 243	15 238
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	298	-	-	-	-	3 899	4 197
Derivatives	6 812	0	-	-	-	2 996	-	9 809
Short positions	348	0	-	-	-	-	-	348
in equity instruments	59	0	-	-	-	-	-	59
in debt instruments	289	0	-	-	-	-	-	289
Other	0	0	-	-	-	-	2 852	2 853
Total carrying value	7 867	12 320	-	-	-	2 996	182 932	206 115
[a] *Of which repos*								*3 240*
[b] *Of which repos*								*8 416*

Financial assets and liabilities at fair value – fair value hierarchy (Note 20 in the annual accounts for 2014)

For more details on how KBC defines and determines fair value and the fair value hierarchy and level 3 valuations, please refer to Notes 19 to 22 inclusive of the annual accounts.

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	2 297	7 399	2 581	12 277	2 268	6 877	2 256	11 400
Designated at fair value	1 277	4 885	363	6 526	681	12 150	372	13 203
Available for sale	15 651	1 457	940	18 048	14 938	2 155	625	17 718
Hedging derivatives	0	1 104	0	1 104	0	832	0	832
Total	19 225	14 846	3 884	37 954	17 887	22 014	3 253	43 153
Financial liabilities measured at fair value								
Held for trading	327	5 809	2 374	8 510	351	5 541	1 974	7 867
Designated at fair value	0	10 932	424	11 356	0	11 661	659	12 320
Hedging derivatives	0	3 491	0	3 491	0	2 996	0	2 996
Total	327	20 232	2 798	23 356	351	20 199	2 633	23 183

Financial assets and liabilities measured at fair value – transfers between level 1 en 2 (Note 21 in the annual accounts for 2014)

In 1H2015, financial instruments at fair value totalling approximately 0.4 billion euros were transferred from level 1 to level 2. KBC Bank also transferred around 0.03 billion euros in financial instruments at fair value from level 2 to level 1. Most of the transfers were due to the changed liquidity of mainly corporate bonds and government bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (Note 22 in the annual accounts for 2014)

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	Debt securities	Derivatives	Loans and advances	Equity instruments	Debt securities	Equity instruments	Debt securities	Derivatives
Opening balance	0	0	263	2 318	26	0	337	250	690	0
Total gains/losses	0	0	5	- 306	1	2	- 22	- 2	2	0
in profit and loss*	0	0	5	- 306	1	0	- 22	- 1	0	0
in other comprehensive income	0	0	0	0	0	2	0	- 1	1	0
Acquisitions	0	0	14	95	0	0	3	21	58	0
Sales	0	0	- 26	0	0	- 2	0	- 9	0	0
Settlements	0	0	0	- 123	- 1	0	0	0	0	0
Transfers into level 3	0	0	0	0	0	0	0	40	0	0
Transfers out of level 3	0	0	0	0	0	0	0	0	- 426	0
Tranfers from/to non-current assets held for sale	0	0	0	0	0	0	0	0	0	0
Translation differences	0	0	11	4	2	0	26	1	0	0
Changes in scope	0		0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Closing balance	0	0	267	1 988	28	0	344	301	324	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	6	- 299	1	0	- 22	0	0	0

LEVEL 3 FINANCIAL LIABILITIES

	Held for trading					Designated at fair value			Hedging derivatives
	Deposits from credit institutions	Deposits from customers and debt certificates	Derivatives	Short positions	Other	Deposits from credit institutions	Deposits from customers and debt certificates	Other	
Opening balance	0	41	2 333	0	0	0	424	0	0
Total gains/losses	0	1	- 351	0	0	0	- 7	0	0
in profit and loss*	0	1	- 351	0	0	0	- 7	0	0
in other comprehensive income	0	0	0	0	0	0	0	0	0
Issues	0	0	121	0	0	0	229	0	0
Repurchases	0	0	- 2	0	0	0	0	0	0
Settlements	0	- 26	- 147	0	0	0	- 3	0	0
Transfers into level 3	0	0	0	0	0	0	0	0	0
Transfers out of level 3	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
Translation differences	0	3	0	0	0	0	16	0	0
Changes in scope	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Closing balance	0	19	1 955	0	0	0	659	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	- 287	0	0	0	- 7	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 (Note 34 in the annual accounts for 2014)

in number of shares	31-12-2014	30-06-2015
Ordinary shares	915 228 482	915 228 482
of which ordinary shares that entitle the holder to a dividend payment	*915 228 482*	*915 228 482*
of which treasury shares	*0*	*0*
Other information		
Par value per ordinary share (in EUR)	9,78	9,78
Number of shares issued but not fully paid up	0	0

The shares of Bank NV are held by KBC Group (915 228 481 shares) and KBC Insurance (1 share).

Information regarding non-voting core-capital securities of KBC Group sold to the government(s): 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 the 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 between KBC Group and the government in 2008 and 2009’ in the ‘Additional information’ section of KBC Bank’s annual report for 2014. In 2012, KBC Group repaid all of the securities held by the Belgian State to the tune of 3.5 billion euros plus a 15% penalty. In 2013, KBC Group repaid 1.17 billion euros worth of non-voting core capital securities held by the Flemish Regional Government, plus a 50% penalty. In 2014, KBC Group repaid 0.33 billion euros’ worth of core-capital securities to the Flemish Regional Government, plus a 50% penalty.

Related-party transactions (Note 37 in the annual accounts for 2014)

Transactions with related parties, excluding key management personnel (in millions of EUR)

	31-12-2014							30-06-2015						
	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Flemish region	Other	Total	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Flemish region	Other	Total
Assets	51	131	207	68	369	2 116	2 941	10	113	206	70	370	2 131	2 900
Loans and advances	0	63	158	64	0	1 993	2 278	0	26	156	66	0	2 016	2 264
Current accounts	0	0	0	0	0	145	145	0	0	0	0	0	142	142
Term loans	0	62	158	64	0	1 848	2 133	0	26	156	66	0	1 874	2 123
Finance leases	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Consumer credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	7	67	42	4	13	0	133	9	86	41	4	14	0	154
Trading securities	7	0	0	0	0	0	7	9	0	0	0	0	0	9
Investment securities	0	67	42	4	13	0	126	0	86	41	4	14	0	145
Other receivables	44	1	6	0	356	123	530	1	1	9	0	356	115	482
Liabilities	1 628	545	123	782	0	2 398	5 477	2 537	563	153	726	0	2 313	6 291
Deposits	399	543	15	782	0	1 679	3 418	565	563	47	725	0	2 055	3 955
Deposits	399	543	15	782	0	1 679	3 418	565	563	47	725	0	2 055	3 955
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	1 150	0	0	0	0	693	1 843	1 948	0	0	0	0	237	2 184
Debt certificates	0	0	0	0	0	693	693	0	0	0	0	0	237	237
Subordinated liabilities	1 150	0	0	0	0	0	1 150	1 948	0	0	0	0	0	1 948
Share based payments, granted	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Share based payments, exercised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other liabilities (including accrued expense)	79	2	108	0	0	27	216	25	0	106	0	0	21	152
Income statement	- 863	4	- 2	- 8	10	- 37	- 895	- 443	2	- 1	- 2	5	- 15	- 455
Net interest income	- 1	3	0	- 8	11	- 106	- 101	- 18	1	0	- 3	5	- 64	- 80
Dividend income	0	0	1	0	0	2	3	0	0	0	1	0	5	7
Net fee and commission income	0	0	- 1	0	0	91	90	0	0	0	0	0	58	58
Other income	0	1	0	0	0	1	2	0	0	0	0	0	0	1
Other expenses	- 862	0	- 3	0	0	- 24	- 890	- 425	0	- 1	0	0	- 14	- 440
Guarantees														
Guarantees issued by the group							0							0
Guarantees received by the group							0							0

Main changes in the scope of consolidation (Note 40 in the annual accounts for 2014)

In the third quarter of 2014, KBC Bank sold its fully owned subsidiary KBC Bank Deutschland AG (Germany), and the transformation fund Stabilita (Czech Republic) was deconsolidated. Both these changes in scope impact the comparison with the income statement.

Post balance sheet events (Note 43 in the annual accounts for 2014)

Significant events between the balance sheet date (30 June 2015) and the publication of this report (28 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 Bank's earnings and capital (the balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros).

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Ernst & Young
Réviseurs d'Entreprises
Bedrijfsrevisoren
De Kleetlaan 2
B - 1831 Diegem

Tel: +32 (0)2 774 91 11
Fax: +32 (0)2 774 90 90
ey.com

Report of the statutory auditor to the shareholders of KBC Bank 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 Bank 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 € 221.639 million and a consolidated profit (share of the group) for the six-month period then ended of € 895 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.

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Report of the statutory auditor dated 28 August 2015 on the interim condensed consolidated financial statements of KBC Bank nv for the six-month period then ended as of 30 June 2015 (continued)

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, 28 August 2015

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Weymeersch

Christel Weymeersch*
Partner

*Acting on behalf of a BVBA/SPRL

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Other information

KBC Bank, 1H2015

Overview of the loan portfolio

The main source of credit risk is the loan portfolio of the bank. A snapshot of this 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 Bank 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.

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	0.42%	0.30%

1. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees
2. Annualized credit cost (including companies under IFRS 5)

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 for FY 2014 – section on credit risk for more information on PD classification). These impaired loans are equivalent to 'non-performing loans' under the (new) definition used by the EBA.

Solvency

In millions of EUR	31-12-2014 Fully loaded	30-06-2015 Fully loaded
Total regulatory capital, KBC Bank (after profit appropriation)	14 154	15 063
Tier-1 capital	11 132	11 323
Common equity	9 727	9 917
Parent shareholders' equity (excluding minorities)	11 676	11 371
Intangible fixed assets (including deferred tax impact) (-)	- 114	- 109
Goodwill on consolidation (including deferred tax impact) (-)	- 915	- 937
Minority interests	15	21
Hedging reserve (cash flow hedges) (-)	1 391	1 086
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 21	- 15
Value adjustment due to the requirements for prudent valuation (-)	- 92	- 84
Dividend payout (-)	- 1 574	- 895
Renumeration of AT1 instruments (-)	- 2	- 2
Deduction re. financing provided to shareholders (-)	- 159	- 139
IRB provision shortfall (-)	- 225	- 161
Deferred tax assets on losses carried forward (-)	- 254	- 220
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0
Additional going concern capital	1 405	1 406
Grandfathered innovative hybrid tier-1 instruments	0	0
Grandfathered non-innovative hybrid tier-1 instruments	0	0
CRR compliant AT1 instruments	1 400	1 400
Minority interests to be included in additional going concern capital	5	6
Tier 2 capital	3 021	3 740
IRB provision excess (+)	375	354
Subordinated liabilities	2 640	3 378
Subordinated loans non-consolidated financial sector entities (-)	0	0
Minority interests to be included in tier-2 capital	7	8
Capital requirement		
Total weighted risk volume	80 232	77 275
Solvency ratios		
Common equity ratio	12,1%	12,8%
Tier-1 ratio	13,9%	14,7%
CAD ratio	17,6%	19,5%
