KBC Bank
Half-Year Report - 1H2016

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.

Glossary of ratios used

See separate section at the end of this report.

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.'

Contents

This report contains information that is subject to transparency regulations for listed companies. 31 August 2016, 8 a.m. CEST.

Report for the first six months of 2016

KBC Bank

Summary:
Profit of 923 million euros generated in first half of 2016. Liquidity and capital bases remain strong.

Against a background of persisting low interest rates, modest economic growth in Belgium and firmer growth in Central Europe, KBC Bank posted a strong net profit figure of 923 million euros in the first half of 2016, compared to 895 million euros in the year-earlier period. The results were complemented by strong fundamentals relating to our solvency and liquidity positions.

Financial highlights for the first half of 2016, compared with the first half of 2015:

- We granted more loans in Belgium (+4%), the Czech Republic (+10%), Slovakia (+15%) and Bulgaria (+12%), while clients increased their deposits with us in all our countries: Belgium (+6%), the Czech Republic (+9%), Hungary (+13%), Slovakia (+16%), Bulgaria (+8%) and Ireland (+11%).
- In spite of the negative impact of low interest rates, our net interest income was down just 2% year-on-year, thanks to positive elements such as lower funding costs and higher lending-related income. The bank's net interest margin stood at 1.95%, down 13 basis points year-on-year.
- Our net fee and commission income was down 18%, due mainly to lower asset management-related fees.
- The sale of our Visa Europe shares resulted in one-off additional income of 99 million euros (pre-tax), or 84 million euros (after tax).
- At 1 854 million euros, costs went up 2% year-on-year, due mainly to a higher amount of bank taxes being paid. Disregarding these taxes, our costs remained unchanged year-on-year. The cost/income ratio stood at 59% year-to-date. After evenly spreading the bank taxes and excluding specific items, the cost/income ratio came to 56%.
- The year-to-date cost of credit amounted to an excellent but unsustainably low 0.07% of our loan portfolio.
- Our liquidity position remained solid, and – with a common equity ratio of 13.6% (fully loaded) – our capital base remained strong.

Key data, KBC Bank (consolidated, in millions of EUR)		1H2015	1H2016
Net result		895	923
by business unit:	Belgium	565	400
	Czech Republic	259	309
	International Markets	81	172
	Group Centre	-9	42
Balance sheet and solvency		31-12-2015	30-06-2016
Total assets		217 626	230 270
Total equity		13 490	13 520
Common equity ratio (Basel III, fully loaded)		13.7%	13.6%

Business highlights in the period under review (1H2016)

- 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.
- On the macroeconomic front, the most significant economic risk to the euro-area economy, the Brexit, materialised after the referendum in the UK on 23 June. This initially increased volatility on the financial markets and weighed on both producer and consumer sentiment. So far, however, the overall real impact has still been limited. Nevertheless, it will have a negative effect on the economic recovery in the euro area. In particular, it will emphasise the main source of fragility, i.e. the relative weakness of investment growth. The Brexit decision occurred against the background of relatively favourable economic data. The strong first-quarter growth of real GDP in the euro area, which accelerated to 0.6%, had supported a somewhat optimistic view. However, this robust performance could not be sustained in the second quarter, when growth came to just 0.3%. This is more in line with the potential growth rate of the euro area. As a result, the euro area unemployment rate continued its slow but steady decline to 10.1% in June. Economic growth in the second quarter was surprisingly weak in the US too (0.3% not annualised), despite the strong increase in private consumption. The weakness was due mainly to disappointing investment growth and a decline in inventories. In the meantime, global inflation remains subdued. In the US, inflation has reached relatively normal levels. In the euro area, on the other hand, the latest core inflation rate is still only half the target rate set by the European Central Bank (2%). The underlying reasons for this include the still high rate of unemployment, subdued nominal wage growth, and the trade-weighted appreciation of the euro, making import price inflation even more negative.
- At the end of July, the European Banking Authority (EBA) announced the results of the 2016 EU-wide EBA stress test. The results for KBC Group (KBC Bank's parent company) are published in the press release of 29 July 2016, which is available at www.kbc.com. The outcome of this exercise provided a reassuring signal to all of KBC Group's stakeholders that the institution is well capitalised.
- We are continuing to pro-actively roll out our financial technology plans so we can serve our clients even better going forward. In June 2016, we announced that clients of ČSOB and Era Poštovní spořitelna (Postal Savings Bank) would be able to pay for their shopping by mobile phone, courtesy of a new app called ČSOB NaNákupy (Mobile Wallet). This is the first mobile wallet in the Czech Republic to support both MasterCard and Visa. Another plus point for the app is that it can be used without the need for a new bank card or SIM. By the end of the year, additional features will be provided. The mobile app will allow payments over the Internet, card management and enable the transaction history to be viewed. Users will have the option of downloading their loyalty cards, receipts or using shared shopping lists in their devices. In July 2016, we announced the launch of a trial ground-breaking blockchain application for SMEs. Together with IT specialist Cegeka and various other companies, we are the first in the market to successfully test Digital Trade Chain (DTC), a blockchain solution that facilitates secure international trade between SMEs. Large companies use documentary credit as a way of reducing the risks involved in doing business, but this solution is not always suitable for SMEs. We are continuing to develop DTC and are negotiating with additional parties to make the platform more widely available and easier to access.
  Also in July 2016, we announced that we were cooperating with ING on an integrated payment and loyalty solution in Belgium. In doing so, we are responding to the rapidly changing digital experience of clients. These user-friendly and cost-effective solutions are already being used in the Belgian market by over a million Qustomer, CityLife and Payconiq users at more than 6 500 stores. This network will continue to expand in the months to come.
- In July 2016, KBC in Belgium and K&H in Hungary won the Euromoney Award for 'Best Bank' in their respective countries. Euromoney welcomed 600 senior bankers from around the world to celebrate the 25th anniversary of its Awards for Excellence. The awards are based on year-round monitoring of market share and customer-satisfaction data compiled by Euromoney's industry-leading surveys department. These awards clearly demonstrate that our client-oriented approach is working.
- We embrace our broader role in society. To give one example, we are convinced that we can make a positive contribution to mobility and road safety by offering our clients appropriate solutions. The KBC group is the only group in Belgium that brings together all aspects of mobility in terms of finance, insurance and assistance. Through companies like KBC Insurance, KBC Autolease and VAB, KBC has access to market leaders and much respected discussion partners in specific areas of mobility. Today, these three companies are facing the same mobility-related trends and challenges. KBC wants to take this to the next level. By ensuring that KBC Insurance, KBC Autolease and VAB combine their efforts and work together within the KBC Mobility programme, KBC aims to become the reference for sustainable, quality mobility solutions in Belgium. Existing examples are a bicycle loan, mobility advice, car-sharing and roadside bike assistance and our focus on mitigating hassle following an accident using the KBC Assist app. In this way, KBC is actively looking to respond to the changing needs of clients and society. Next to this, on the corporate sustainability and responsibility front, we launched the 'Renovation loan for owners associations' in Belgium to facilitate sustainable and energy-efficient improvements to buildings. In the Czech Republic, ČSOB launched 'ČSOB Helps the Regions', a grant programme where 4 million Czech koruna is distributed among NGOs operating in local communities. Thanks to the donations generated by the 'Good Will Card' scheme run by ČSOB Private Banking, the 'Help Fund' budget for 2016 increased to 1.3 million Czech koruna, which creates the opportunity to finance special care provided by medical institutions specialised in neuro-rehabilitation. In Hungary, K&H's efforts through its 'Ready, Steady, Money!' financial competition were recognised by the special award in the 'Most Creative Good Deed' category in the 'Three Good Deeds' CSR competition.

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.

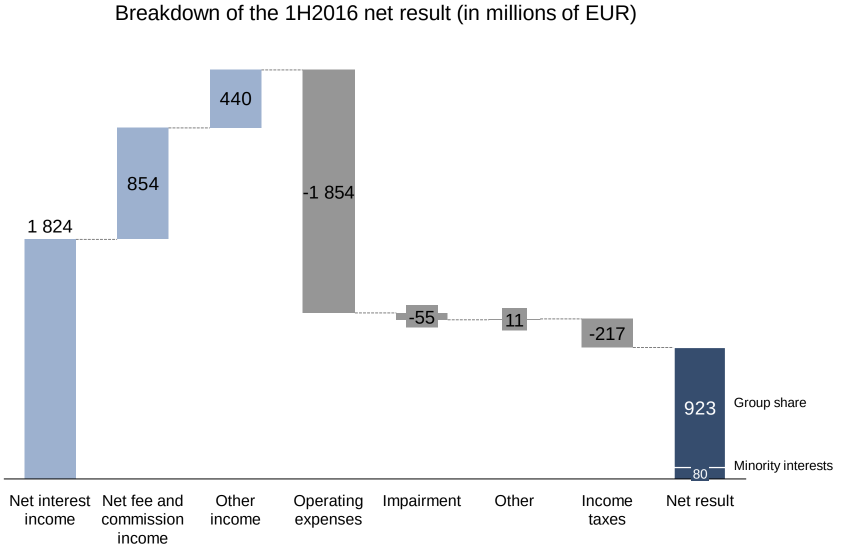
Consolidated income statement, KBC Bank (in millions of EUR)	1H2015	1H2016
Net interest income	1 860	1 824
Interest income	3 385	3 156
Interest expense	-1 525	-1 332
Dividend income	13	12
Net result from financial instruments at fair value through profit and loss	238	252
Net realised result from available-for-sale assets	52	119
Net fee and commission income	1 047	854
Fee and commission income	1 287	1 058
Fee and commission expense	-240	-203
Other net income	93	57
Total income	3 302	3 118
Operating expenses	-1 810	-1 854
Impairment	-219	-55
on loans and receivables	-211	-54
on available-for-sale assets	-2	0
on goodwill	0	0
on other	-6	-2
Share in results of associated companies and joint ventures	12	11
Result before tax	1 285	1 220
Income tax expense	-302	-217
Result after tax	983	1 003
attributable to minority interests*	88	80
attributable to equity holders of the parent	**895**	**923**
Breakdown of result after tax, attributable to equity holders of the parent		
Belgium	565	400
Czech Republic	259	309
International Markets	81	172
Group Centre	-9	42

* Primarily the 48% stake that KBC Group holds in KBC Asset Management.

Highlights, consolidated balance sheet, KBC Bank (in millions of EUR)	31-12-2015	30-06-2016
Total assets	217 626	230 270
Loans and advances to customers	129 206	131 650
Securities (equity and debt instruments)	51 613	52 776
Deposits from customers and debt securities	170 873	176 770
Risk weighted assets (Basel III, fully loaded)	79 758	79 730
Total equity	13 490	13 520
of which parent shareholders' equity	11 888	11 890

KBC Bank ended the first six months of 2016 (1H2016) with a net profit of 923 million euros, compared with a net profit of 895 million euros in the first six months of 2015 (1H2015)

Analysis of the major components of our profit and loss account



- Net interest income stood at 1 824 million euros in 1H2016, down 2% year-on-year. The net interest margin came to 1.95% *year-to-date*, 13 basis points lower than the level of a year earlier. The decrease in net interest income was accounted for in part by the current low interest environment leading to a lower transformation result and a lower level of dealing room interest income, though they were partly offset by lower funding costs and higher interest income from lending activities. Both lending and customer deposit volumes increased: deposits from customers and debt certificates, excluding repos, went up by 6%, and loans and advances to customers, excluding reverse repos, by 4% year-on-year (percentages calculated after elimination of transactions between KBC Group companies). As regards deposits, volumes increased in every country: Belgium +6%, Czech Republic +9%, Slovakia +16%, Hungary +13%, Bulgaria +8% and Ireland 11%. Lending went up in Belgium (+4%), the Czech Republic (+10%), Slovakia (+15%) and Bulgaria (+12%), but decreased in Ireland (-5%, as matured and impaired mortgage loans surpassed new production and the corporate loan portfolio continued to be deleveraged) as well as in Hungary (-1%).

- Net fee and commission income amounted to 854 million euros in 1H2016, down 18% on its 1H2015 level. The decrease was largely related to substantially lower entry and management fees for asset management activities. Overall, total assets under management at KBC Group stood at 207 billion euros at the end of June 2016, still up 2% year-on-year, with an increase in net entries being only partly being offset by a price decrease. Belgium (193 billion euros) accounted for the bulk of the assets under management, the Czech Republic for 9 billion euros and the other countries for an aggregate 6 billion euros at the end of June 2016.

- All other income items combined amounted to 440 million euros in 1H2016. Dividend income stood at 12 million euros, more or less in line with the level recorded in 1H2015. Realised gains on the sale of bonds and shares came to 119 million euros, more than double the figure recorded in 1H2015, thanks mainly to the gain on the sale of Visa Europe shares (99 million euros, pre-tax). The net result from financial instruments at fair value amounted to 252 million euros, up 6% on 1H2015 (including higher value adjustments (FVA/MVA/CVA, partly as a result of one-off model changes), and a lower marked-to-market valuation in respect of derivative instruments used for ALM purposes). Lastly, other net income came to 57 million euros in 1H2016, down 36 million euros on 1H2015, as the reference figure had included a number of positive one-off items.

- Operating expenses came to 1 854 million euros in 1H2016, up 2% on their year-earlier level. The year-on-year increase in operating expenses was essentially due to higher special bank taxes (up from 329 million euros in 1H2015 to 367 million euros in 1H2016). Excluding all special bank taxes, costs were roughly at the same level as in 1H2015. As a result, the cost/income ratio stood at 59% year-to-date, compared to 55% in FY2015. Excluding a number of specific items and evenly spreading the special bank taxes, the cost/income ratio would be 56%, compared to 55% in FY2015.
- Loan loss impairment stood at a low 54 million euros in 1H2016, significantly down on the 211 million euros recorded a year earlier. This improvement was largely accounted for by Belgium and Ireland. Consequently, the annualised credit cost ratio stood at an excellent 0.07% year-to-date (0.23% in FY2015).

Performance by business unit

- The Belgium Business Unit (encompassing all activities in Belgium) generated a net result of 400 million euros in 1H2016, compared with 565 million euros in 1H2015. Total income fell 14% and included lower net interest income, a lower net result from financial instruments at fair value, less net fee and commission income and other net income, and higher net realised gains from available-for-sale assets (owing to the sale of Visa Europe shares). Costs went up 6% (due mainly to higher bank taxes; costs excluding bank taxes remained more or less the same), leading to a year-to-date cost/income ratio of 62% (50% in 1H2015 and in FY2015). However, impairment charges decreased significantly (from 129 million euros in 1H2015 to 34 million in 1H2016), leading to an excellent annualised credit cost ratio of 0.07% in 1H2016 (0.19% in FY2015).
- The Czech Republic Business Unit (encompassing all activities in the Czech Republic) generated a net result of 309 million euros in 1H2016, compared with 259 million euros in 1H2015. The period under review included roughly stable net interest income and net fee and commission income, and higher gains from available-for-sale assets (owing to the sale of Visa Europe shares) and a higher net result from financial instruments at fair value. Costs stood at the same level as in the year-earlier period, leading to a sound cost/income ratio of 44% (48% in 1H2015 and in FY2015), while loan loss impairment fell further on the already low level of 1H2015, resulting in an excellent annualised credit cost ratio of 0.09% in 1H2016 (0.18% in FY2015).
- The International Markets Business Unit (covering activities in Ireland, Hungary, Slovakia and Bulgaria) generated a net result of 172 million euros in 1H2016, as opposed to 81 million euros in 1H2015. When broken down by country, the net result was as follows: 53 million euros for Ireland (compared to 0 million euros in 1H2015, thanks essentially to higher net interest income caused by lower funding and liquidity costs, a higher result from financial instruments at fair value and lower loan loss impairment); 52 million euros for Slovakia (compared to 40 million euros in 1H2015, due to higher total income thanks to gains on the sale of Visa Europe shares, among other things); 8 million euros for Bulgaria (compared to 9 million euros in 1H2015); and 59 million euros for Hungary (compared to 31 million in 1H2015, due in part to lower costs and loan loss impairment). For the business unit as a whole, the cost/income ratio stood at 64% in 1H2016 (compared to 70% in 1H2015 and 66% in FY2015) and the annualised credit cost ratio amounted to an excellent 0.03% (as opposed to 0.32% for FY2015).
- The Group Centre's net result amounted to 42 million euros in 1H2016, as opposed to -9 million euros in 1H2015. 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. The year-on-year improvement in the Group Centre's net result was due mainly to a combination of increased total income (higher net result from financial instruments at fair value and other net income) and lower loan loss impairment.

Equity, solvency and liquidity

- At the end of June 2016, our total equity came to 13.5 billion euros, virtually unchanged on its level at the start of the year, as the positive impact of the inclusion of the 1H2016 result (+1.0 billion euros, including minority interests) was offset by the lower valuation of available-for-sale and cash flow reserves (an aggregate -0.5 billion euros), the remeasurement of benefit plans (-0.2 billion euros), a dividend paid to KBC Group for financial year 2015 (-0.2 billion euros as the final dividend, following the 1.2 billion euros for the interim dividend paid in 2015), and a number of smaller changes.
- Our common equity ratio (Basel III) stood at 13.5% (phased-in) or 13.6% (fully loaded) at 30 June 2016. The total capital ratio (Basel III) was 19.9% (phased-in and fully loaded). The leverage ratio (Basel III, fully loaded) stood at 5.1%.
- Our liquidity position remains excellent, as reflected in an LCR ratio of 132% and an NSFR ratio of 123% at the end of June 2016.

Selected ratios (consolidated)	**FY2015**	**1H2016**
Cost/income ratio	55%	59%
Common equity ratio according to Basel III (phased-in)	14.1%	13.5%
Common equity ratio according to Basel III (fully loaded)	13.7%	13.6%
Leverage ratio according to Basel III (fully loaded)	5.4%	5.1%
Credit risk		
Credit cost ratio	0.23%	0.07%
Impaired loans ratio	8.6%	7.8%
for loans more than 90 days overdue	4.8%	4.4%
Liquidity		
Net stable funding ratio (NSFR)	121%	123%
Liquidity coverage ratio (LCR)	127%	132%

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, a number of items are considered to constitute the main challenges for the financial sector in general and, as a consequence, are also relevant to KBC. Increasing capital requirements are a dominant theme for the sector. Major current regulatory initiatives relate to credit risk, operational risk, trading risk, ALM risk and consumer protection. Besides regulation, the low interest rate environment remains a continuing challenge. If low rates were to persist, this would put considerable pressure on the long-term profitability of banks and especially insurers. The financial sector also faces the potential systemic consequences of political and financial developments like Brexit or concerns about the banking sector in some countries. The risk radar screens of financial institutions show that financial technology is an additional challenge for the business model of traditional financial institutions. Finally, cyber risk has become one of the main threats during the past few years, not just for the financial sector, but for the economy as a whole.
- Risk management data are provided in the annual reports, interim reports and dedicated risk reports of KBC Bank and KBC Group, all of which are available at www.kbc.com.
- On the macroeconomic front, given the uncertainty caused by the Brexit vote in the UK referendum on 23 June, we are working on the assumption that the Fed will keep its policy rate on hold for the remainder of 2016 and will only raise it gradually in 2017, probably in three steps of 25 basis points each time. In the meantime, the ECB has announced that it was keeping its negative deposit rate unchanged, or would even lower it, until well after its Asset Purchase Programme ends, which is currently scheduled for March 2017. The ECB will probably only raise its deposit rate in 2018 at the earliest. As a result of the 'flight to quality' on the financial markets after the Brexit vote, it is expected that the US dollar will strengthen moderately against the euro in 2016 and 2017. The expected further economic expansion in the US, together with the expected Fed rate hikes in 2017, should lead to a modest rise in US bond yields. This will also pull up German rates to a certain extent, given the global integration of the main bond markets.
- Despite the relatively weak second quarter in macroeconomic terms and higher-than-average economic and political uncertainty arising from Brexit, Turkish political tensions, the refugee crisis, upcoming elections in Europe and the US, fragility in emerging markets, and so on, we nevertheless expect the remainder of 2016 to be a year of sustained economic growth in both the euro area and the US. The fundamental reasons for this are the resilience of domestic demand, in particular private consumption, somewhat accommodating fiscal policy, and resuming investment growth, especially in the US. Growth contribution from international trade, on the other hand, is expected to be rather weak. As a result, economic growth in the euro area and the US will be somewhat lower than in 2015 and is expected to accelerate again in 2017. We remain cautiously positive about growth in Belgium, although the figures for 2016 and 2017 are likely to remain below euro area levels, given the continuing fiscal austerity and the relatively higher-than-expected impact of Brexit. In Central Europe, robust GDP growth is expected to ease somewhat in 2016, as the impulse provided by European cohesion funds for government investment dissipates.

Consolidated financial statements

according to IFRS, KBC Bank – 1H2016

Reviewed by the statutory auditor

Consolidated income statement

In millions of EUR	1H 2015	1H 2016
Net interest income	1 860	1 824
Interest income	3 385	3 156
Interest expense	- 1 525	- 1 332
Dividend income	13	12
Net result from financial instruments at fair value through profit or loss	238	252
Net realised result from available-for-sale assets	52	119
Net fee and commission income	1 047	854
Fee and commission income	1 287	1 058
Fee and commission expense	- 240	- 203
Net other income	93	57
TOTAL INCOME	3 302	3 118
Operating expenses	- 1 810	- 1 854
Staff expenses	- 799	- 796
General administrative expenses	- 948	- 986
Depreciation and amortisation of fixed assets	- 64	- 71
Impairment	- 219	- 55
on loans and receivables	- 211	- 54
on available-for-sale assets	- 2	0
on goodwill	0	0
on other	- 6	- 2
Share in results of associated companies and joint ventures	12	11
RESULT BEFORE TAX	1 285	1 220
Income tax expense	- 302	- 217
RESULT AFTER TAX	983	1 003
Attributable to minority interest	88	80
Attributable to equity holders of the parent	**895**	**923**

Condensed consolidated statement of comprehensive income

In millions of EUR	1H 2015	1H 2016
RESULT AFTER TAX	983	1 003
attributable to minority interest	88	80
attributable to equity holders of the parent	895	923
Other comprehensive income - to be recycled to P&L	261	- 544
Net change in revaluation reserve (AFS assets) - Equity	22	- 118
Net change in revaluation reserve (AFS assets) - Bonds	- 154	57
Net change in revaluation reserve (AFS assets) - Other	0	0
Net change in hedging reserve (cash flow hedge)	306	- 467
Net change in translation differences	89	- 14
Net change related to associated companies & joint ventures	- 2	- 2
Other movements	1	- 1
Other comprehensive income - not to be recycled to P&L	140	- 184
Net change in defined benefit plans	140	- 184
Net change related to associated companies & joint ventures	0	0
TOTAL COMPREHENSIVE INCOME	1 383	274
attributable to minority interest	87	80
attributable to equity holders of the parent	1 296	194

For more information on amendments to IAS 1, triggering a presentation change of the above table, see note 1a.

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2015	30-06-2016
Cash and cash balances with central banks		7 038	5 184
Financial assets	14 - 25	204 051	218 110
Held for trading		10 497	12 203
Designated at fair value through profit or loss		5 092	8 910
Available for sale		20 274	21 842
Loans and receivables		140 294	147 538
Held to maturity		27 379	27 113
Hedging derivatives		514	505
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		105	397
Tax assets		2 285	2 446
Current tax assets		96	70
Deferred tax assets		2 189	2 376
Non-current assets held for sale and assets associated with disposal groups		15	14
Investments in associated companies and joint ventures		181	168
Investment property		275	275
Property and equipment		2 087	2 136
Goodwill and other intangible assets		831	831
Other assets		758	708
TOTAL ASSETS		217 626	230 270

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2015	30-06-2016
Financial liabilities	14 - 25	201 760	214 128
Held for trading		8 380	8 977
Designated at fair value through profit or loss		12 039	9 423
Measured at amortised cost		179 150	193 608
Hedging derivatives		2 191	2 120
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		171	312
Tax liabilities		197	170
Current tax liabilities		88	88
Deferred tax liabilities		109	82
Provisions for risks and charges		278	204
Other liabilities		1 730	1 934
TOTAL LIABILITIES		204 135	216 749
Total equity	34	13 490	13 520
Parent shareholders' equity	34	11 888	11 890
Additional Tier-1 instruments included in equity	34	1 400	1 400
Minority interests		202	230
TOTAL LIABILITIES AND EQUITY		217 626	230 270

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)	Remea-surement of defined benefit obligations	Retained earnings	Translation differences	Parent share-holders' equity	Additional Tier-1 instruments included in equity	Minority interests	Total equity
30-06-2015											
Balance at the beginning of the period (01-01-2015)	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	- 1 574	0	- 1 574	0	0	- 1 574
Coupon additional Tier-1 instruments	0	0	0	0	0	- 27	0	- 27	0	0	- 27
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 non-current assets held for sale and disposal groups			0	0	0	0	0	0			0
of which relating to equity method			10	0	0	0	4	14			14
30-06-2016											
Balance at the beginning of the period (01-01-2016)	8 948	895	742	- 1 163	97	2 349	19	11 888	1 400	202	13 490
Net result for the period	0	0	0	0	0	923	0	923	0	80	1 003
Other comprehensive income for the period	0	0	- 62	- 467	- 184	- 1	- 15	- 729	0	0	- 729
Total comprehensive income	**0**	**0**	**- 62**	**- 467**	**- 184**	**922**	**- 15**	**194**	**0**	**80**	**274**
Dividends	0	0	0	0	0	- 165	0	- 165	0	0	- 165
Coupon additional Tier-1 instruments	0	0	0	0	0	- 27	0	- 27	0	0	- 27
Change in minorities	0	0	0	0	0	0	0	0	0	- 52	- 52
Total change	**0**	**0**	**- 62**	**- 467**	**- 184**	**730**	**- 15**	**2**	**0**	**28**	**30**
Balance at the end of the period	**8 948**	**895**	**680**	**- 1 629**	**- 88**	**3 080**	**4**	**11 890**	**1 400**	**230**	**13 520**
of which revaluation reserve for shares			106								
of which revaluation reserve for bonds			574								
of which revaluation reserve for other assets than bonds and shares			0								
of which relating to non-current assets held for sale and disposal groups			0	0	0	0	- 2	- 2			- 2
of which relating to equity method			13	0	0	0	6	19			19

The changes in equity in 1H2016 include the payment of a final dividend to KBC Group of 165 million euros, following the payment of an interim dividend of 1 162 million euros in 2015.

Condensed consolidated cash flow statement

In millions of EUR	1H 2015	1H 2016
Cash and cash equivalents at the beginning of the period	6 523	10 998
Net cash from (used in) operating activities	12 324	4 480
Net cash from (used in) investing activities	- 1 284	200
Net cash from (used in) financing activities	- 1 664	566
Effects of exchange rate changes on opening cash and cash equivalents	75	- 32
Cash and cash equivalents at the end of the period	15 975	16 212

Notes on statement of compliance and changes in accounting policies

Statement of compliance (Note 1a in the annual accounts for 2015)

The condensed interim financial statements of the KBC Bank for the 1H2016 have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union (‘endorsed IFRS’). The same accounting policies, methods of computation and presentation have been followed in its preparation as were applied in the most recent annual financial statements, except for the following item:

An amendment to IAS 1 (presentation of financial statement) requiring the aggregate share in ‘other comprehensive income’ of associated companies and joint ventures to be recognised separately, was issued but not yet mandatory at year-end 2015. It also has to be grouped according to whether or not it is recycled to profit or loss. As a consequence, the amounts presented in the other items of ‘other comprehensive income’ exclude the share in results of associated companies and joint ventures. KBC had decided to apply the new standard with effect from 2016. The reference figures have been adjusted accordingly.

Summary of significant accounting policies (Note 1b in the annual accounts for 2015)

A summary of the main accounting policies is provided in the annual financial statements as at 31 December 2015.

Notes on segment reporting

Segment reporting according to the management structure of the group (Note 2 in the annual accounts for 2015)

For a description on the management structure and linked reporting presentation, please refer to Note 2 in the annual accounts for 2015.

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
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
1H 2016									
Net interest income	1 085	408	349	111	103	21	113	- 17	1 824
Dividend income	4	0	0	0	0	0	0	8	12
Net result from financial instruments at fair value through profit or loss	92	73	53	33	11	1	9	35	252
Net realised result from available-for-sale assets	38	48	33	17	14	2	0	0	119
Net fee and commission income	618	121	118	83	27	8	0	- 4	854
Net other income	45	9	2	0	2	- 1	0	1	57
TOTAL INCOME	1 881	659	556	244	157	31	122	22	3 118
Operating expenses	- 1 164	- 289	- 353	- 169	- 87	- 19	- 77	- 47	- 1 854
Impairment	- 34	- 10	- 4	2	- 7	- 3	4	- 7	- 55
on loans and receivables	- 34	- 10	- 3	3	- 7	- 3	4	- 7	- 54
on available-for-sale assets	0	0	0	0	0	0	0	0	0
on goodwill	0	0	0	0	0	0	0	0	0
on other	0	- 1	- 1	- 1	0	0	0	0	- 2
Share in results of associated companies and joint ventures	- 1	12	0	0	0	0	0	0	11
RESULT BEFORE TAX	682	371	199	77	63	9	50	- 33	1 220
Income tax expense	- 202	- 62	- 27	- 18	- 11	- 1	3	75	- 217
RESULT AFTER TAX	480	309	172	59	52	8	53	42	1 003
Attributable to minority interests	80	0	0	0	0	0	0	0	80
NET RESULT	400	309	172	59	52	8	53	42	923

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
31-12-2015									
Deposits from customers & debt certificates excl. repos	114 689	24 174	17 241	*5 873*	*5 384*	*712*	*5 272*	6 202	162 307
Loans & advances to customers excluding reverse repos	87 083	18 005	21 029	*3 552*	*5 462*	*719*	*11 295*	664	126 781
Term loans excl. Reverse repos	43 051	7 137	5 100	*1 647*	*1 944*	*198*	*1 311*	649	55 937
Mortgage loans	33 309	8 079	13 657	*1 369*	*2 072*	*242*	*9 975*	0	55 045
Current accounts advances	2 273	954	800	*284*	*374*	*139*	*4*	0	4 027
Finance leases	3 303	527	683	*117*	*566*	*0*	*0*	0	4 512
Consumer credit	1 174	1 067	687	*67*	*474*	*140*	*5*	0	2 928
Other	3 974	241	101	*68*	*33*	*0*	*0*	15	4 331
30-06-2016									
Deposits from customers & debt certificates excl. repos	124 040	25 114	18 304	*6 076*	*5 894*	*738*	*5 597*	4 881	172 340
Loans & advances to customers excluding reverse repos	89 137	18 983	21 013	*3 555*	*5 756*	*756*	*10 945*	501	129 634
Term loans excl. Reverse repos	43 389	7 407	4 928	*1 573*	*1 983*	*225*	*1 147*	494	56 218
Mortgage loans	33 660	8 503	13 716	*1 379*	*2 316*	*237*	*9 784*	0	55 878
Current accounts advances	3 416	1 078	874	*327*	*396*	*146*	*5*	0	5 368
Finance leases	3 495	562	724	*142*	*583*	*0*	*0*	0	4 781
Consumer credit	1 397	1 178	694	*69*	*468*	*148*	*9*	0	3 270
Other	3 780	255	76	*65*	*10*	*0*	*0*	7	4 117

Other notes

Net interest income (Note 3 in the annual accounts for 2015)

In millions of EUR	1H 2015	1H 2016
Total	1 860	1 824
Interest income	3 385	3 156
Available-for-sale assets	189	190
Loans and receivables	2 077	1 903
Held-to-maturity investments	399	387
Other assets not at fair value	21	36
Subtotal, interest income from financial assets not measured at fair value through profit or loss	*2 687*	*2 516*
Financial assets held for trading	414	341
Hedging derivatives	187	152
Other financial assets at fair value through profit or loss	96	147
Interest expense	-1 525	-1 332
Financial liabilities measured at amortised cost	- 666	- 478
Other	- 1	- 5
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	*- 666*	*- 483*
Financial liabilities held for trading	- 474	- 396
Hedging derivatives	- 292	- 289
Other financial liabilities at fair value through profit or loss	- 89	- 158
Net interest expense on defined benefit plans	- 4	- 6

Net realised result from financial instruments at fair value through profit and loss (Note 5 in the annual accounts for 2015)

The *result from financial instruments at fair value through profit or loss* is also influenced by MtM ALM derivatives, since 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. The net result from these ALM hedging instruments amounted to 33 million euros (pre-tax) in 1H2016 and 92 million euros (pre-tax) in 1H2015.

Net realised result from available-for-sale assets (Note 6 in the annual accounts for 2015)

In millions of EUR	1H 2015	1H 2016
Total	52	119
Breakdown by portfolio		
Fixed-income securities	40	6
Shares	11	113

The *realised gains on available-for-sale shares* in 1H2016 include the realised gain related to the takeover of Visa Europe by Visa Inc. on the basis of the market value as at 22 June 2016 (99 million euros pre-tax, 84 million euros after tax).

Net fee and commission income (Note 7 in the annual accounts for 2015)

In millions of EUR	1H 2015	1H 2016
Total	1 047	854
Fee and commission income	1 287	1 058
Securities and asset management	715	539
Commitment credit	140	126
Payments	258	275
Other	174	118
Fee and commission expense	- 240	- 203

Other net income (Note 8 in the annual accounts for 2015)

In millions of EUR	1H 2015	1H 2016
Total	93	57
Of which net realised result following		
The sale of loans and receivables	- 1	0
The sale of held-to-maturity investments	1	1
The repurchase of financial liabilities measured at amortised cost	- 8	- 7
Other	101	62
of which:		
Income concerning leasing at the KBC Lease-group	*43*	*32*
Realised gains or losses on divestments	*- 7*	*0*
New law on retail loans (Hungary)	*25*	*0*
Deconsolidation real estate companies	*18*	*0*

Operating expenses (Note 9 in the annual accounts for 2015)

The application of IFRIC 21 (Levies; in force as of 1 January 2015) has as a consequence that certain levies are taken upfront in expense of the first quarter of the year. As a consequence, the figure of the operating expenses in the first half of the year includes the bank levies related to the full year (367 million euros in 1H2016 and 329 million euros in 1H2015). The figure for 1H2016 is also impacted by the negative impact (38 million euros) of the reorganisation of the Belgian Banking taxes (one new banking tax replacing the four existing banking taxes), which is partly compensated by the agreement to register 15% of the contribution to the ESRF in some countries (9 million euros) as an irrevocable payment commitment (booked off-balance as a contingent liability).

Impairments – income statement (Note 11 in the annual accounts for 2015)

In millions of EUR	1H 2015	1H 2016
Total	- 219	- 55
Impairment on loans and receivables	- 211	- 54
Breakdown by type		
Specific impairments for on-balance-sheet lending	- 181	- 33
Provisions for off-balance-sheet credit commitments	5	6
Portfolio-based impairments	- 35	- 27
Breakdown by business unit		
Business unit Belgium	- 129	- 34
Business unit Czech Republic	- 18	- 10
Business unit International Markets	- 44	- 3
of which: Hungary	*- 12*	*3*
of which: Slovakia	*- 5*	*- 7*
of which: Bulgaria	*- 5*	*- 3*
of which: Ireland	*- 23*	*4*
Group Centre	- 20	- 7
Impairment on available-for-sale assets	- 2	0
Breakdown by type		
Shares	- 2	0
Other	0	0
Impairment on goodwill	0	0
Impairment on other	- 6	- 2
Intangible assets, other than goodwill	0	- 1
Property and equipment and investment property	- 5	- 1
Held-to-maturity assets	0	0
Associated companies and joint ventures	0	0
Other	0	0

Income tax expense (Note 13 in the annual accounts for 2015)

In 1Q2016, the income tax expenses were positively influenced by 18 million euros of Deferred Tax Assets (DTA) at KBC Credit Investments. In 2Q2016, an additional net 27 million euros DTA was booked: (i) +47 million euros at KBC Credit Investments and (ii) -20 million euros at KBC Securities.

Financial assets and liabilities: breakdown by portfolio and products (Note 14 in the annual accounts for 2015)

(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, 31-12-2015								
Loans and advances to credit institutions and investment firms [a]	0	2 106	0	11 490	-	-	-	13 596
Loans and advances to customers [b]	0	2 306	0	126 899	-	-	-	129 206
Excluding reverse repos	*0*	*71*	*0*	*126 710*	-	-	-	*126 781*
Trade receivables	0	0	0	3 729	-	-	-	3 729
Consumer credit	0	0	0	2 928	-	-	-	2 928
Mortgage loans	0	28	0	55 017	-	-	-	55 045
Term loans	0	2 278	0	56 083	-	-	-	58 362
Finance leasing	0	0	0	4 512	-	-	-	4 512
Current account advances	0	0	0	4 027	-	-	-	4 027
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	602	-	-	-	602
Equity instruments	410	0	492	-	-	-	-	902
Debt securities issued by	1 799	680	19 782	1 070	27 379	-	-	50 711
Public bodies	1 408	120	14 532	22	27 119	-	-	43 202
Credit institutions and investment firms	192	104	2 945	155	197	-	-	3 593
Corporates	199	456	2 305	893	63	-	-	3 916
Derivatives	8 287	-	-	-	-	514	-	8 801
Other	1	0	0	834	-	-	-	835
Total carrying value	10 497	5 092	20 274	140 294	27 379	514	0	204 051
[a] *Of which reverse repos*								*5 011*
[b] *Of which reverse repos*								*2 425*
FINANCIAL ASSETS, 30-06-2016								
Loans and advances to credit institutions and investment firms [a]	507	6 761	0	15 817	-	-	-	23 085
Loans and advances to customers [b]	18	1 899	0	129 733	-	-	-	131 650
Excluding reverse repos	*18*	*70*	*0*	*129 546*	-	-	-	*129 634*
Trade receivables	0	0	0	3 707	-	-	-	3 707
Consumer credit	0	0	0	3 270	-	-	-	3 270
Mortgage loans	0	27	0	55 851	-	-	-	55 878
Term loans	18	1 872	0	56 345	-	-	-	58 235
Finance leasing	0	0	0	4 781	-	-	-	4 781
Current account advances	0	0	0	5 368	-	-	-	5 368
Securitised loans	0	0	0	0	-	-	-	0
Other	0	0	0	410	-	-	-	410
Equity instruments	402	0	410	-	-	-	-	811
Debt securities issued by	2 174	250	21 432	996	27 113	-	-	51 965
Public bodies	1 796	61	15 717	22	26 866	-	-	44 461
Credit institutions and investment firms	210	0	3 331	151	196	-	-	3 888
Corporates	169	189	2 384	823	51	-	-	3 616
Derivatives	9 102	-	-	-	-	505	-	9 606
Other	0	0	0	992	0	0	0	992
Total carrying value	12 203	8 910	21 842	147 538	27 113	505	0	218 110
[a] *Of which reverse repos*								*15 402*
[b] *Of which reverse repos*								*2 016*

(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, 31-12-2015								
Deposits from credit institutions and investment firms [a]	1	1 123	-	-	-	-	17 827	18 952
Deposits from customers and debt certificates [b]	431	10 916	-	-	-	-	159 527	170 873
Excluding repos	*431*	*2 349*	-	-	-	-	*159 527*	*162 307*
Deposits from customers	57	9 360	-	-	-	-	137 143	146 560
Demand deposits	0	0	-	-	-	-	55 682	55 682
Time deposits	57	9 360	-	-	-	-	28 919	38 337
Saving accounts	0	0	-	-	-	-	50 075	50 075
Special deposits	0	0	-	-	-	-	1 983	1 983
Other deposits	0	0	-	-	-	-	484	484
Debt certificates	374	1 555	-	-	-	-	22 384	24 313
Certificates of deposit	0	10	-	-	-	-	5 222	5 231
Customer savings certificates	0	0	-	-	-	-	1 092	1 092
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	374	1 253	-	-	-	-	12 301	13 928
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	293	-	-	-	-	3 769	4 062
Derivatives	7 533	-	-	-	-	2 191	-	9 723
Short positions	415	0	-	-	-	-	-	415
in equity instruments	58	0	-	-	-	-	-	58
in debt instruments	357	0	-	-	-	-	-	357
Other	0	0	-	-	-	-	1 796	1 796
Total carrying value	8 380	12 039	-	-	-	2 191	179 150	201 760
[a] *Of which repos*								*1 128*
[b] *Of which repos*								*8 567*
FINANCIAL LIABILITIES, 30-06-2016								
Deposits from credit institutions and investment firms [a]	174	3 182	-	-	-	-	20 501	23 858
Deposits from customers and debt certificates [b]	545	6 241	-	-	-	-	169 984	176 770
Excluding repos	*545*	*2 094*	-	-	-	-	*169 701*	*172 340*
Deposits from customers	166	5 079	-	-	-	-	141 737	146 983
Demand deposits	0	0	-	-	-	-	62 373	62 373
Time deposits	166	5 079	-	-	-	-	24 400	29 645
Saving accounts	0	0	-	-	-	-	52 330	52 330
Special deposits	0	0	-	-	-	-	2 172	2 172
Other deposits	0	0	-	-	-	-	463	463
Debt certificates	379	1 161	-	-	-	-	28 247	29 787
Certificates of deposit	1	4	-	-	-	-	9 534	9 538
Customer savings certificates	0	0	-	-	-	-	1 519	1 519
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	378	871	-	-	-	-	12 969	14 218
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	286	-	-	-	-	4 225	4 512
Derivatives	7 760	0	-	-	-	2 120	-	9 880
Short positions	497	0	-	-	-	-	-	497
in equity instruments	59	0	-	-	-	-	-	59
in debt instruments	438	0	-	-	-	-	-	438
Other	1	0	-	-	-	-	3 123	3 123
Total carrying value	8 977	9 423	-	-	-	2 120	193 608	214 128
[a] *Of which repos*								*3 788*
[b] *Of which repos*								*4 430*

Financial assets and liabilities at fair value – fair value hierarchy (Note 20 in the annual accounts for 2015)

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.

				31-12-2015				30-06-2016
In millions of EUR	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Held for trading	1 524	6 634	2 339	10 497	1 913	7 969	2 321	12 203
Designated at fair value	257	4 424	411	5 092	73	8 638	199	8 910
Available for sale	17 810	1 724	739	20 274	19 443	1 629	769	21 842
Hedging derivatives	0	514	0	514	0	505	0	505
Total	19 591	13 296	3 490	36 377	21 430	18 740	3 289	43 459
Financial liabilities measured at fair value								
Held for trading	415	5 901	2 064	8 380	498	6 451	2 029	8 977
Designated at fair value	0	11 445	594	12 039	0	9 022	401	9 423
Hedging derivatives	0	2 191	0	2 191	0	2 120	0	2 120
Total	415	19 536	2 659	22 610	498	17 593	2 430	20 520

Financial assets and liabilities measured at fair value – transfers between level 1 and 2 (Note 21 in the annual accounts for 2015)

In 1H2016, an approximate total amount of 0.1 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 corporate and regional government bonds.

Financial assets and liabilities measured at fair value – focus on level 3 (Note 22 in the annual accounts for 2015)

In 1H2016, the following material movements were observed with respect to instruments classified in level 3 of the fair value level hierarchy:

- In the financial assets designated at fair value category, the fair value decreased by approximately 0.2 billion euros, which is mainly due to the expiry of a CDO note in January 2016.
- In the financial liabilities designated at fair value category, the fair value decreased by 0.2 billion euros, which is mainly due to the expiry of KBC Ifima senior bonds.

Parent shareholders' equity (Note 34 in the annual accounts for 2015)

in number of shares	31-12-2015	30-06-2016
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*
Non-voting core-capital securities	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 KBC Bank NV are held by KBC Group (915 228 481 shares) and KBC Insurance (1 share).

Related-party transactions (Note 37 in the annual accounts for 2015)

	31-12-2015						30-06-2016					
	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Other	Total	Parent enitities with joint control	Subsi-diaries	Associa-ted com-panies	Joint Ventures	Other	Total
Assets	9	272	291	5	2 173	2 750	13	277	274	5	1 577	2 146
Loans and advances	1	133	55	1	1 955	2 146	0	94	50	2	1 427	1 573
Current accounts	1	1	0	0	4	6	0	0	0	0	44	44
Term loans	0	132	55	1	1 952	2 141	0	94	50	2	1 383	1 529
Finance leases	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
Mortgage loans	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	122	47	3	0	173	0	166	50	3	0	219
Trading securities	0	0	0	0	0	0	0	0	0	0	0	0
Investment securities	0	122	47	3	0	173	0	166	50	3	0	219
Investments in associated companies and joint ventures	0	0	179	0	0	179	0	0	166	0	0	166
Other receivables	8	18	10	0	218	253	13	18	8	0	150	189
Liabilities	2 128	719	121	315	1 952	5 235	2 745	468	115	315	1 903	5 548
Deposits	159	581	17	259	1 741	2 757	19	367	14	259	1 744	2 403
Deposits	159	581	17	259	1 741	2 757	19	367	14	259	1 744	2 403
Other	0	0	0	0	0	0	0	0	0	0	0	0
Other financial liabilities	1 944	101	0	0	70	2 115	2 694	101	0	0	27	2 822
Debt certificates	0	101	0	0	70	171	0	101	0	0	27	128
Subordinated liabilities	1 944	0	0	0	0	1 944	2 694	0	0	0	0	2 694
Other liabilities (including accrued expense)	25	37	104	56	141	363	33	0	101	56	133	323
Income statement	- 881	14	- 1	- 4	- 42	- 915	- 370	6	- 1	- 2	- 59	- 426
Net interest income	- 39	- 1	- 1	- 6	- 111	- 159	- 22	- 2	0	- 2	- 99	- 126
Interest income	0	2	1	2	1	6	0	0	0	0	4	5
Interest expense	- 39	- 4	- 2	- 8	- 112	- 165	- 23	- 2	- 1	- 2	- 103	- 131
Dividend income	0	0	0	1	6	8	0	0	0	0	2	2
Net fee and commission income	0	14	- 1	0	87	100	0	6	0	0	42	48
Fee and commission income	0	14	0	0	156	171	0	6	0	0	70	77
Fee and commission expense	0	0	- 1	0	- 69	- 71	0	0	- 1	0	- 28	- 28
Other income	0	2	3	0	1	6	0	1	1	0	2	4
Other expenses	- 842	- 1	- 2	0	- 24	- 870	- 348	0	- 1	0	- 6	- 355
Guarantees												
Loan commitments, financial guarantees and other commitments issued by the group	0	138	6	1	185	329	0	10	1	0	123	133
Loan commitments, financial guarantees and other commitments received by the group	0	0	0	0	0	0	0	0	0	0	0	0

Main changes in the scope of consolidation (Note 40 in the annual accounts for 2015)

In 2015:

- Volksbank Leasing Slovakia was consolidated for the first time in 2H2015: at the beginning of July 2015, KBC reached an agreement to acquire all the shares of Volksbank Leasing Slovakia and its insurance brokerage subsidiary, Volksbank Sprostredkovatel'ska. The deal has no material impact on KBC's earnings and capital (balance sheet total of Volksbank Leasing Slovakia is approximately 170 million euros)
- KBC Bank NV merged with Antwerpse Diamantbank NV and KBC Lease Holding NV in 2H2015 (no impact)
- KBC Bank liquidated KBC Financial Holding Inc. in 2H2015

In 1H2016, there were no material changes in the scope of consolidation.

Post balance sheet events (Note 42 in the annual accounts for 2015)

There were no significant non-adjusting events between the balance sheet date (30 June 2016) and the publication of this report (31 August 2016).

pwc

Report of the accredited auditor to the shareholders of KBC Bank NV on the review of the interim condensed consolidated financial statements as at 30 June 2016 and for the six-month period then ended

Introduction

We have reviewed the accompanying interim consolidated balance sheet of KBC Bank NV and its subsidiaries (collectively referred to as "the Group") as at 30 June 2016 and the related interim consolidated income statement, condensed consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes, comprising a summary of significant accounting policies and other explanatory notes, collectively, the "Interim Condensed Consolidated Financial Statements".

These statements show a consolidated balance sheet total of EUR 230.270 million and a consolidated profit (share of the group) for the six-month period then ended of EUR 923 million.

The Board of Directors is responsible for the preparation and fair presentation of these Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

PwC Bedrijfsrevisoren cvba, burgerlijke vennootschap met handelsvorm - PwC Reviseurs d'Entreprises scrl, société civile à forme commerciale - Financial Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
T: +32 (0)2 710 4211, F: +32 (0)2 710 4299, www.pwc.com
BTW/TVA BE 0429.501.944 / RPR Brussel - RPM Bruxelles / ING BE43 3101 3811 9501 - BIC BBRUBEBB / BELFIUS BE92 0689 0408 8123 - BIC GKCC BEBB

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 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34, as adopted for use in the European Union.

Sint-Stevens-Woluwe, 31 August 2016

The statutory auditor

PwC Bedrijfsrevisoren bcvba
Represented by

Roland Jeanquart
Accredited auditor

Gregory Joos
Accredited auditor

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Other information

KBC Bank, 1H2016

Overview of the loan portfolio

The main source of credit risk is the loan portfolio. 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	31-12-2015	30-06-2016
Total loan portfolio (in billions of EUR)		
Amount granted	174	177
Amount outstanding*	143	146
Total loan portfolio, by business unit (as a % of the portfolio of credit outstanding)		
Belgium	65%	65%
Czech Republic	14%	15%
International Markets	18%	17%
Group Centre	3%	3%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	12 305	11 419
of which: more than 90 days past due	6 936	6 387
Ratio of impaired loans, per business unit		
Belgium	3.8%	3.6%
Czech Republic	3.4%	2.8%
International Markets	29.8%	27.8%
Group Centre	10.0%	8.7%
Total	8.6%	7.8%
of which: more than 90 days past due	4.8%	4.4%
Specific loan loss impairments (in millions of EUR) and cover ratio (%)		
Specific loan loss impairments	5 517	5 200
of which: more than 90 days past due	4 183	3 927
Cover ratio of impaired loans		
Specific loan loss impairments / impaired loans	45%	46%
of which: more than 90 days past due	60%	61%
Cover ratio of impaired loans, mortgage loans excluded		
Specific loan loss impairments / impaired loans, mortgage loans excluded	53%	53%
of which: more than 90 days past due	69%	70%
Credit cost, by business unit (%)		
Belgium	0.19%	0.07%
Czech Republic	0.18%	0.09%
International Markets	0.32%	0.03%
Slovakia	0.32%	0.23%
Hungary	0.12%	-0.11%
Bulgaria	1.21%	0.64%
Ireland	0.34%	-0.06%
Group Centre	0.54%	0.29%
Total	0.23%	0.07%

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Solvency

In millions of EUR	31-12-2015		30-06-2016	
	Phased-in	Fully loaded	Phased-in	Fully loaded
Total regulatory capital, KBC Bank (after profit appropriation)	16 075	16 045	15 676	15 871
Tier-1 capital	12 449	12 346	12 134	12 272
Common equity	10 988	10 941	10 676	10 866
Parent shareholders' equity (excluding minorities)	11 888	11 888	11 890	11 890
Intangible fixed assets (including deferred tax impact) (-)	-213	-213	-217	-217
Goodwill on consolidation (including deferred tax impact) (-)	-630	-630	-626	-626
Minority interests	102	15	10	18
Available-for-sale revaluation reserves (-)	-476	-	-473	-
Hedging reserve (cash flow hedges) (-)	1 163	1 163	1 629	1 629
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	-20	-20	-93	-93
Value adjustment due to the requirements for prudent valuation (-)	-53	-94	-72	-123
Dividend payout (-)	-165	-165	-615	-615
Renumeration of AT1 instruments (-)	-2	-2	-2	-2
Deduction re. financing provided to shareholders (-)	-91	-91	-91	-91
IRB provision shortfall (-)	-171	-171	-167	-167
Deferred tax assets on losses carried forward (-)	-345	-740	-499	-737
Additional going concern capital	1 461	1 406	1 458	1 406
Grandfathered innovative hybrid tier-1 instruments	59	0	52	0
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	2	6	6	6
Tier 2 capital	3 626	3 699	3 542	3 600
IRB provision excess (+)	359	369	364	370
Subordinated liabilities	3 264	3 323	3 170	3 222
Subordinated loans non-consolidated financial sector entities (-)	0	0	0	0
Minority interests to be included in tier-2 capital	3	7	8	8
Capital requirement				
Total weighted risk volume	78 034	79 758	78 846	79 730
Solvency ratios				
Common equity ratio	14.1%	13.7%	13.5%	13.6%
Tier-1 ratio	16.0%	15.5%	15.4%	15.4%
Total capital ratio	20.6%	20.1%	19.9%	19.9%

Details of ratios and terms

Common equity ratio

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

Calculation	31-12-2015	30-06-2016
Detailed calculation under 'Solvency' in the 'Other information' section		
Phased-in*	14.1%	13.5%
Fully loaded*	13.7%	13.6%

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

Cost/income ratio

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

Calculation (in millions of EUR or %)	Reference	1H2015	1H2016
Operating expenses (A)	'Consolidated income statement': 'Operating expenses'	1 810	1 854
/			
Total income (B)	'Consolidated income statement': 'Total income'	3 302	3 118
= (A) / (B)		55%	59%

Cover ratio

Indicates the proportion of impaired loans (see 'Impaired loans ratio' for definition) that are covered by impairment charges.

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Specific impairment on loans (A)	'Overview of the loan portfolio' in the 'Other information' section	5 517	5 200
/			
Outstanding impaired loans (B)	'Overview of the loan portfolio' in the 'Other information' section	12 305	11 419
= (A) / (B)		45%	46%

Where appropriate, the numerator and denominator in the formula may be limited to impaired loans that are more than 90 days past due.

Credit cost ratio

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

Calculation (in millions of EUR or %)	Reference	1H2015	1H2016
Net changes in impairment for credit risks (A) (annualised)	'Consolidated income statement': component of 'Impairment'	211 (x2)	54 (x2)
/			
Average outstanding loan portfolio (B)	'Overview of the loan portfolio' in the 'Other information' section	140 676	145 299
= (A) / (B)		0.30%	0.07%

Impaired loans ratio

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

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Amount outstanding of impaired loans (A)	'Overview of the loan portfolio' in the 'Other information' section	12 305	11 419
/			
Total outstanding loan portfolio (B)	'Overview of the loan portfolio' in the 'Other information' section	143 400	145 572
= (A) / (B)		8.6%	7.8%

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

Leverage ratio

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

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Regulatory available tier-1 capital (A)	'Solvency' table in the 'Other information' section	12 346	12 272
/			
Total exposure measures (total of non-risk-weighted on and off-balance sheet items, with a number of adjustments) (B)	Based on the Capital Requirements Regulation (CRR)	230 558	242 199
= (A) / (B)		5.4%	5.1%

Liquidity coverage ratio (LCR)

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

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Stock of high-quality liquid assets (A)	Based on the European Commission's Delegated Act on LCR	47 300	58 700
/			
Total net cash outflows over the next 30 calendar days (B)		37 150	44 400
= (A) / (B)		127%	132%

Loan portfolio

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

Calculation (in millions of EUR)	Reference	31-12-2015	30-06-2016
Loans and advances to customers (A)	Note 14, 'Loans and advances to customers'	129 206	131 650
-			
Reverse repos with customers (B)	Note 14	-2 425	-2 016
+			
Debt instruments issued by corporates and by credit institutions and investment firms (C)	Note 14, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	7 118	7 125
+			
Loans and advances to credit institutions and investment firms (excluding dealing room activities) (D)	Note 14, component of 'Loans and advances to credit institutions and investment firms '	1 060	1 113
+			
Financial guarantees granted to clients (E)	Note 35, component of 'Financial guarantees given' in the annual report 2015	7 830	7 923
+			
Impairment on loans (F)	Note 17, component of 'Impairment' in the annual report 2015	5 623	5 393
+			
Other (G)	Component of Note 14	-5 012	-5 616
= (A)-(B)+(C)+(D)+(E)+(F)+(G)		143 400	145 572

Minimum requirement for own funds and eligible liabilities (MREL)

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

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Own funds and liabilities that satisfy the requirements of the Bank Recovery and Resolution Directive (with the exception of certain excluded liabilities) (A)	Based on BRRD	28 647	28 657
/			
Own funds and liabilities (B)	'Consolidated balance sheet' (with some adjustments)	217 626	225 323
= (A) / (B)		13.2%	12.7%

Net interest margin

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

Calculation (in millions of EUR or %)	Reference	1H2015	1H2016
Net interest income* (A) (annualised)	'Consolidated income statement': component of 'Net interest income'	1 840 (x360/ number of days)	1 808 (x360/ number of days)
/			
Average interest-bearing assets (B)	'Consolidated balance sheet': component of 'Assets'	176 049	183 126
= (A) / (B)		2.08%	1.95%

* After elimination of all divestments and volatile short-term assets used for liquidity management purposes.

Net stable funding ratio (NSFR)

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

Calculation (in millions of EUR or %)	Reference	31-12-2015	30-06-2016
Available amount of stable funding (A)	-	135 400	141 200
/			
Required amount of stable funding (B)		111 800	114 950
= (A) / (B)		121%	123%

Total assets under management

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

Calculation (in billions of EUR)	Reference	31-12-2015	30-06-2016
Belgium Business Unit (A)	KBC Group company presentation on www.kbc.com	193.8	192.9
+			
Czech Republic Business Unit (B)		8.8	8.6
+			
International Markets Business Unit (C)		6.2	5.6
(A)+(B)+(C)		208.8	207.2

Total capital ratio

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

Calculation	31-12-2015	30-06-2016
Detailed calculation under ‘Solvency’ in the ‘Other information’ section		
Phased-in	20.6%	19.9%
Fully loaded	20.1%	19.9%
